THE EFFECTIVENESS OF OUTSOURCING LOGISTICS FUNCTION IN CONSTRUCTION FIRM A CASE OF INTERBETON COMPANY LIMITED,

By
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A Research Report Submitted to Mzumbe University Dar Es Salaam Business School for Partial fulfillment of the Requirements for Awards of Master of procurement and Supply Chain Management of Mzumbe University

2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University a dissertation entitled. The effectiveness of outsourcing logistics function in construction firm a case study of interbeton company limited, Masters of Science in Procurement and Supply Chain Management of Mzumbe University

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A considerable number of the people played various significant role in making this research dissertation successful

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DEDICATION

This dissertation is a product of human capital is dedicated to the researchers all friends whom for their contribution I have made this work possible
### ABBREVIATION

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>RFI</td>
<td>Request for Information</td>
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<tr>
<td>RFQ</td>
<td>Request for Quotation</td>
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<tr>
<td>GPS</td>
<td>Globally Positioning System</td>
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<tr>
<td>HBG</td>
<td>Hollandsche Beton Group</td>
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ABSTRACT

This study is on effectiveness of outsourcing logistics function in construction firm, a case study of Interbeton Company Limited. Logistics managing and controlling the flow of goods, information and other resource like product, service and people, from the source of production to the customer. Its aim was to find out the strategic reasons for outsourcing, customer satisfaction with regard to the outsourcing logistics function and monitor performance of the service provider. Therefore, concern in this research was on effectiveness of outsourcing logistics in the construction firm in Tanzania, in particular, Interbeton Company Limited. To achieve the objective of this study 25 questionnaires’ were distributed to construction firm and outsourcing firm. Viewed based on 20 respondents were collected including open discussion with several people participating in the construction activities in Interbeton Iringa.

Findings revealed that outsourcing logistics function was faced with several obstacles to their performance. It was noted that poor performance of outsourcing firm, basing on sample taken, and the average performance of the outsourcing firm found to be 75%. This is very high with regard to the importance of the logistics function; factors that influence the poor performance of the outsourcing firm are poor quality of the equipment, poor control, low diesel and salary of the outsourcing firm.

Top management as a major policy maker has contributed to poor performance of the service provider. Therefore a number of suggestions have been presented so as assist outsourcing firm in the Interbeton Company Limited. They include Advance payment in order to bought new equipment and add salary to is employees, elaborate policy and amendment the contract and user department has power to managed the outsourcing firm. If these suggestions are considered, Interbeton Company Limited will improve the production and increase productivity. Their benefit may be reflected in a national economy as well as socio-economy in future.
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CHAPTER ONE

PROBLEM SETTING

1.1 Introduction

Sourcing is the process of identifying, electing and developing suppliers. (Farrington 2006). Outsourcing essentially, is the contracting out of non-core activities. That is to say the activities are unimportant, for example the Government has outsourced much of the computing activity required by various civil service departments and agencies.

The outsourcing Institute has defined outsourcing as the strategic use of outside source to perform activities traditionally handled by internal staff and resource. So outsourcing is not a synonym for purchasing. It is concerned with the external provision of functional activity. (Bailey P Farmer) D & Jones D 2005)

These chapters were the context of outsourcing logistics function in the organization, background to the research problem, a statement of the problem, research question, research objectives, and significance of the study and limitation of the study. All aims at making the chapter to focus on relevant points of the study.

Outsourcing is essential as old as civilization itself. Since the dawn of our civilization, there have been people paying others to do the work they are too busy to do, or unable to do by themselves. This is the foundation of outsourcing.

Outsourcing developed as a reaction to the over diversification of the 1970s and early 1980s. This led many enterprises to review their core activities and concentrate on their core competence, what the organization believe that they do best. What to outsource may be considered under the headings of manufacturing and services (Farrington B 2006)

According to British government market testing program (1993) the activities most easily outsourced are those that are resource intensive (those with high labor or capital costs), relatively discrete, require specialist competences, characterized by fluctuating work patterns in loading and through put subject to quickly changing
markets (for which it is costly to recruit, training and retain staff), subject to rapidly changing technology (requiring expensive investment) Lysons 2006

Logistics refers to the process of ensuring the right items are in the right place at the right time. It actually originated as an aspect of military service, concerned with ensuring that essential supplies, including personnel, were procured from the right sources, and transported to the parts of the front line where they were most needed. Nowadays, although the term is still used by the military, it is much more often found in the business sense.

In order to survive in the face of the competitive pressures that arises from an increasing

Globalization of corporations, organizations today need to perform their activities in the most effective and cost-efficient manner possible. This has led companies to adjust the scope of their activities to only include those at which they are particularly efficient, creating a need to outsource the remaining activities. Whereas the aim of early outsourcing was mainly the short-term reduction of costs, in recent years the focus has moved towards long-term strategic Cooperations. This has led to the emergence of new outsourcing business models (Zhu et al. 2001). In the field of logistics, some areas like shipping and warehousing have a long history of outsourcing for cost-reduction reasons. The new strategically focused logistics outsourcing business model is called contract logistics, is based on a long-term contractual agreement between provider and customer and covers a package or bundle of different services.

Many organizations use outsourcing logistics function to cut costs, improve service delivery and speed up time and market. Success full of outsourcing logistics strategy in not simply cost cutting, it also provides a competitive advantage, and has a powerful impact on corporate growth and financial stability

1.2 Background of the Problem

Interbeton is among the construction firm which perform well at work especially of the road construction and even the construction of the Airport and football ground.
The research was taken in Iringa at Mazombe camp, Kibwabwa camp and Ismila camp where the Logistics function takes place according to the activities performing in that camp.

Mazombe Camp is located 33km before you reach Iringa from Morogoro, it is the camp which produces Asphalt by using the machine called Asphalt Plant in order to produce the Asphalt which have a quality needed by Engineers and Tanroads. Logistics used to transport material needed by the plant.

Kibwabwa camp is the headquarter of the project which located 3km from Iringa town, its work is to produce Culverts, Blocks, Bridge etc., Logistics used for moving materials from different places to the respective camps.

Ismila Camp is located 13km from Iringa town in Mbeya whereby the main Quarry is located, which deals with production of aggregate, dust for producing blocks, culvert etc., Logistics used for moving materials needed in order to produce the product with the quality needed.

In the 1950, most manufacturing companies emphasize mass production to minimize unit of production cost as the primary operation strategy. Outsourcing of logistics function has for the past years become an important issue for many construction firms. Initial only activities that are regarded as of peripheral concern to the business such as clearing, catering and security have been sourced externally. However during 1990s more organization started to outsource critical activities such as logistics, information systems and design, accounting billing service. This has forced organization sourcing from a more strategic perspective.

Interbeton and logistics operation (2000) pointed out that because of the nature of many operations of Interbeton, outsourcing has been considered in strategic and operational perspective. Although the basic concept of logistics is fairly simple, its execution in modern industry can appear increasingly complex. The functions of materials handling, transportation, inventory management, packaging and warehousing are all becoming more technical and in addition all these functions need to be integrated into a single coordinated endeavor. To do this, accurate
information needs to be obtained from each separate function. Nowadays the most efficient way of obtaining and collating this information is through computer software and the science of coordinating the different functions is known as logistics management. This is now a profession in its own right. The terms logistics management and supply chain management are often used interchangeably, although more accurately logistics management is just one component of supply chain management. That lets Interbeton start to look for other private firms to do these services. Its main need was to make logistics service and private ones give better quality services to the organization in order to reduce the problem within the organization and to deal with a core business function which accomplished the objective and goal of Interbeton.

However from different organizations use different supply chain configuration it seems obvious that logistics functions (which are part of the supply chain of one organization) do not necessarily have to be part of the supply chain of another organization, and so doesn’t align with outsourcing driving factors. Hence the logistics functions of an organization could be subdivided according to the three subheadings planning, control and execution, which can be translated as strategic, tactical and operational-level of activities within the organization.

The present study therefore will attempt to find out, from the Interbeton which has resorted most of its logistics functions to outsourcing, factors that contributed to outsourcing most of their logistics functions, the impact on the efficiency of logistics function and finally examine the satisfaction of service to the organization.

1.3 Statement of the problem
A thorough review of the literature on outsourcing indicates that while it may be extensive in its discussion of identifying risks which impacts outsourcing of logistics functions, it is limited in prioritizing these risks for effective risk mitigation. One of the gaps identified in the literature is the lack of prioritizing these risks from a systemic perspective. Prioritization of risks from a systemic perspective includes not only a priority, but also understanding the interactions between the various risks and also understanding the external factors that could affect the prioritization of these
risks. This lack of systemic prioritization of outsourcing risks presents a fundamental challenge in risk management as the need to rank and prioritize risks in an outsourcing project is fundamental and a first step in the risk mitigation process associated with it (Baccarini and Archer, 2001). Therefore, our objective for a practical application for this research is the ability to rate and then rank the outsourcing risks to provide guidance in prioritizing risks and thus in assigning risk mitigation resources from the perspective of the client or the outsourcing organization. The figure of merit for the analysis is the mean values of the risks. Each value, based on which the mean was obtained, is calculated as the product of the probability of occurrence and the impact of occurrence.

Outsourcing is when a company hires another individual of a company to perform a specialized task, whether in making a product or providing a service such as human relations or information technology. Outsourcing means just what it say going out to find the source of what you need.

Tanzania private companies just like the other foreign companies in developing and developed countries are not in a competitive position to successfully outsource either locally or globally. The idea is that outsourcing is not a simple method that a company can easily adopt. It needs income, education, procedure and authority of the government to be followed. All these are major factors of outsourcing. Most companies that outsource chemical and materials need a permit from the Government Chemistry Laboratory Agency especially for frequent materials. There are difficulties that private companies face when managing outsourcing. This involves stiffness of Tanzania Revenue Authority in payment of taxes which are increasing all the times. Also the government has many restrictions for private companies to outsource. Most of the service provider firm’s equipment are not effective because all tracks are not brand new, they are all used cars from Denmark like Scania and Iveco and others from England that cause logistics functions to be inefficient.

Also the salary they pay to their workers are not enough that is why the service are not delivered in time because most of the time drivers spend on the road as they load
more than what they sent to do, they carry others peoples loads in order to get extra money to satisfy their basic needs. This lead to delay and reduction in productivity.

Even when a breakdown of the equipment like trucks for logistics occurs, they do not care of fixing it at the right time that led to the service not to be delivered on time.

Reduction of flexibility with managing service, you gain flexibility through the size of outsourcing company and the ability to focus on strategic issues that impact your core business instead of managing tactical business processes and issues that take place because most of the outsourcing company in Tanzania are not well focus in the core business of the firm only focus on the money they received. Strategically, improved flexibility is just as important as reducing costs when implementing managing service

Dependence on few suppliers it’s easy for our own strategy to be determined by what our suppliers are doing. If we become too dependent, we risk having our strategy set by our suppliers rather than thinking that supporting them our strategy. That's become a difficult for the logistics firms in Tanzania because most of them do not specialize in logistics that means you will not fulfill your objectives and goals of the company.

Redundancy payment here most of the companies use outsourcing logistics function to other firms in order to reduce cost especially in buying equipment, paying salary to the workers, accident and other risk. But those service provider firms are not well preparing in logistics especially in paying for their workers that why the drivers thinks of stealing in order to satisfy their needs, usually they steal diesel, cement and other materials.

Quality of services is a comparison of expectations with performance. A business with high quality will meet customer needs while remaining economically competitive. Improved service quality may increase economic competitiveness. But
it becomes difficult for the logistics firms in Tanzania especially in required skills and knowledge to perform the service. Trustworthiness, belief and honest that usually influenced by company name, reputation and the personal characteristics of the contact personnel. In service delivery, changes can be brought in the service delivery processes, the environment in which the service delivery takes place and improvements in the interaction processes between customers and service providers. Reliability also most of the Tanzanian firms do not have enough ability to promise service in a dependable and accurate manner. The service is not performed correctly on the first occasion, the accounting is not correct, record are not up to date and schedule are not kept.

Responsiveness is also not good for the Tanzania firms especially for the readiness and willingness of the employees to help customers in providing prompt timely service, for example mailing a transaction slip immediately or setting up appointments quickly. Communication especially in a language they are not able to understand and listen. Logistics companies in Tanzania are not good in language because most of the construction firms are from different countries like China, Denmark, Netherlands, that means they used different languages but most of the logistics company in Tanzania are owned by uneducated people who does not understand even English that led to reduce the delivery of good service as expected by the customer.

Security, this is a big problem for most of the logistics firms in Tanzania as many of them do not have enough security for their workers especially in the agreement between the employees and employer that led to create a risk of theft of materials or Diesel that led to the rejection of belief and honest to the logistics firms.

1:3 Objectives of the study

Here the researcher thought about achieving the goal of the research which was closely related to the research problem. The objective of the study was being general objective and specific objective that as follows;
1.3.1 General Objective
The main purpose of this study was to investigate the impact of outsourcing on the efficiency of the logistics function at Interbeton.

1.3.2 Specific Objectives
Specifically, this study sought to:
1. To identify the strategic reasons for Interbeton to resort on outsourcing logistics function.
2. To assess the types of logistics function outsourced by Interbeton in their operation.
3. To examine the overall customer satisfaction with regard to the outsourcing logistics functions.
4. To identify methods used by Interbeton to monitor the performance of the third party logistics service providers.

1.4 Research Questions
1. What are the strategic reasons for Interbeton to resort on outsourcing logistics functions?
2. What are the types of logistics outsourced by the Interbeton?
3. What is the level of customer service satisfaction obtained through outsourcing logistics functions?
4. How Interbeton monitor the performance of the third party logistics service providers?

1.5 Significance of the study
This study was primarily an academic, however, because it has practical value with respect to investigating the reasons for the lack of adoption of an appropriate logistics management system by Interbeton. Thus the study will add to the present knowledge on how outsourcing can add value to the services.
Also outsourcing help an organization to enjoy the latest trend of business, as to offer satisfaction to clients, the company keep adapting the latest form of working style and offer the service accordingly, it helps to enjoy the service that is ahead of the time as well as efficient, so if looking for a much professional service.
The findings and recommendations were beneficial to management, professionals, academician and other interested parties in outsourcing logistics functions.

1.6 Scope of the study
This research concentrated on the general problem of outsourcing logistics function in constructor firm. It is a case study of Interbeton limited that does outsource its logistics function. The study concentrates on the principle, practices and problem arising out when outsourcing logistics function.

1.7. Limitation of the study
There are two foreseeable limitations of this research one is the possibility of the respondent not being cooperative enough in returning questionnaires in time. Second problem can be financed as the researcher finance this research from his own resource which are scanty and whose flow is definitely not adequate given the time span to complete the work. However for time limitation the researcher will exert all effort to closely supervise every step in data collection and analysis with regard to finance, there is no promise that some costs are already paid, the researcher prays that what remains were in his ability to pay.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
The chapter explained how various writers have viewed the concept of outsourcing logistics functions. It will gather information from primary, secondary and tertiary source. At the end, it will outline the theoretical concept of outsourcing as well as empirical findings from various professionals. The review will contain various meanings and categories of outsourcing, ways to handle outsourcing and the role of procurement in outsourcing will be dealt in this chapter.

2.2 Definitions of Key Terms

Contract
An agreement between two or more competent persons or companies to perform or not to perform specific acts or services or to deliver merchandise. A contract may be oral or written. A purchase order, when accepted by a supplier, becomes a contract. Acceptance may be in writing or by performance, unless the purchase order requires acceptance in writing.

Contract Administration
Managing all aspects of a contract to guarantee that the contractor fulfills his obligations.

Core Competency
Bundles of skills or knowledge sets that enable a firm to provide the greatest level of value to its customers in a way that's difficult for competitors to emulate and that provides for future growth. Core competencies are embodied in the skills of the workers and in the organization. They are developed through collective learning, communication, and commitment to work across levels and functions in the organization and with the customers and suppliers. A core competency could be the capability of a firm to coordinate and harmonize diverse production skills and
multiple technologies. To illustrate: advanced casting processes for making steel require the integration of machine design with sophisticated sensors to track temperature and speed, and the sensors require mathematical modeling of heat transfer. For rapid and effective development of such a process, materials scientists must work closely with machine designers, software engineers, process specialists, and operating personnel. Core competencies are not directly related to the product or market.

**Distribution**
Outbound logistics, from the end of the production line to the end user. The activities associated with the movement of material, usually finished goods or service parts, from the manufacturer to the customer. These activities encompass the functions of transportation, warehousing, inventory control, material handling, order administration, site and location analysis, industrial packaging, data processing, and the communications network necessary for effective management. It includes all activities related to physical distribution, as well as the return of goods to the manufacturer. In many cases, this movement is made through one or more levels of field warehouses. Synonym: Physical Distribution. The systematic division of a whole into discrete parts having distinctive characteristics.

**Import**
Movement of products from one country into another. The import of automobiles from Germany into the US is an example.

**Inbound logistics**
The management of materials from suppliers and vendors into production processes or storage facilities.

**Integrated Logistics**
A comprehensive, system-wide view of the entire supply chain as a single process, from raw materials supply through finished goods distribution. All functions that make up the supply chain are managed as a single entity rather than managing individual functions separately.
Key Performance Indicator (KPI)
A measure which is of strategic importance to a company or department. For example, a supply chain flexibility metric is Supplier On-Time Delivery Performance which indicates the percentage of orders that fulfilled on or before the original requested date.

INCOTERMS
International terms of sale developed by the International Chamber of Commerce to define sellers' and buyers' responsibilities.

Logistics
The process of planning, implementing, and controlling procedures for the efficient and effective storage of goods, services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements. This definition includes inbound, outbound, internal, and external movements.

Logistics Management as defined by the Council of Supply Chain Management Professionals (CSCMP)
Logistics management is that part of supply chain management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customers' requirements. Logistics management activities typically include inbound and outbound transportation management, fleet management, warehousing, materials handling, order fulfillment, logistics network design, inventory management, supply/demand planning and management of third party logistics service providers. To varying degrees, the logistics function also includes sourcing and procurement, production planning and scheduling, packaging and assembly, and customer service. It is involved in all levels of planning and execution - strategic, operational, and tactical. Logistics management is an integrating function which coordinates and optimizes all logistics activities with other functions, including marketing, sales, manufacturing, finance, and information technology.
Outbound Logistics
The process related to the movement and storage of products from the end of the production line to the end user.

Outsource
To utilize a third party provider to perform services previously performed in house. Examples include manufacturing of products and call center/customer support.

Physical Distribution
The movement and storage of finished goods from manufacturing plants to warehouses to customers; used synonymously with business logistics.

Purchasing
The functions associated with buying the goods and services the firm requires.

Reverse Logistics
A specialized segment of logistics focusing on the movement and management of products and resources after the sale and after delivery to the customer. Includes product returns for repair and/or credit.

Supply Chain
Starting with unprocessed raw materials and ending with the final customer using the finished goods, the supply chain links many companies together. (2) The material and informational interchanges in the logistical process, stretching from acquisition of raw materials to delivery of finished products to the end user. All vendors, service providers, and customers are links in the supply chain.

Supply Chain Design
The determination of how to structure a supply chain. Design decisions include the selection of partners, the location and capacity of warehouse and production facilities, the products, the modes of transportation, and supporting information systems.
Supply Chain Management (SCM)

Supply chain management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across companies. Supply chain management is an integrating function with primary responsibility for linking major business functions and business processes within and across companies into a cohesive, high-performing business model. It includes all of the logistics management activities noted above, as well as manufacturing operations, and it drives coordination of processes and activities with and across marketing, sales, product design, finance, and information technology. — As defined by the Council of Supply Chain Management Professionals (CSCMP)

2.3 Theoretical bases of the study

In developing the theory base for the analysis, the researcher has concentrated on previous research about interrelated functions in logistics systems and on previous findings on the processes involved in joint outsourcing logistics activities [1].

Logistics as a functional system In general, a functional system can be defined as a collection of interrelated objects and the therefore interrelated activities in which these objects are engaged" (Granzin and Bahn, 1989). Research on modern functional logistics systems can be traced to the work conducted by De Hayes and Taylor (1974), who concluded that logistics systems were critical in providing the customers' time and place utilities associated with every final product. Bowersox (1974) complemented these concepts by noting that the conceptualization of logistics as a functional system is crucial to improving the efficiency in the flow of goods and information and to meeting low-cost, fast, and reliable delivery objectives within a firm and throughout a network of firms. According to Bowersox, a system of logistics functions can be divided into five broad areas:

1. Facility location;
2. Transportation;
More recently, Novack et al. (1992) updated Bowersox’s logistics framework by highlighting some of the misconceptions associated with a purely functional view of logistics activities. According to Novack et al. (1992), a linear functional sequence obscures major logistics objectives and complicates the management of logistics processes. Novack et al. (1992) recommended a classification framework in which the optimization of the logistics systems takes precedence over the optimization of individual logistics activities. Novack et al. (1992) introduced a new dimension to Bowersox’s framework. As Figure 1, Part A shows, this new dimension divided all logistics activities into two categories. The first category includes the physical activities that are required to create forms, time, and quantity utilities of customer need” (Novack et al., 1992, p. 234). These activities encompass inventory, transportation, and customer service operations. The second category includes the transaction activities that follow or initiate the physical activities previously presented” (Novack et al., 1992, p. 234). The activities in this category are centered on transaction negotiation areas (i.e. The interaction between firms through the purchasing of inbound materials, supplies, and products) and order cycle management areas (i.e. The management and control of information flows necessary to create customer service in the logistics system). Authors such as Granzin and Bahn (1989) and Sharma et al. (1995) also refined Bowersox’s work by applying the conceptual foundations of Bowersox’s model to decisions and activities of consumers within a logistical framework (Figure 1, Part B). Grandson and Bahn's research contributed to the logistics research by identifying direct links between logistics operations and the final consumption of goods, i.e. Through the provision of customer service, and by introducing a new customer-oriented logistical interface into the model.

Finally, authors such as LaLonde and Auker (1973), Langley et al. (1988), and Stock (1990), complemented previous research on functional logistics systems by
highlighting the role of logistics information systems as operational and strategic enablers in multiple areas of the firm's supply chain. LaLonde and Auker (1973) detected that information technology was shifting from being an enabler of operational and material handling functions to being an enabler of decision-making and activity-planning functions within the supply chain's transportation and distribution area. Langley et al. (1988) established that computer technology had become increasingly linked to the planning, implementation, and control of traditional inventory activities such as product receipt, storage, order picking, and shipping. Stock (1990) found that many firms were able to reduce warehousing costs by routinely using information technology in their warehousing operations. These cost reductions were mainly attributed to the substitution of highly coordinated flow of information for assets (e.g. Inventories, facilities and equipment).

Functional integration in logistics outsourcing A majority of authors have concluded that, in general, effective outsourcing processes of individual or multiple logistics functions are driven by potential improvements in customer satisfaction ± in terms of time, place, and form utilities ± and cost effectiveness ± as a result of a more effective use of financial resources in the development of core competencies (Fawcett and Fawcett, 1995). Researchers also agree that in integrating outsourced logistics functions across multiple functional area firms can contract processes as opposed to discrete

The contracting of processes allows firms not only to streamline their flows of goods and information in their supply chains, but also to reduce costs associated with asset ownership, the monitoring of performance, and the hiring, management, and training of personnel (Maltz and Ellram, 1997). In essence, companies outsource clusters of non-core activities that create strategic subsystems. Firms outsource the activities in these clusters because the activities have a joint impact on what customers perceive are important product attributes and because the activities in these clusters share highly specialized operational skills, physical assets, processes, technologies, and transactional information enabling the achievement of economies of scale (Venkatesan, 1992). In translating these findings to the context of the logistics
systems, we hypothesize that: firms will tend to outsource clusters of functions with
the objective of achieving improvements in their logistics performance. For
example, firms may jointly outsource logistics functions such as order processing,
product returns, packaging, and shipment planning to better react to market demands
and to maintain economies of scale arising from integrated customer delivery
processes and consolidated customer orders (Alderson, 1957; Bucklin, 1965; Pine,
1993; Lee and Tang, 1997). Furthermore, there is expectation that the coordination
of flows of information and goods across the supply chain will play an important
role in the logistics outsourcing strategies of firms. An efficiently coordinated flow
of logistical information will make a firm more responsive to customer requests and
will build greater customer loyalty and better customer-firm relations (Stock, 1990).
Thus, our second hypothesis is that firms outsource groups of transactional functions
across transportation, inventory and customer service areas. We also believe that
firms will outsource groups of physical logistics activities. A coordinated flow of
goods will facilitate the integration of pricing, transportation, and inventory planning
activities throughout the firm’s supply chain (Lee et al., 1997). Often, however, the
major difficulty in achieving such coordination lies on the capital asset
commitments that firms must make. The outsourcing of clusters of activities leading
to a coordinated flow of goods will allow firms not only to avoid extensive capital
asset commitments, but also to achieve lower ordering costs for raw materials and
parts, and lower inventory carrying and stock-out expenses. Furthermore, the
outsourcing coordination of flows of goods will allow for economies of scale and
economies of scope that might not be feasible otherwise (Lee et al., 1997). For
example, by consolidating loads from multiple suppliers or distribution centers
located near each other, a third-party logistics provider can realize full truckload
economies without having truckload components originating from the same supplier.
Similarly, a third-party logistics company can utilize frequent (on a daily basis)
truckloads to deliver to customers in common geographic areas. Thus, our third
hypothesis is that firms partnering with third-party logistics providers will be
interested in integrating their services across logistics areas that are linked by active
flows of goods.
In addition, it is expected that the outsourcing of information systems will play a central role in regulating the flow of information to and from customers and in optimizing the internal flow of information across the transactional areas of the logistics system (Juga, 1996). As Greis and Kasarda (1997) indicated, logistics information systems have the power to create economies of conjunction, which are derived from the occurrence of multiple events and transactions (e.g. Customer ordering, freight payments, and shipment planning) at a single time and place. For many firms, however, the direct costs of acquiring comprehensive and complex logistics information technology can almost never be economically justified from a short-term perspective. In many cases, firms choose to contract the operation of their logistics information systems with third-party logistics providers in order to realize the economic benefits associated with logistics information technology without extensively investing in capital assets and human resources (Drucker, 1993). Our fourth hypothesis is, therefore, that firms will integrate the outsourcing of logistics information systems with the information flows across transactional functions such as inventory management and shipment planning. Finally, we anticipate that in order to achieve economies of scale, improve delivery performance, and expand geographic coverage, firms will outsource bundled transactional and physical functions within transportation, inventory, and customer-service areas (hypothesis 5). Indeed, functions in these areas share complementary routine operations such as the stocking of finished goods and the planning of inventory and shipping requirements. Furthermore, the functions have complementary capital assets such as warehouses and vehicles and share technological tools such as databases and data and material transmission channels.

The concept of logistics in its modern form dates back to the second half to the 20th century. Since then, it has developed into a widely recognized discipline of significant importance to both theory and practice. This development is not yet completed; however the debate on the true meaning of logistics and its exact specifications is still ongoing, especially in the logistics industry it becomes apparent that neither a standardized logistics concept nor a consistent notion of
logistics exists. While some reduce their understanding to simple transporting, handling, and warehousing operations, others view logistics more broadly as a management function.

Logistics literature supports this finding of notional heterogeneity with a multitude of different logistics definitions. Especially recognized is the 2005 definition by the Council of Supply Chain Management Professionals (CSCMP 2005, p. 63), where logistics management is seen as part of supply chain management (SCM). “It is the part that plans implements, and controls the efficient, effective forward and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customer’s requirements.”

This definition directly refers to the importance of economical considerations (efficiency, effectiveness) and at the same time underscores the functional character of logistics.

Purchasing also called procurement is the process by which companies acquire raw materials, components, product, services or other resource from supplier to execute their operation. Sourcing is the entire set of business processes require to purchase goods and services. In contrast, a firm outsource if the firm hires an outside firm to perform an operation rather the most significant decision is whether to outsource the function or perform it in-house. Outsourcing is one of the most important issues facing a firm and actions across industries tend to be varied. Outsourcing a logistics function is a concept of optimize efficiency of an organization, getting access to specialized skills efficiency delivery and value for money.

In today’s world of ever increasing customer satisfaction and add value, organization is forced to look for new ways to increase level of providing better services.

The world has embraced the phenomenon of outsourcing and organizations have adopted its principle to help them expand into operations. Strategic management of outsourcing is perhaps the most powerful tool in management and outsourcing of innovation is its frontier (Quinn 1995)
**Concept of outsourcing**

Outsourcing is a management strategy by which an organization delegates non-core function to specialized, efficient, external providers (Lyons and Farrington, 2006). The traditional outsourcing emphasis on tactical benefits like cost reduction (for example cheaper labor cost in low cost countries), have more recently been replaced by productivity, flexibility, speed and innovation in developing business application and access to new technologies and skill (Greer, Youngblood and Gary 1990, Bacon 1999); Outsourcing is viable business strategy because turning non-core function over to external provider enable organization to leverage their resource, spread risk, and concentrate on issue critical to survival and future growth. The outsourcing of logistics functions to patterns, known as third party logistics providers have increasingly become a powerful alternative to the traditional, vertical integrated firm Coyle al (2006).

**Benefits of outsourcing**

By outsourcing the organization can benefit on following 32 aspects: ([http://www.mdfsysters.com/artuman/publish/article-19.shtml](http://www.mdfsysters.com/artuman/publish/article-19.shtml)): Reduce overheads, free up resource, minimize capital expenditure; eliminate investment in fixed infrastructure; offload non-core functions; Redirect energy and personnel into the core business; Free scarce resource for mission critical projects;

  * Get access to specialized skills; Reduce need for internal commitment of specialists;
  * Save on manpower and training costs, Control operating cost, Improve efficiency through economies of scale; Improve speed and service; level out cyclical or seasonal fluctuation; Eliminate peak staffing problem; Provide the best quality services, product and people; Be reliable and innovative; Provide value added service; Increase customer satisfaction.

(James R 2001) stresses technology as a benefit that has an impact on all facets of business, but in the logistics area the impact has truly been significant. The diffusion of technology is changing the way companies do business and the way firm relates to customers and suppliers.
Computers, internet, information and communication systems are being increasingly used in the ever logistics activity, including transportation, warehousing, order processing, material management, purchasing and procurement. Traditional methods of managing logistics activities provide inadequate in today fast paced economy and executives have been forced to innovate. If the firm does not respond appropriately, they may face loss of market share, creating for themselves positions of competitive disadvantages. Fortunately assistance is available due to recent innovations and development in technology. Other benefits are related marketing virtual corporations. It is believed that where outsourcing logistics is properly utilized it can bring enormous benefit to the commercial firm as well by creating new capabilities, reducing costs and enhancing core competencies without distractions from ancillary and support functions (Kevin D).

In a 1998 survey by the US Council of the state Governments, respondents were asked the reasons they used public-private partnership over the past 5 years. The result were followed:

- Cost saving 40.9%
- Lack of in-house personnel and expertise 32.5%
- Lack of State support of political leadership 30.8%
- Flexibility and less red tape 23.8%
- Speedy implementation 21.4%
- Increased innovation 20.4%
- High quality of services 18.4%

**Strategies for outsourcing**

Procedures to be followed on outsourcing for both goods and services whether the purchaser is of a private sector or a public department by using tendering process. This helps most of the firm to compete each other in order the process to be fair and transparent for all competitors also help the firm to reduce the cost because will select the firm with lowest cost and which produce the product with high quality.
Identifying services required
A service of the highest quality should be rendered at the right time. Taking other factors constant, a service which cannot be delivered or rendered as and when required can create inconveniences in the organization (Kilima, Journal Issue 2003) The most important factors are that the service providers are clear on what basis they should be quoting for the service, so that they do not base all of their effort and analysis on determining a solution that is inappropriate to the user.

Selecting a third party logistics service provider
Deciding to use a third party logistics company is a decision that depends on a variety of factors that differs from business to business. The decision to outsource certain business functions will depend on the company’s plans, future objectives, product line, expansion, acquisition, etc. Once a decision has been made to outsource certain processes then a company will begin a search for the right 3PL that fits all their requirements at the best possible price. There are three types of Third Party Logistics Company that operate today. Namely Asset Based, Management Based and Integrated Providers

Asset based third party logistics companies’ use others trucks, warehouses and personnel to operate their business, this type of outsourcing usually used by the government especially in our country (Tanzania) to use the asset of another company in order to fulfill their needs.

Management based companies provide the technological and managerial functions to operate the logistics functions of their clients, but do so using the assets of other companies and do not necessarily own any assets.

Integrated Providers can either be asset based or management based companies that supplement their services with whatever services are needed by their clients. This used most in technology because all time technology change because of the globalization and to be update that means you must train you workers in order to deal with that new software by outsourcing other company to training your staff.
When selecting a 3PL, the request for information (RFI) or quotation (RFQ) should be as detailed as possible. The company that is selected should be able to fulfill all the logistics requirements and that can only be assured if every requirement is communicated to potential companies. The RFI should include a detailed description of the areas to be outsourced. This will usually include:

- The scope of the contract, including locations, facilities, departments.
- Information on volumes involved, number of deliveries, warehouse sizes, number of items, etc.
- The logistics tasks are to be performed, e.g. Warehousing, transportation, etc.
- The level of performance required.

Lyons and Farrington (2006) mentioned that Outsourcing is not, however without its problem. It can be up to two years before an organization begins to benefit from any saving. Some problem associated with outsourcing are as mentioned below: overdependence on supplier and service providers; cost escalation; lack of supplier flexibility; lack of management skills to control suppliers; poor quality services; reduction of flexibility, difficulties in coordinating different suppliers, redundancy payment, requirement of extra training; communication with suppliers and service providers.

One of the frequent risks of outsourcing is breach of privacy information in its report on public sectors, outsourcing and risks to privacy, the office of information and privacy commissioner Alberta, Canada 2006 who researched on the laws, practices and risk arising from outsourcing information and communication technology function.

**Strategic Outsourcing**

In strategic outsourcing an organization may outsource an entire service, product, and a product line, or an entire plant for strategic value. A question one might ask is does strategic outsourcing actually benefits an organization. Will it really benefit the organization in the long run? Many large multinational companies have chosen
outsourcing as a strategic business decision to accumulate tangible and intangible benefits in the near future as well as in the long run. Outsourcing is best adopted after carefully looking at ones business needs and available options. It is vital that the outsourcing relationship will provide strategic business benefits in the future. Outsourcing does in fact provide companies and organization competitive strategy benefit in a number of ways. It enables ease of management, less manpower, reduction in cost, and frees up internal resource (Lonsdale, Cox, 1998) Core competencies are skill or knowledge set, not product or functions. They are flexible, long term platform - capable of adapting or evolution, limited in number and unique source of leverage in the value chain. Furthermore they are areas where the company can dominate and element important to the customer in the long run and final embedded in the company’s system or culture.

In one of the popular definition, logistics is defined as the process of planning, implementing and controlling the efficient, effective flow and storage of goods, services and related information from point of origin to the point of consumption for the purpose of conforming to customer requirements.

Within this process there are key logistical activities that facilitate the above flows. They are customer service, ensuring the right product is at the right place at the right time, demand forecast and planning, determining the quality to be ordered, inventory management, balancing inventory level to achieve high customer service levels, communication technology, linking suppliers to customers demand pattern to facilitate Just In Time product replenishment, materials handling, minimizing the movement of raw materials, work in process and finishing goods, Order processing, Using e-commerce to facilitate information exchange, Purchasing Selecting the best mode of transportation (air, rail, water or truck), Warehousing locating and designing facilities to meet customer service levels.

2.2 Empirical Studies
Many studies conducted by researchers at different time and in different places, verified the effectiveness of outsourcing logistics function in order to increase the
performance of the firm. For instance the study conducted by Lee, et al. (1997) found that the largest single concern in strategic outsourcing in the giving up of control of the process or product. The risk involved can result in to the decrease of quality, delayed deliveries, poor production, theft of proprietary designed or process, and unintentional creation of a competitor. This is just the case of Lee, et al 1997 which bases in an outside country that’s showing the effectiveness of outsourcing logistics function to the increase of performance of the firms. It does not reflect to our country because most of the infrastructures in our country are not well in order to reduce that risk. Thus this study is going to assess the effectiveness of outsourcing logistics function in the construction firm.

The studies conducted by Langley and Allen (2000), these two people suggest the effectiveness of outsourcing logistics function by concluding that outsourcing is not a short term endeavor. Although it can, and frequently does, provide companies both long and short term gains, all in all selecting the one which creates value for the company especially in core business processes, rather than selecting one that can provide you with the lowest prices. Even though the study was conducted in developed country, the purpose of this proposed study is therefore going to evaluate the effectiveness of outsourcing logistics function to our country Tanzania in order to improvement of the performance and reduction of the cost.

Frayer, Scannel, Thomas, Klaas, McGlendon and Gainey, Frayer et al (2001), to observe the exactly effectiveness of outsourcing logistics function found that in order for an outsourcing strategy to work effectively, companies must proactively manage their outsourcing strategies by establishing a top management commitment, global sourcing structures and processes. The study can also reflect the same effectiveness to the Tanzania’s firms. Where it is the purpose of this study to go and discover such effective in Tanzania environment.

Klaas et al (2001), suggest that the influence of organizational characteristics has different effects on various types of outsourcing and activities outsourced. As such, it appears that many factors such as pay level, promotional opportunities and demand uncertainty should be considered when deciding to outsource functions or
activities. In this study hence the assessment of various types of outsourcing activities provided to all workers in Interbeton head office and their relation to organizational objectives will be conducted.

The empirical studies showed that the money spent, time spent in finding the best service provider firm on outsourcing logistics function can provide the biggest return to an organization's performance. This may be truer today than at any time in the past century. This is because of the competition, technological changes and the research for improving productivity, increasing skills demands on staffs. This creates a knowledge gap to be fielded in this study that to what extent Tanzania’s firms need outsourcing logistics function for their performance improvement, and in which logistics is more correct in Tanzania settings. 

Farrington, B 2006 state that outsourcing is not, however without its problem. It can be up to two years before an organization begins to benefit from any saving and in some cases the whole process is cost neutral. Some problems associated with outsourcing are

- Reducing of flexibility
- Dependence on new suppliers
- Communication with suppliers
- Redundancy payment
- Quality of services

Even though the study is very depended to the developed countries, it can also reflect the same effectiveness to the Tanzania’s firms. Where it is the purpose of this study to go and discover such reality in Tanzania environment.

The empirical studies show that outsourcing logistics function help to improve organization revenues that means of reducing cost. Quinn 1995 provided the evidence of this through his research with emphasis that outsourcing increase customer satisfaction and add value in order to provide better services.

According to Alberta information and privacy commission, unless the contracts for outsourcing are carefully designed i.e. Are made error-tight and its practice tightly monitored and controlled by local staff. Risk will turn to client’s costs. It may be also reflect to the Tanzania’s firms. Thus this study is going to assess the truth of the
effectiveness of outsourcing logistics function in order to increase the performance of the organization in the construction firms.

The General conclusion of those Empirical findings; show that there is no any specific study conducted in Tanzania concern on outsourcing logistics function to the improvement of the performance of the firm as suggested by different scholars. This creates the gap to the field in Tanzania, that is why this proposed study is going to assess the effectiveness of outsourcing logistics function in the performance improvement of construction firms like Interbeton.

2.3 Conceptual Framework

The researcher proposed to assess the challenge of outsourcing logistics function to other firms, whereby research objectives will be achieved by answering research questions as stipulated in chapter one through questionnaires, observation, interview and secondary data.

Basing on the objectives, the researcher intended to assess the challenges of managing outsourced activities where outsourcing logistics functions are more cost full compared with the use of external resource outside the organization. Through the literature review the researcher conceptualized that outsourcing logistics function (find out cheaper labor, find out the material outside which have less cost) enable minimization of the company cost in their daily activities of the company. The variations of the study are related in the following manner as illustrated
Figure 2.1 Preliminary Framework of Logistics Outsourcing Decision

Source: Researcher Construct, 2013
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction
This section presents a description of the methods the researcher used for the completion of this study. It consists of research paradigms, research design, types and procedures, areas of study, reliability and validity, data management and analysis, and limitation of the study.

3.2 Research Paradigms
Paradigms or school of thought in research scholarship is accepting ways of looking reality and the consequent approaches/methods to generate knowledge that is held by a group of intellectuals who have wide influence in that subject area. The basic premise behind the paradigms is based on how people view reality Fulimbi, (2008) Shaugtruess, (2000) says research paradigms are approached used by the researcher in data analysis. Generally these are two versions of research paradigm namely:

i) Positivism – Statistical and Quantitative approach
This is a natural science approach. The methods and techniques tend to specialize in quantities in the sense that numbers come to represent values and levels of theoretical and conceptual contraction. The interpretation of the number is viewed as scientific by how hour a phenomenal work.

ii) Phenomenology – Qualitative method
This approach tended to specialize in qualitative data than quantitative data, the method takes on board human behavior through respondent, description of how they Perceive states of affairs surrounding the problem under the study of the research question.

Here a researcher used research paradigm in order to determine the behavior of persons around the department or organization of Interbeton also paradigms helped in drawing a framework which helped to determine perceptions and shapes researcher understanding of how things are connected.
Phenomenology approach this philosophy used in the research in order to determine the reality of the trucks used in moving materials even to understand the human that mean the staff around the organization. There are two types of research paradigms which include positivism and interpretive. The researcher used positivism paradigm because first the study is observed and measured and second can be replicated and generalized.

- The researcher also used positivism because first the study is observed and measured and second can be replicated and generalized.
- Positivism is the view that serious scientific inquiry should not search for ultimate causes deriving from some outside source but must confine itself to the study of relations existing between facts which are directly accessible to observation.

3.3 Research Design (strategy)
A case study design was used by the researcher due to the reasons that it allowed the researcher to use multiple data collection methods which are questionnaires, interviews, observation and internet. A case study involves an in-depth study where the nature and definition of the problem happened to be the same experienced in the current situation. It specified how each activity should be conducted to accomplish the research objectives, which include specifying the information required for the respondent in Interbeton, design the instrument which helped to collect data easy and efficiency, selecting the sample from 25 respondents in Interbeton. Also the strategy allowed intensive investigation of the problem based on the time available and financial resource allocated to this research problem.

3.4 Area of the study
The researcher used the Interbeton Company Limited which is the construction firm located in Iringa region as a research population where the study was conducted. The rationale for selecting this sector are that, the sector is responsible for ensuring that the service provided is adequate, efficient and effective and it gave a directive
on how to overcome the challenges in outsourcing of logistics function. The study did cover the department which is practicing these reforms

3.5 Types of Data
In this research, the researcher used two types of data that is primary which use the interview and the questionnaire method in collecting data and in secondary data the researcher used observation method in collecting data.

3.5.1 Primary data
The researcher used questionnaires, interview and observation in the collection of primary data because these methods when applied usually save the time and they are good at keeping records and give the respondent the freely of reply the question that led to the accuracy of answer over time.

3.5.1.2 Interview
The interview is a face to face encounter in which the researcher did ask questions to the respondents and recorded the answer, employees become freely because it allow the interaction between the two or more individuals with a specific purpose in mind this is better to the top management. See at appendix (II)

3.5.1.3 Observation
The researcher used this method in order to record the data which replying by respondents were expected to answer the question usually are 25 respondents either by filling the questionnaires or responding interviewer. As these respondents vary in authority in the contracting process, their observation did also vary depending on authority and responsibility.

3.5.1.4 Questionnaires
Is among the instruments which I have used in collecting data from the respondent that is fast, cheap and give the respondent an ample time to reflect on the question. I have used open and closed question in order to allow the respondent to be freed.
The researcher prepared two sets of questionnaires to collect data for this study. The first set is for employees of Interbeton in logistics department, the second to other staff out of logistics function like in Asphalt plant, Stabilizer, Concrete Aggregate, Quarry. See at appendix 1

3.5.2 Secondary Data
These are data which a researcher has collected from different documents like the policies of Interbeton especially in outsourcing the logistics function, contract document between service provider and Interbeton, other books in the different library, Circulars memos, internet, regulation as well as journal information written in respect of outsourcing logistics function in the construction firm.

Also in this study secondary data were collected from statistic registration, records and report published in newspaper and magazine.

3.5.3. Sampling techniques
The target population of the study was the employees of Interbeton particularly those working in the logistics department and other staff working in the different camps like in quarry, asphalt, stabilizer etc.

The sample frame employees and management of Interbeton. The study was conducted in Mazombe camps, Ismila camps and Kibwabwa camps in Iringa region.

Sample and sample size
The researcher used about 25 sample size (employees) from Interbeton, 5 from Kibwabwa camps, 10 from Mazombe camp, another ten from Ismila camp. The total size sample expected was 27. And another 2 sample from the service provider company.

Sampling procedures
- To be able to determine the correctness of respondents to questionnaires, interviews and observation, the researcher used Stratified Sampling Procedure. Which is that random samples from each stratum are drawn and
studied and separately along the same variable (Mugenda and Mugenda 2003)

- The reason for using stratified sampling is that, the respondents are of different authority levels and thus hold information with different classifications.
- I asked questions to all respondents as indicated in the following table

### Distribution of respondent per category in the office

<table>
<thead>
<tr>
<th>S/N</th>
<th>Department</th>
<th>No. Of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Decision Maker</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>User Department in all sites</td>
<td>10</td>
</tr>
<tr>
<td>3.</td>
<td>Supervisor</td>
<td>10</td>
</tr>
<tr>
<td>4.</td>
<td>Operation staff</td>
<td>4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>25</strong></td>
</tr>
</tbody>
</table>

The sample therefore was sampled from the group of respondents having data relevant to the study.

The representation of perceived group in the sample is being given:

\[ X = \frac{p_n}{N} \]

Where by
- X = number of respondents included in the sample from group P
- P = Number of employees in the group P
- A N = Total research population comprising employees from all groups
- n = Sample size

The research group was management, procurement specialist and employees of both public and private on the service procured.

### 3.6 Analysis of Data

The researcher used computer in order to clean the data and to analyze them by creation of a table and chart. Because the data are both secondary and primary, a researcher used both qualitative and quantitative methods. Table and chart were used to describe data this because the answer were expert to be descriptive answer.
CHAPTER FOUR
FACT FINDING AND ANALYSIS

4.1 Introduction
This chapter analyzes, interprets and discusses the findings of the study. This study aimed at investigating on factors leading to outsourcing logistics functions in the construction firm which is Interbeton company limited. All respondents of this study are from Interbeton Company limited most of them are from user departments who gave the researcher accurate answers concerned with outsourcing logistics functions. Also from top management which made the contract with outsourced firm. The presented data based on the interview, questionnaires, field observation as well as check list results. The obtained data were presented in table. Also the data analysis was done using a computer. This involved drawing the tables and because the data are secondary and primary, qualitative and quantitative methods were used.

4.2 Respondent profile
A total number of 25 questionnaires were distributed. Out of these questionnaires only 20 were fulfilled properly and returned. Therefore, the received questionnaires were 88 percent which was a good percentage for the purpose of the research. Therefore, this chapter presents the data analysis and discusses the funding obtained from the field

4.2.1 Gender of Respondents
Purposive sampling was used in this study in order to select appropriate respondents who were confident and willing to respond to the research question. Even purposive sampling was used but the gender issue was considered in this study as were distributed.

Distribution of respondent by gender
Gender composition helped to explain and determine various actions of employees such as position in the department. Table 2 shows that the number of males responded was 12 (56.82%) and female 8 (43.18%). Table 2 illustrates
Table 4.1 Distribution of Respondents by Gender

<table>
<thead>
<tr>
<th>S/N</th>
<th>Category</th>
<th>Number</th>
<th>Percentage of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Male</td>
<td>12</td>
<td>56.82%</td>
</tr>
<tr>
<td>2</td>
<td>Female</td>
<td>8</td>
<td>43.18%</td>
</tr>
</tbody>
</table>

Source: field data, 2013

The results from the study indicated that the number of females was low compared to the number of men. This is because a number of females was not confident and was shy whereas male were more confident. In Interbeton gender is not fairly balanced with 56.8% being male and 43.1% being female. That means the data collected concerning with outsourcing logistics were not fair to all men and female. Therefore the findings from table 2 above contrasts with the study conducted by Rio Tinto 2007, when stated that to provide effectiveness of outsourcing logistics function of the construction firm depends on the employees confidence and capability, both male and female to express their constructive ideas within an organization.

4.2.2 Age Group of Respondent

The provision of effectiveness of outsourcing logistics function depends on employee age to alter productivity. In most cases, very old age hinders effectiveness’ of outsourcing logistics to improve. Interbeton company has limited performance. Young age is useful for providing the effectiveness of outsourcing. Therefore Table 3 below indicates the respondent’s age distribution in Interbeton.

Table 4.3 Age Group of Respondent

<table>
<thead>
<tr>
<th>S/N</th>
<th>Category</th>
<th>Number</th>
<th>Percentage of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Between 20 and 30</td>
<td>7</td>
<td>29.54%</td>
</tr>
<tr>
<td>2</td>
<td>Between 31 and 40</td>
<td>10</td>
<td>54.54%</td>
</tr>
<tr>
<td>3</td>
<td>Over 41 years</td>
<td>3</td>
<td>15.90%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: field data, (2013)
The findings showed that from senior workers none is aged under 31 and from 31 to 40 there were 10 respondents (54.54%), from 41 to above there were 3 (15.90%) respondents, 20-30 there were 7 (29.54%) respondents. The data in table 3 showed that the Interbeton Company Limited is characterized by mixing young and old employees. Research findings have shown that out of 20 respondents 85% were of the age between 35 and 55 while matured or older employees aged over 70 were only 15%

The obtained data imply that most of the employed people in the construction firm were the youth. This indicated that they ignored the role of age categories which is very significant to be considered in the provision of effective outsourcing logistics function because the mind's capacity of the elders is high compared to others. If the top management there not considered measuring the performance of the outsourcing firm they will be ineffective and will not have any significant impact on performance of the organization. Dr

This indicated that the construction firm preferred to employ youth and older because they offer flexibility and efficiency in the work. Therefore the preference of this age group contributed to the answers which were observed because most of the youth in the user departments responded the truth about logistics functions even the drivers of the trucks which were moving goods and material from different quarry also responded on tracking and monitoring the trucks in loading and offloading place. The elders helped to respond on contract management because most of the orders were in the decision making. So they helped to get accurate answers concerning logistics functions.

4.2.3 Education Level of Respondent

The study examined the highest level of education of its respondents. The level of education of respondents under this study was important because it gave confidence that respondents understood the question and hence, provided reliability and reliance on the information provided. Table 4 illustrates the highest level of education attained by the respondent.
Table 4.3: Highest Level of Education Qualifications

<table>
<thead>
<tr>
<th>S/N</th>
<th>Category</th>
<th>Number</th>
<th>Percentage of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Diploma</td>
<td>4</td>
<td>6.82%</td>
</tr>
<tr>
<td>2</td>
<td>Degree and Masters</td>
<td>16</td>
<td>93.18%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Data, 2013

Research data indicate that only 6.82% of the respondents had a diploma while the rest 93.18% had a degree and masters. This is because in the construction firm most of them are engineers especially in weighbridge, quantity and quality, project manager and production manager but most in user department are diploma in warehousing, inventory and logistics. This offered a great confidence that, the answers from respondents were reliable and that they provided a true picture of the study concern in outsourcing logistics function in the construction firm.

Logistics is the career choice and professional, like engineering. Being professional is not the same thing as having an education. It’s about certification, not graduation. A degree indicates that you know, professional status states what you can do or build on what you know.

4.2.4 Distribution of respondents in department

The effectiveness of outsourcing logistics functions depends on the department in order to quick the process of production. In most case decision makers didn’t see the performance of the outsourcing firm until the production stopped for one day because most of the time they spent in their offices. But user departments are the ones who saw the performance of the service provider firm. Therefore Table 5 indicates the respondent department distribution of Interbeton Company Limited.
Table 4.4 Distribution of Respondent In Department

<table>
<thead>
<tr>
<th>S/N</th>
<th>Category</th>
<th>Number</th>
<th>Percentage of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Decision maker</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td>2</td>
<td>User department in all sites</td>
<td>5</td>
<td>25%</td>
</tr>
<tr>
<td>3</td>
<td>Supervisor in all sites</td>
<td>4</td>
<td>20%</td>
</tr>
<tr>
<td>4</td>
<td>Operation staff</td>
<td>8</td>
<td>45%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2013)

Table 5 indicates that 3 (10%) of the senior staff responded in this study. Also from other departments 5 (25%) responded from user department, 4 (20%) from supervisor department and 8 (45%) respondent are from user department they both respond in this study.

The obtained data imply that most of the respondents in the construction firm came from the operation staff. When asked about the effectiveness of the outsourcing logistics, they responded that it is not good because most of the time they stay idle without cargo or material for production. Also user departments and supervisors ignored the performance of the outsourcing firm because the trucks reach at the destination later that means the machines stay idle most of the time hence it costs the company. But decision makers liked the performance of the outsourcing firm because they spend most of the time in the office. PPA 2004 suggested that in any contract it must include all departments which are dealing with service provision.

4.3. The reasons for outsourcing logistics functions

The study intended to investigate the reasons which lead to outsourcing logistics functions at Interbeton. This objective was achieved by requesting the respondents a number of questions to indicate whether they outsourced logistics function because of improved the quality of their service to the customer, reduction of the cost or to deal with the core business. The result from the table 6 showed that 4 (15.9%) of the respondents said that they outsourced because of the increase production, a 7 (45.5%) of the respondents agreed that their outsourcing logistics function because
of reduction of the cost. On the other hand, 6 (25%) agreed that they outsourced logistic function because of core business. On the other hand (13.6%) said they outsourced because of improving the quality.

Table 4.5: Reasons for outsourcing logistics function

<table>
<thead>
<tr>
<th>S/N</th>
<th>Category</th>
<th>Number</th>
<th>Percentage of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Increasing production</td>
<td>4</td>
<td>15.9%</td>
</tr>
<tr>
<td>2</td>
<td>Reduction of the cost</td>
<td>7</td>
<td>45.5%</td>
</tr>
<tr>
<td>3</td>
<td>Core business</td>
<td>6</td>
<td>25%</td>
</tr>
<tr>
<td>4</td>
<td>Improve Quality</td>
<td>3</td>
<td>13.6%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td>20</td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Source: Field Data, (2013)*

4.3.1 Increasing production

Production is one of the most important components in construction firm in order to enhance quality of the product logistics is influenced (Weber 2002). This study has shown that overall 15.9% of the respondents said that outsourcing of logistics functions is important for the production of the company. This is because outsourcing help employees to improve their knowledge, skills and working abilities, helped organization to deliver better services by meeting the schedule of the organization in loading and offloading, more significantly they help the organization to be global.

4.3.2 Reduction of costs

These are costs which the organization planned to reduce when employed outsourcing firm that are selling price contains many cost elements beside labor and materials, such as all the costs of inventory, setup, changeover, material overhead, customization, quality, product development, equipment, tooling, and distribution.

“Over the past few years major companies have outsourced the large majority of the activities that can be managed by third parties, to take advantage of low-cost locations,” says Dave Sievers, a principal and the practice leader of the Hackett Group’s Strategy & Operations Practice.
All 7 respondents stated that outsourcing logistics function is important to the construction firm in order to meet the demand of the customer. Outsourcing is the part of overall performance of the organization improvement. This study revealed that most of the employees of the construction firm supported outsourcing process because 45.5 percentages appreciated.

Grahovac and Parker (2002) address a situation similar to the one that we study in the sense that outsourcing manufacturing can eliminate the propensity of competing firms to over-invest in cost reduction. However, they focus on what types of components will be outsourced by manufacturers of perfect substitutes, whereas we address the issue on how the extent of substitutability and cost reduction opportunities will influence the outsourcing decisions.

4.3.3. Concentrating on Core business

This in the vision and mission of the construction firm, in order to meet the requirement of the customer, most of the firms are outsourcing non core activities like security, cleaning and logistics that why Interbeton company limited outsource logistics function to TKT company in order to deal with construction only that leading to increasing production, improve quality, reduction of cost and add-value. Respondents gave core business 25%, because it is more important to outsource the logistics function because most of the time management of the construction firm will deal with core business that is the construction of the roads, but on logistics function dealing with another firm which is competent on transportation. That means outsourcing in the construction firm brought skills and experience to the employees also increased production and improve productivity to the firm because all employees concentrated on the main task that why most of the respondent support outsourcing of logistics function.

Authors Richard C. Insinga and Michael J. Werle makes a distinction between “core” and “strategic” activities. They argue that a core activity is one that confers a competitive advantage of an organization and should not be outsourced. We now briefly examine a methodology that can assist organizations in reviewing their
functions and processes in order to determine what activities are not true competitive differentiators, and therefore obvious candidates for outsourcing.

4.3.4 Improve Quality

Quality improvements affect operations performance in various ways, such as increasing revenue, reducing costs and improving productivity. Quality has been regarded as one of the major drivers of competitive strategy in every construction firm.

Improve quality obtained 13.6% respondent said outsourcing logistics function improve quality of the road at small percentage because if the outsourcing firm increasing the performance in deliver the goods or material in time and the trucks are efficient also the driver are motivated by increasing their allowance and salary according to the International standard. That means the responsiveness and reliability of the outsourcing firm improved the quality of the product.

Beside these aspects, the improvement of the service level or service quality is forth most mentioned reasons of logistics outsourcing. Logistics service providers are often thought to be able to do things better due to their experience and know how as well as their superior equipment. Also related to quality in the context of logistics in the speed of operation, Cronin and Taylor (1992) describe service quality as the difference between the product or service performance and customer expectations. In other words, the realization of service quality is the gap between the customer expected quality and perceived quality.

Ma et al. (2005) implemented an exploratory study on service quality of ASPs and identified seven factors to measure service quality; features, availability, reliability and assurance, empathy, conformance and security.

Using as the creation the number of times they were mentioned in the studies, cost reduction, improvement of service and focus on core competencies appear to be the most important factors. Because both empirical studies support their importance, we will use cost reduction, service improvement and the concentration on core competencies as a basis for outsourcing logistics function. Weber (2002, p. 11) are
the coordination of lot sizes or just-in-time supply and production, where the required resources are provided exactly when needed. Resulting from the integrated understanding and planning of the procurement and production functions, cost and performance benefits emerge.

4.4. The elaboration of the organizational policy

A set of policies are principle, rules and guidelines formulated or adopted by an organization to reach its long term goals and typically published in a booklet or other form that is widely accessible. Policies are designed to influence and determine all major decisions and action, and all activities take place within the boundaries of construction firm set by them.

The respondents responses revealed that 3 (6.8%) shows that policy of the firm must be elaborate, 10 (76.3%) responded that management must change the structure of organization. 3 (6.8%) respondent agreed that management must change the policy with the service provider firm. 4 (9.1%) respondent argued that the management must give all power the user department within the new policy in order the service provider firm to be under the user department like stabilizer, paving, mixing concrete. Table 8 indicates the percentage for each category.

Table 4.7: The Elaboration of Organization Policy

<table>
<thead>
<tr>
<th>S/N</th>
<th>Category</th>
<th>Number</th>
<th>Percentage of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The policy of the firm elaborate</td>
<td>3</td>
<td>6.8%</td>
</tr>
<tr>
<td>2</td>
<td>Structure of the organization change</td>
<td>10</td>
<td>76.3%</td>
</tr>
<tr>
<td>3</td>
<td>Changed of contract</td>
<td>3</td>
<td>6.8%</td>
</tr>
<tr>
<td>4</td>
<td>User department</td>
<td>4</td>
<td>9.1%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Data, 2013

4.4.1 The policy of the firm elaborates

The organization must develop a vision of where the company is going and must set policies which create a corporate culture that will achieve that vision. Like vision,
corporate culture critical to success and policies can be a good tool to change corporate culture so it creates new results.

Respondent 6.8% registered their desire that in order to get good service from the service provider firm, Interbeton should elaborate the policy of the organization by giving all the management of the outsourced firm to the user department and top management to be committed in order to improve the performance of the service provider firm. Also policy is like a framework of the company which distributed authority and responsibilities to the employees even who make the decision. That means the outsourcing firm will report to the user department not the decision maker in order to improve the performance and increasing productivity.

Fill and Viser’s (2000) outsourcing framework present specific guidelines for outsourcing decision process. The framework consists of three main components; contextual factors, strategy and structure and transaction costs.

4.4.2 Structure of the organization change

Organizational structures refer to the organizational constructs which have the potential to support (or derail) an organizational change. By the organizational constructs we mean the structures that define the organizational hierarchy (who’s in charge, who reports to whom), the agreed upon roles, responsibilities and levels of authority. The organizational structures define who makes decisions and, in some cases, defines the processes for how those decisions get made.

About 76.3% of the respondent agreed that they would feel better if Interbeton responded to their needs. However, the real situation shows that most of the employees are dissatisfied with the structure of the organization because of lack of the responsibilities and authority in the management of the service provider firm. Also decision making in the management concern with service provider not arranged well in the organization structure. Structural changes include things such as the organization's hierarchy, chain of command, management systems, job structure and administrative procedures.
Arnold Anderson (2013), Structural change within an organization might stem from internal or external factors. Efficient change management requires the ability to identify what causes structural changes within an organization. The ability to identify the signs of oncoming organizational change can help you better prepare for the change and implement policies that will keep your company on a growth path.

4.4.3 Change of contract terms and condition

That is a term which is within the contract showing the responsibility of the outsourcing firm, means of payments, which were responsible for monitoring outsourcing firm, remedies for any damage may cause by outsourcing firm or construction firm. That means this term and condition must be changed especially in who will be responsible for monitoring outsourcing firm from top management to the user department.

The outsourcing agreement needed to be flexible to allow the changes on the parties in the organizations, requirements or changes in the law. It included a change request process. The outsourcing agreement needed to be able to respond to the provision of additional and reduced resources as well as the provision of new services and fundamental changes to the existing services. The outsourcing agreement should try to anticipate the consequences of particular changes, for example, which changes in the law should be paid for by the customer and which by the supplier.

As pointed out earlier 6.8% of respondents said that contract terms and conditions between the service provider and decision maker department should be changed because the quality of the service delivery does not deserve and the service provider firm have a supporter from the contract doesn’t force him to be efficient and effective in performance of the logistics function. Management must change the terms and condition in order the outsourcing firm to know the requirement, obligation, deadline of the construction firm against its customer (Tanroad)

Rich Fogel, Partner, (2006) the outsourcing business model depends on several essential ingredients for success. Clients (also known as “buyers”) obtaining
outsourced services must receive the quality of services for which they have contracted at prices that reflect the benefits of scale, expertise, automation and standardization that are fundamental to outsourcing. In turn, service providers (also known as “sellers”) are entitled to earn a fair profit through delivery on commitments.

4.4.4 User department
Is the department which dealing with outsourcing firm all over the time of order processing, transfer of information, loading of the cargo, tracking the trucks up the offloading of the cargo on time and safely. That means the user department is that department which all activities of the service provider firm are passing through the hands of the user department like order processing, time for delivery goods, loading and offloading, even maintaining an inventory the material at the stocks. The main purpose of a user department is to manage the process used for the purchase of goods and services by the organization. Advanced planning, group buying, and negotiated pricing are all strategies used to reduce costs and increase profitability. In most organizations, the implementation of procurement strategies is used to reduce overhead and operational costs without compromising on service to customers.

User departments are most of the components which enhance the quality of the product by enforce service provider firm because they have a good relationship since they negotiated about the job. About 9.1% of the respondent agreed that all responsibilities of the service provider firm from making contracts up to the management of the performance should be under the user department in order to influence the quality of the service.

Ross Hall (2012), the mission of the Procurement Department is to provide timely and professional customer service across the GW community. Procurement is comprised of three functional groups that operate together with a single set of technical and support resources.
Yossi studies two stages which are decentralized structure where each member performs local forecasting and integrated adjusted forecasts in his replenishment process and centralized structure where the two members jointly forecast and up-to-date, and compare the two models with the benchmark model where forecast not integrated.

However, McKeon (1991) understanding other’s culture and organizational structure to ensure a good match, and knowing logistics strategy i.e. Understanding the logistics function's role in meeting the business objective of the firm (e.g. Differentiation or low costs) are the most important factors for successful outsourcing.

4.5. Contract management

Administration in the management of contracts made with customer, vendors, partners, or employees. Contract management includes negotiation the terms and conditions of contract and ensuring compliance with the terms and condition, as well as documenting and agreeing on any changes or amendments that may arise during its implementation or execution. It can be summarized as the process of systematically and efficiently managing contract creation, execution, and analysis for the purpose of maximizing financial and operational performance and minimizing risk.

The finding from Table 10 shows that 12 respondents (68%) said that the contract of the organization with service provider firm does not meet the company’s expectations, 4 (25%) of respondent were of the view that the contract need development, 3 (9.1%) of the respondent said that contract meet requirement of the construction firm. 1 (2.3%) these respondents said nothing. This indicates that the percentage which need improvement are big enough that means the management must consider them and delegate all the responsibility of managing service provider firms to the user department in order to improve efficient and effective.
Table 4.8: Availability of the Contract Management

<table>
<thead>
<tr>
<th>S/N</th>
<th>Category</th>
<th>Number</th>
<th>Percentage of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Contract not meet expectation</td>
<td>12</td>
<td>68%</td>
</tr>
<tr>
<td>2</td>
<td>Contract need development</td>
<td>4</td>
<td>25%</td>
</tr>
<tr>
<td>3</td>
<td>Contract meet requirement</td>
<td>3</td>
<td>9.1%</td>
</tr>
<tr>
<td>4</td>
<td>Said nothing</td>
<td>1</td>
<td>0.4%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Data, (2013)

4.5.1 The contract isn't meeting expectation

It means that, the contract between the parties do not meet expectations. This takes place when one party of the contract does not fulfill the agreed terms and condition which agree in the contract before. In normal way this happens because the contract doesn’t have enough terms and condition which limit parties to do according to the agreement, may be some people have some interest in that contract that why they didn’t put some terms for the benefit of the company.

This is because most respondents did not agree the contract between the management of the construction firm and the service provider firm, as the service provider firms do their work not according to the international standard that why 68% of respondents accept that the contract does not meet the expectations of the construction firm. This is due to the performance of the service provider not meeting the standard of the international company in providing services especially on offloading and loading time of the cargo.

Daniel Pountney says that “during every aspect of procurement, the user Department will do everything in their power to make sure every decision benefits the company”. It is favorable that the goods and/or services are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time, and location.
4.5.2 Contract need development

Contract need amendment this when one part of the contract not performed well that why another party need some change in the contract especially in the payments or performance of their responsibilities usually the contract take amendment in the terms and condition which agreed between the parties.

In any business, service providers are expected to be knowledgeable of the services being delivered. This was agreed with 25% of respondent questioned the knowledge of the service providers. This implies that some staffs are not competent that leading to the respondent to require the contract to be developed in order to work with staffs that are competent and have experience of the logistics function especially in the construction firm.

McIvor, 2008; Poppo and Zenger, 2002, a carefully drafted contract can complement the building of a collaborative and problem solving ethos in the relationship – it can be an impetus for action and improvement. In particular, the contract allows the buyer and supplier to establish expectations and commit to short term objectives. Rather than collaborating to achieve competitive advantage,

4.5.3 Contract meets requirement

This is when both parties of the contract fulfill their objectives and goals as agreed in the contract, if not fulfilled they must be remedied for both parties. In order to meet the consideration’s requirements, a contract must fulfill three elements. First, there must be a bargain regarding the terms of an exchange. Second, there must be a mutual exchange. In other words, both parties must get something out of the contract. Third, the exchange must be something of value

Most of the top management is satisfied with the service of the service provider firm that why 9.1% of the respondent from the top management have accepted the service of the outsourced firm because they are not committed and also the performance of the service provider firm were measured by the user department even the benefit and losses seen by the user department
The success criteria needed to establish sustainable partnership in the area of the contract logistics are the various relationships between the people involved. Open and honest environment, key management, coherent and effective internal measurement systems, mutual respect and empathy, commitment to investment, and financial and commercial arrangement are of particular importance in this aspect. Companies generally benefit if they identify the outsourcing contract that have the highest risk and importance to them. Once this is done, the contract can be segmented into categories such as high, medium, or low risk and can be managed accordingly. High risk contract will be on a more continues review cycle because they provide a mission critical product or service or have a high dollar or transaction volume. A medium risk contract might be actively monitored and reviewed on a frequent but not continues.

Outsourcing partners are selected and implementation is initiated before a contract is considered. This is a practice to be avoided. When starting up does precedes the contract, however a comprehensive letter of agreement must be drafted which will spell out the transaction and implementation events with timing and deliverables, work on the contract should then start immediately.

For Razzaque (1998), there is evidence that, to make contracts logistics work, a high level of commitment and resolution is needed on the part of the buying firms. Management must examine critically each of these success factors to determine how they can be put into practice. Only then firms can truly harness the benefits of the outsourcing and to develop long term partnerships that manifest the many advantages that are possible with the use of thirdly part logistics.

Authors such as Shapiro (1984) and Gopal (1986) emphasized the possible benefits from running an effective logistics system. Because the results of empirical studies concerning the motives of contract logistic customers seem to be in conflict with the results of the scientific discussion on logistics, outsourcing and the strategic relevance of both topics, we decided to analyze the perspective of logistics service providers.
4.6. Monitoring the performance of the outsourced firm

It becomes very important to monitor how the company has performed in the past years and what is their experience in the field of logistics development. The main aim of selecting a firm for the job is to get the quality product at minimum costs, but less cost should not have an impact on the quality. Quality is given the most preference as the solution to be developed is to help the business grow in the market.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Category</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Monitoring by user department</td>
<td>17</td>
<td>90%</td>
</tr>
<tr>
<td>2</td>
<td>Monitoring by decision maker</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: Research data (2013)

The findings from table 10 revealed that 17 respondents (90%), have suggested that user department to monitor outsourcing firm while 3 respondents (10%) ignored the user department to monitor the dairy activities of the service provider firm. Suggestion shows that user department are more effective and efficient in monitor performance of the TKT Co. Ltd.

4.6.1 Monitoring by user department

The monitor is the process of measuring the dairy activities of the other party according to the agreement in the contract. But the user department is the department which used the material or goods which were ordered from outside and inside the company for the purpose of production. 90% of respondents agreed that service of the outsourcing firm must be monitored by user departments and not decision makers because the user departments is dealing with daily activities of outsourcing firm that means without outsourcing firm all the machinery and employees remain idle because of the material for production not yet reached at the site, not good for decision maker monitor service provider firm because of the time spend in the office. That means if the user departments managed outsourcing firm
that means the production was increasing, also the customer delivered its product at the time agreed. But for decision makers the cost for the company increased. Even the daily report of outsourcing firm must hand over to the user department not to the decision maker department.

Kakabadse (2000, pp. 708-713) and others have introduced a new outsourcing monitoring that suggests closer cooperation between companies and their suppliers or service providers. The resulting long-term, trust-based partnerships reduce coordination costs and information asymmetries, thus making strategic advantages possible (Stölzle and Heusler, 2003, pp. 174-177).

4.6.2 Monitoring by decision maker

That means all the daily activities of the outsourcing firm is monitored by the decision maker; decision maker departments are the departments which make decision in many things inside and outside the company usually of the top management. They suggest monitoring the outsourcing firm because they are the ones making an agreement with an outsourcing firm.

Only 3 respondents of 10% showed that outsourcing firm must be managed by the top management even though they spend most of their time in the office because even the contract with the outsourcing firm they are the one who agreed with service providers, so if outsourcing firm report to somewhere else there will be no measure of the performance if is according to the contract terms and condition they agreed upon.

Saayman et al. 2007), should not fully replace experience and managerial judgment; if the results do not seem logical then decisions must be based on best judgment. Therefore, frameworks and tools should be used instead to assist and support decision-making

Companies that outsource should continue to monitor the contractor activities and establish constant communication. Before selecting any company for construction firm development, it becomes very important to monitor how the company has
performed in the past years and what is their experience in the field of Interbeton company limited development. The main aim of selecting a firm for the job is to get the quality product at minimum costs, but less cost should not have an impact on the quality. Quality is given the most preference as the solution to be developed is to help the business grow in the market.

4.7 Performance of the service provider firm

The question was asked whether the outsourced firm performed well. The result shows that 18 respondents (90%) not agreed that the service provider firm performed according to the standard. 2 respondents (10%) said to have a good performer. This is shown in Table 11 below. Those respondents who agreed that there was good cross check they was having some benefit from the service provider firm.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Category</th>
<th>Number</th>
<th>Percentage of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Performance not good</td>
<td>18</td>
<td>90.%</td>
</tr>
<tr>
<td>2</td>
<td>Performance good</td>
<td>2</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Source:** Field Data, (2013)

4.7.1 Performance not good

Performance is how you perform your duty or responsibilities in the task. That means the performance of the task is measured by maintaining your delivery order in time required, productivity improved, and your efficiency in doing the job but if all of the above are not accurate, that means your performance is bad.

The findings revealed that 18 (90%) ignored the performance of the outsourcing firm because the cost of the production increased where the machine and employees stay idle without the materials for the production almost a day this cost the company because the outsourcing firm didn’t deliver the material accordingly in order to meet the schedule of the company. Most of the equipment like trucks of the outsourcing firm are not brand new that why all time they got breakdown on the way that means
the service provided are not efficient enough to perform in International Company. Also the employees of the service provider firm got no enough experience and skills to perform the task accordingly because they don’t get enough training about the importance of their job to the construction firm.

Keebler et al (1999) Regardless of the approach a firm takes in establishing logistics measurements, the real value comes when the information is acted upon to align the effectiveness and efficiency of the logistics process performance to a level that is valued by customers. How well is your organization meeting your customers’ logistics expectations? What role can the 3PL have on your success?

4.7.2. Performance good

There are three major reasons why firms measure their logistics performance. They are to (1) reduce their operating costs, (2) drive their revenue growth, and (3) enhance their shareholder value. Measuring operating costs help to identify whether and where to make operational changes in order to control expenses and to discover areas for improved asset management. To attract and retain valuable customers, the price/value of products offered can be enhanced through cost reductions and service improvements in logistics activities.

Most of the respondents from the top management accepted the performance of the outsourcing firm because only 2 (10%) respondent agreed this because the top management is the one made the contract with an outsourced firm that why they saw the performance of the outsourcing firm is according to the contract they agreed. Also the top management spent a lot of time in the office not on the site like the supervisor and user department.

The faster that goods delivered to beneficiaries after a disaster, the less likely these goods are accurately meeting the needs of the beneficiaries, and the more likely the operation will be costly. The organization responding must decide in advance how it wants to align itself along the dimensions of speed, accuracy, and cost.
The findings are of particular relevance, because Dehler (2001, pp. 233-244) also finds that logistics performance directly influence the overall firm performance. As indicated in figure 2.2, lower logistics costs have a positive direct, and therefore also total, effect on financial performance. However, increased levels of logistics service have a significantly stronger total effect since they affect both adaptive and the market performance of the firm, which in turn both considerably influence the financial performance.

A good operational performance of the provider is reflected by measure such as delivery performance, performance monitoring capability, statistical data reporting to the user, fault diagnosis capability, detailed accounting information, systems security, responsiveness, confidentiality of sensitive data. Organizations must have robust performance measurement systems in place to evaluate and manage outsourcing effectively. If an organization outsources its business processes without developing effective performance measures, it cannot judge how well service providers are performing. (Gulati and Singh 1998). An important question therefore is how firms should “design” their NPD outsourcing arrangement to mitigate these concerns and achieve positive outsourcing performance outcomes. Because numerous studies have suggested that firms can use both formal and informal governance mechanisms as control and coordination devices (e.g., Gulati and Singh 1998; Kumar and Seth 1998),

Dehler (2001, pp. 220-226) shows empirically that the higher the flow orientation of a firm, the higher is its logistics performance due to reduced logistics costs and increased levels of logistics service.

4.8. Inefficiency of management of outsourced firms

Inefficiency of management, these are the poor performance of the outsourcing firm which leading to the increasing of the cost in the construction firm such as quality, cost and time cost which affecting the customer in the big party. This is because the
outsourcing firms do not understand their responsiveness, reliability and assurance to the construction firm

Table 4.11: Inefficiency of Management of Outsourced Firm

<table>
<thead>
<tr>
<th>S/N</th>
<th>Category</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Management perform better</td>
<td>4</td>
<td>15%</td>
</tr>
<tr>
<td>2</td>
<td>Management perform badly</td>
<td>16</td>
<td>85%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Research Data, (2013)

4.8.1 Management perform better
This is when the administration of the organization performs well especially their responsibilities and authority that means the management has competence, experience and skills employees in the performance of their task.
This is because 4 (15%) of respondents of the Interbeton agreed about the management of the TKT company. Most of the respondents who agreed with the management of the outsourced firm are top management because of the memorandum and article of association of the TKT company also top management didn’t evaluate the management of the outsourced firm before signed the contract. In addition they have some interest to TKT Company and most of their time they used in the office than visit on the site to see how the machine and employees stay idle as they receive no materials on time from the outsourced firm (TKT).
Logistics managers’ roles and value have grown; the need for well-educated, talented professional with a diverse array of skills has emerged

4.8.2 Management performs badly
Also 14 (85%) of respondents were not agreed with the management of the outsourced firm because most of the truck drivers don’t have the skills and knowledge of working with International Company even their supervisor didn’t provide training for their driver in order to cope with the standard. Also most of the supervisor didn’t have enough skills on how to manage drivers, maintains stock in
the warehousing because the director of TKT Company found a cheap labor in order to increase his own profit and not improving the service to the customer.

Therefore, these findings show that if there is no good contact between top management and user department even the user departments fail to have power against the outsourced firm, Interbeton were failing to meet the demand of the customer and the cost of production increased that leading to lose the competitive advantage against its competitors. This implies that top management need to plan ahead and look the best strategies in order to increase the benefit in the long terms by employ the company with high quality of experience worker and brand new equipment for the purpose of meet the requirement of the company.

Also if the management of the service which provided by the outsourced company is not good because of the top management which employ a service provider they failed to manage well because of the benefit they have from the service provider firm. The user rarely has complete information about the prospective providers and they have to believe the information and assurances given by the perspectives providers, which may not always be true.

Cultural barriers to information sharing between management of Interbeton because they work internationally and TKT Co Ltd because being local from Tanzania are important issues in global outsourcing. Information sharing is must for good relationship and trustworthiness. Misunderstanding can takes place due to cultural differences.

Carol J. Dell'Amore Leadership capabilities are important in all business disciplines; the unique challenges in the logistics and supply chain arena make them a critical part of achieving results.

"Logistics professionals work across functions within the organization, with business units throughout the company, and with partners across the supply chain," says Maria McIntyre, executive director of the Council of Logistics Management, Oak Brook, Ill. "Collaborating with trading partners and developing innovative solutions to optimize logistics and supply chain strategy and operations require strong leadership abilities."
Good outsourcing decisions can result in lowered costs and competitive advantage, whereas poorly made outsourcing decisions can lead to a variety of problems, such as increased costs, disrupted service and even business failure (Cross 1995). Poor outsourcing practices can also lead to an unintended loss of operational level knowledge.

4.8 Solution used by construction firm

Here the management decides to improve project management and decision-making through immediate access of information across the entire organization. Automate office operations, such as time and billing, to spend more time on value-added activities and user department managed outsourcing firm process. Develop and enhance key business processes to increase productivity and profitability. The study analyzed the data from Table 8-9. These were analyzed through contract management and development of the policy of the organization. 75% of the respondent revealed that the outsourced firm were improving their tools and employed an experienced worker to meet the requirement of the construction firm. 90% of the respondent expressed their opinion and agreed the development of the policy and amendment of the contract while 38% commented that the development of policy and amendments of the contract was not fair and objective.

However, those who respond on the basis of the development of the policy, where on the view that the development of the policy was not fair, it was difficult to satisfy everyone. Therefore the contract amendment and development of the policy are not among the major factor for construction firm to monitor the service provider firm. From the findings there are other factors which affecting the production of the construction firm in the process of outsourcing logistics function. Porters and steers (1973) most of the service provider firm in developing countries their owners do not have enough skills in the logistics that way now days most of chine’s logistics firm come to invest in the developing countries. This implies that regardless the strategies putted on place by Interbeton to tackle the problem but there is a good relationship between the TKT Company and Interbeton.
Provisions of periodic evaluation of the performance of the provider enable the Leo parties to identify the gaps in service. At the time of shipments, inventory accuracy, shipping errors, reduction in cash-to-cash cycle, logistics cost reduction and reduction in customer complaints may be used as the most important performance measures in logistics outsourcing (Bhatnagar et al. 1999, Lynch 2000, Langley et al. 1999).

Able management of the provider may not only provide good service to the user but may also foster a long term relationship between the user and the provider (Anderson and Norman 2002, Lynch 2000, Boyson et al. 1999).

Mutual trust – based information sharing between the user and the provider is necessary not only for the continuance of the agreement but also for the continuous improvement of the service. (Lynch 2000, Stock 1990, Bagchi and Virum 1998)

According to Richardson (1990), there are several other critical factors that make outsourcing work. They include focus on the customer; establishing operating standards and monitoring performance against those standards; knowing the payback period, benefits expected by the firm, and the means to achieve those benefits. Factors, such as being aware that outsourcing may require a longer term of service than the firm is used to building information systems that will allow the firm to make ongoing cost/value comparisons, are also critical. However, for McKeon (1991) understanding each other’s culture and organizational structure to ensure a good match, and knowing logistics strategy, i.e., Understanding the logistics function’s role in meeting the business objectives of the firm (e.g. Differentiation or low cost) are the most important factors for successful outsourcing.

These are supported by another researcher Baily et al. (2005,334) mentioned that there are many considerations that might influence an organization, such as external supplier has better capability, external supplier has greater or more appropriate capacity, reduction in operating cost, a desire to focus more tightly on core business, economies of scale.
4.9. Factor affecting outsourcing logistics function

The efficiency and effectiveness of the logistics operation have a considerable influence not only on the business performance of the manufacturers but also the customer’s perception of the quality of the products and services provided by the plant. If inbound material flows from the supplier are erratic, the firm’s internal operation will not be able to sustain their production strategies without a high level of safety stock.

The study findings revealed that contract management, development of the policy, tools and equipment, cross check of the service provider firm, skill and experience of the worker within the service provider firm and last the salaries received by a worker in the service provider firm does not meet the standards. This implies that there is no imbalance between the workers of the service provider firm and Interbeton. Amendment of the contract was the first factor mentioned by the majority of the respondent and the development of the policy was the second issue mentioned by the respondent also the respondent supported the outsourcing situation its goods for the construction firms in order to meet the standard. One of the items mentioned by the majority of the respondent was the lack of the security to the tools and equipment of the firm and even to the workers. This is supported by Min (2007) who found that security for the workers are very important factors especially in monetary incentive may increase the performance of the workers and reduce the theft of diesel and equipment.

The result of the study is also in line with the study of (Buxbaum, 1994) to management with an understanding of the strengths, weakness and future needed of its logistics operations. Companies should choose thirdly-party logistics provider by matching up the needs of their companies with the essential competencies of the potential logistics service providers.

Also the studies by (Sheiffi 1990, and Hernritz 1991) consider factors related to quality, capacity, labor, scheduling and skills to be important in a make or buy decisions. The firms also need to determine the benefit of outsourcing according to
some criteria, such as, return on assets. (Trunick 1989) and include the risk factor in the outsourcing decision (Bradley 1994). Other considerations include fit with corporate objectives; strengths and strategy; social, political and environment concern; secrecy and market conditions (Leenders and Nollet 1984). However, the contrast to these findings was attributed that developed countries and developing countries like Tanzania economies are different therefore; one cannot automatically generalize the findings of this study.

4.10. Important in outsourcing logistics function
This can enable firms to focus on the core business, question any function or department that is not producing revenue and adapt to changes in the market and access to leading edge technology. A third-party will be invited to help a company when demand increases dramatically beyond the capability of the company to fulfill. The study findings revealed that 93.2% of the respondents are satisfied with the development of the policy of the organization. 95.5% of respondent showed that contract management must be amended as soon as possible while 72.7% respondent showed that tools and equipment of the service provider are no meet the production. However, further finding revealed that 20.5% of the respondent responding that the performances of the service provider firm are good. Those who said that the policy of the organization need changed means they dissatisfied with the performance of the service provider firm and may be tempted that the policy to be changed or to find another service provider. Although the finding revealed that a higher percentage of respondents were not satisfied with the performance of the service provider firm but most of the top management didn’t accept any change or amendment of the policy even the contract and to change the firm for the logistics service. Lysons and Farrington (2006) mentioned that outsourcing is not, however without problem. Some problem associated with outsourcing are overdependence on supplier and service provider, lack of management skills to control, poor quality services, communication with suppliers and service provider.

The study revealed that there are so many issues which cause problems in the outsourcing that is Alberta the contract of outsourcing are carefully designed i.e. Are
made error-tight and its practice tightly monitored and controlled by local staff. That showed that outsourcing management is very important for the development of the firm and for the production of the company to be effective and efficient to meet the standard.

The majority of the respondents stated that thefts of diesel, weak equipment of the service provider, salary of the workers were not a consistence with their performance. This supported by the Langley and Allen 2000 two people conclude that outsourcing is not a short term endeavor. Although sometimes it can be in the long term but must choose the best way for the increase performance. Frayer, Klassa and Gainey 2001 found out that in order for an outsourcing strategy to work effectively, companies must proactively manage their outsourcing strategies by establishing top management commitment, global sourcing structure and processes.

Razzaque and Sheng (1998) defined outsourcing as multiple logistics services provided by a single vendor on a contractual basis. Outsourcing is becoming more important today. Due to economic and competitive pressures, it is imperative for different enterprises to pay attention to their core competencies and turn to third-parties to undertake responsibility for other secondary corporate functions. Outsourcing can create profits by improving customer service level, providing high added-value to products, benefiting in exploiting new markets, and offering dedicated resources (Foster and Muller, 1990). By means of outsourcing, companies can obtain a competitive advantage through cost reduction and increased responsiveness to market change.

4.11. The strategies applied by the construction firm to solve the problem.

In business, errors are made; issues arise, so how do you know what problem to deal with amongst the mountain of problems that may exist. Where do you start? What problem strategies are there to help diagnose and eliminate the causes among of the myriad of issues? That's why Interbeton Company limited through respondents
revealed that contract amendment, policy developments, change of organizational structure is the solution for the inefficiency of an outsourcing firm.

The study findings revealed that most of employees’ opinions were that the development policy, equipment and tools must changed at 75% and 90% of the respondents agree on the availability of the good tools, equipment and development policy respectively. However, 38.9% of respondents commented that the development policy was not fair and objectively organized. However, those who respond on the basis of the availability of the development policy where on the view that the development policy was no to the level of staff available, was difficult to fulfill all the requirements of the organization, policy was not clear to staff and the policy was never implemented and sometimes it was against the management structure and procedure.

Those who responded that the working tools and equipment of service provider and development policy were not fair and objective may be tempted to arrange the riot against the top management. The study revealed that it is more profitable for the organization to put in place appropriate strategies such as monitoring the performance of a service provider must under the user department, staff participation in decision making, enhanced salary package. The construction firm was advised to introduce other means of strategies to handle service provider firm for the purpose of improving productivity. F. Henitz page 380 supports the idea by using procurement ethics first to consider the interest of the company in all transactions and to carry out and believe in its established policy. A service of the right quality should be rendered at the right time. Taking other factors constant, a service which cannot be delivered or rendered as and when required can create inconveniences in the organization (Kilima, journal Issue No. 18, 2003. That means these respondents are not ignoring the service provider firm but they should believe that the company is their home and they form integral part of their firm.

This study supports the view of other researchers who said that due to the cost which incurred by service provider firm, the best way to identify the large list of the service provider that are capable of undertaking the business, then the shortlist who are most
interested and likely provide a cost effective and service proficient solution (Rushton Allon, 1994)

Also James R. 2001 stresses technology as a benefit that had an impact on all facets of business, but in the logistics area the impact has truly been significant. The diffusion of technology is changing the way companies do business and the way firm relates to customer and supplier. Computers, internet, information and communication systems are being increasingly used in ever logistics activities. Including transportation, warehousing, order processing and material management.

**Conclusion**

This chapter presents data analysis and result of factor influence outsourcing logistics function in a construction firm. From research findings, it was observed that all investigating factors (changed by the policy, contract management, measurement of performance and user department). The study found that service provider firm interaction positively affects the quality of services. Three types of effects were discussed, notably feedback, speed up of service provision and building of good relationship of service provider and construction firm. Also, the study found that employees' perception in the outsourced firm was different. The chapter has pointed out strategies’ for enhancing the quality of services. The strategies including contract amendment, policy development, monitoring performance by user departments etc.

The majority of the respondents revealed that, contract management, policy of the organization and the structure of the organization are leading to the inefficiency of production and quality of the most products become poor, even the cost of the production increased. This implies that there are no relationships between the top management and the user departments in the preparation and monitoring of the outsourcing firms. This was supported by 70.5% of the respondent. However, further analysis revealed that 29.5% of the respondent do not support because of their benefit on the service provider
CHAPTER FIVE
CONCLUSION AND RECOMMENDATION

5.1 Introduction
From the finding of this study this chapter concluded and made the recommendation of some study. The key findings were the assessment of effectiveness of outsourcing logistics operation in construction firm as we know that logistics has great impact on the performance of the construction firm.

5.2 Summary of findings
This study intended to explore factors leading to outsourcing logistics function on the construction firm using Interbeton Company limited as a case study. The examined factors leading to service provider firm failed to improve the performance in order to meet the standard of Interbeton Company Limited, the extent to which employees are dissatisfied with the service provided and the strategies applied by Interbeton company limited management to solve the problem of the service provider firms.

The study has found out that employees were not satisfied with the performance of the service provider firm especially on a contract agreed and policy of the organization. These because most of the employees from the service provider firm are not receiving the salary which match with the standard also the equipment of the outsourcing firm TKT company limited like trucks and grain are not in good standard that most of the time were got breakdown.

Basing on suggestion, comment from interviewers and literature review, it was revealed that contract, policy, selecting service provider with high quality skills and experience in the work.

The study further revealed that managers ignore the change of policy and amendment of the contract even to let user department to manage and monitoring the performance of the service provider firm. All of these results let the production to be poor and poor quality of the product and the construction failed to compete in the
industry with other firm like Straburg and AARSELF. Although most of the interview respondents (45%) mentioned policy of the organization as the main factor contributing to the inefficiency and poor performance of the service provider firm but other factors mentioned above also contribute to the low production of the interbeton

This observation was in line with other researcher who said that user department must manage and monitoring service provider also selecting a company which is capable to perform the task according to the standard if the user department manage the service provider firm that means each and every thing were under user department like contract management, policy of the department even the scheduling of loading and offloading the cargo even the salary and diesel of the service provider were planned by user department because they are the one who face all the shortage of cargo and stuck of the truck because of the diesel shortage. That also will help service provider firm to perform well and meet the standard.

As one of the strategies to improve the service to the service provider firm is to develop the policy which aims to improve the production and increase the productivity of the construction firm and increase the performance of the service provider firm in order to produce the high quality product. Few of the respondents agreed that their company has the policy which aims at improve the service of outsourced company in terms of performance, high quality of staff in skill and experience. However most respondents have the view that the policy was not fair and objective. This means the management of the construction firm should come out with clear strategies for implementing the policy in order for the service provider firm to meet the standard of the organization.

Career development should be encouraged and service provider firm should be identified and developed. This will benefit the construction firm by having a potential company with skills and experience staff.

Therefore follows-up of contracts of outsourcing is generally under the jurisdiction of legal officer in most construction firms. However, these legal officers are normally overwhelmed by core function in the organization and thus tend to set
aside issues of outsourcing to only when emergencies occur. It is recommended that legal officers should be used up to contract signing stage only, thereafter, the day to day control and monitoring of contract should be assigned to user department as follows

- Monitoring of the contract should be put under user department principally to office supervisor who can effectively supervise on a daily basis and provide the feedback to the unit of procurement who knows supplier or service providers for the further action.
- Private properties such a material and equipment such as diesel, spare parts, tires, should be put under the custody or monitored very well by user department through the signed inventory sheets.

To conclude this matter, the management is advised that before they decide to outsource non-core functions, they must examine all factors carefully. It is important to know what to contract out, who should do it, what options are available and how to manage the process. It may not happen that outsourcing becomes a reason for a company to regret later. The purpose of investigating the effectiveness of outsourcing logistics function in the construction firm not only to advise management to end over the monitoring of service of the outsource company to the user department but also to show the way construction firm profits and overall well being are damaged by the service provider firm.

5.3 Conclusion
The study was set to assess the effectiveness of outsourcing logistics function in the construction firm. It has reviewed the reasons of outsourcing logistics, some inviting reasons to outsource are the need to focus on core competencies, the need to focus on core functions of the business and the possibility of achieving a competitive edge over other companies.

Also there are challenges that outsourcing is posing to private company this are no policy being implemented on proper management which lead to those relating to theft, losses and destruction of valuable property off track,
Most of the respondents needed top management to consider the user departments when selected the service provider firms in order to monitor effectively and efficiently for the purpose of meeting the production of the construction firm and improve the performance in order to meet leading time.

However among key challenges that outsourcing is posing to private procurement is of not following the regulation, no policy being implemented on proper management which lead to those relating to theft, losses and destruction of valuable property of take, breach of confidentiality through theft of documents.

This lack of commitment by user department which has caused serious havoc to service provider firm especially in property, information and even industrial relations between permanent employees, thereby affecting their work performance i.e. Effectiveness and efficiency.

The study findings have shown that there is a relationship between Interbeton Top Management and the outsourcing firm's top management which has led to the inefficiency of the performance of their service provider firm in their operation that leading the cost of production increase because material are not offloading on the time required even the equipment of the outsourcing firm are not in the required standard of the International Companies.

Also the findings have shown that there is no good monitoring of the performance of the outsourcing firm because the top management does not delegate the responsibilities of managed the service provider firm to the user department which are very close with outsourcing firms in the daily activities.

5.4 Recommendation

From the observation above the researcher recommends as follows; Full risk assessment and efficient risk allocation are to be identified, assessed and allocated to the party most able to influence and control specific risk.

Consult the user department in the planning and execution stage after decision making. Make roles and duties of both parties to the contract of outsourcing clear. Make clear the objective of the service and stipulate the size, volume and dimension of the task or activity for the contracting company.
Effective performance monitoring and assessment of the contract should be treated with almost diligence to realize goals of contracting the service. Ensure that the department of the contract management is manned by competent, committed and motivated individual. Insist on fair must be implemented to avoid unwanted thefts.

For the service provider firm a logistics system can work if well-trained and efficient staff place an order and provide good service to clients. The organization must be organized to provide the appropriate resources e.g. Trucks, spare parts, tires, and other things to complete logistics activities effectively.

Also in order for the service provider to improve performance must use computer to facilitate smooth flow of information from lower levels to the top level. Linking of computers at different levels can be made through email communication or preferably through Wide Area Network.

Therefore, it is important to further explore opportunities to provide more incentives to enable a service provider firm to maximize their role in the development process of the construction firm and the nation at large. Basing on the finding of the study, the following recommendation can be surmised.

1. Top management must support the user department to manage the contract of the service provider firm in order to improve the performance and to increase the production of the construction firm.

2. User department must prepare a good contract which will make a service provider firm to work according to the standard of the construction firm in order to meet the goals and objective of the firm.

3. Service provider firms must pay the salary according to the law and the standard of the construction firm in order to avoid the theft of diesel and equipment like a tire that means user department must cross check the contract between the staff of the service provider firm and its management.

4. Also user department must check the all systems of the service provider firm especially in skills and experience of the staff like driver, dispatcher, storekeeper, and transport manager in order to meet the quality of the service needed by construction firm.
5. A service provider firm must know the goals and objective of the construction firm in order to make sure the construction firm meets its deadline of the client that means to meet the schedule of the construction firm.

6. Private properties like equipment and diesel should be put under the custody or monitoring very well by user department through the use of the signed inventory sheet, receipts and issue sheets. It is also recommended to maintain plant and machine inventory control books as per the financial order and stores regulation.

5.5 Area for further study
From the findings of the study and the conclusion presented, a research can be done on the effectiveness of outsourcing logistics function in the construction firm. Furthermore, another comparative study must be done on the same topic but in comparison with other construction firm whether commercial or non commercial.
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Lee, et al. (1997)


.(Mugenda and Mugenda 2003)
APPENDIX 1  QUESTIONNAIRE

A. FOR DECISION MAKER

1. We know that your organization is outsourcing logistics function. What led your office to outsource these services?

2. ........................................................................................................................................................................
........................................................................................................................................................................
........................................................................................................................................................................

3. Are there any other services you are required to outsource and you are about to?
........................................................................................................................................................................
........................................................................................................................................................................
........................................................................................................................................................................
........

4. Were there any particular procedure you were supposed to follow to get the company to outsource from?

Yes........................................................................................................................................................................
......
No........................................................................................................................................................................
........

5. If yes what is the procedure that you follow?

6. a)........................................................................................................................................................................
............... 

b)........................................................................................................................................................................
......

c)........................................................................................................................................................................
......
7. How long are the contracts of outsourcing that you have entered this year?
   Year......................................................................................................................
   ....
   Month..................................................................................................................
   ....

8. Do you get the quality of work you expected from a logistics function?
   ..............................................................................................................................
   ....

9. Has it ever happened that you had terminated a contract before its natural expiring
date............................................................................................................................
   ....

10. With what consequences did you terminate a contract? (More expensive, low production)
    ............................................................................................................................
    ....

11. How would you rank the companies which you buy their services?
    ............................................................................................................................
    ....
12. Ranking logistics Functions

<table>
<thead>
<tr>
<th>Ranks</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionalism</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confidentiality</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Efficiency</td>
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<tr>
<td>Effectiveness</td>
<td></td>
<td></td>
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<tr>
<td>Misconduct</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wrong doing</td>
<td></td>
<td></td>
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</tbody>
</table>

**Key**
1 = Very good
2 = Good
3 = Fair
4 = Poor
5 = Very Poor

10. What are the reasons for outsourcing logistics functions?...................................................................................................................
..................................................................................................................................................
..................................................................................................................................................
..................................................................................................................................................
..................................................................................................................................................
..................................................................................................................................................
USER DEPARTMENT

1. How prepared were you to accept outsourcing?

2. Do you face any problem arising from the performance of the service provider? Please explain
   a)
   b)
   c)
   d)

3. Were you involved in determining the service to outsource?

4. How do you settle the problems with the service provider if you face them? Explain

5. Do you have any comments about outsourcing of non-core functions, if yes give your

6. comment
7. Are you satisfied with the services provided by your organization?

8. What is the cause of the problem?

9. How long did it take for the problem to occur?
SUPERVISOR

1. When did the organization start?

2. .......................................................... ..............................................................

3. How do you convince potential client and authorities that you are professional in your work?

4. .......................................................... ..............................................................

5. Which methods of outsourcing do you use?

6. What do people say about your company?

7. What people do your subordinates encounter from the staff of this organization you are working for?

8. What comment do you get about your subordinates from staffs of this organization you are working for?

9. What common problems do you face in your areas of supervisor?
OPERATIONAL STAFF OF THE SERVICES PROVIDER

1. Are you a full time or part time in this company?
   ........................................................................................................................................
   ......

2. Are you trained in the kind of job you are doing if yes who trained you which and how long?
   ........................................................................................................................................
   ......

3. What problem do you face frequent while working in this organization?
   ........................................................................................................................................
   ......

4. Do you get any harassment from the people you work with?
   ........................................................................................................................................
   ......

5. Was there any time you were told to pay for anything lost or went wrong in this organization
   ........................................................................................................................................
   ......

6. Do you have any comment as far as your work is concerned?
   a) Comments for your employer............................................................
   b) Another comment.................................................................
## APPENDIX II

### Research budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Tshs</th>
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<tbody>
<tr>
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<td>Typing and Binding</td>
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<td>Transport Cost</td>
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<tr>
<td>Data Interpretation and Analysis</td>
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<tr>
<td>Miscellaneous Cost</td>
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<td>Field Expenses</td>
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<tr>
<td><strong>Total research budget</strong></td>
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