

OUTSOURCING AND PERFORMANCE OF LOGISTICS FIRMS IN KENYA – A CASE STUDY OF KUEHNE + NAGEL LIMITED

1* **Robinson Malala Otieno,**

2* **Mr. Daniel Komu**

¹MBA Student: Management University of Africa

² Lecturer: Management University of Africa

* **Email:** robinson.malala@hotmail.com; dkomu@mua.ac.ke

ABSTRACT

The main objective of this research study was to investigate influence of organizational practices on performance of logistics firms in Kenya. The specific objective was to examine the effect of outsourcing on performance of logistic firms in Kenya. This study was founded using resource-based view and planned behaviour theory. The study target population was 326 Kuehne + Nagel Limited employees working in Nairobi, Kenya. This study adopted survey research design. The study adopted stratified random sampling techniques. A 25% sample size was selected. This study used questionnaires to gather data. A pilot test was performed using five questionnaires. The collected data was scrutinized, coded, classified and systematically keyed in SPSS version 22.0 software for generation of data table and charts. The analysis incorporated both descriptive and inferential statistics. As ethical consideration, all work of authors used was acknowledged. The results indicate correlation r equal 0.217 for outsourcing. This indicates positive relationship between outsourcing and performance of logistics firms in Kenya. The study recommends logistics firms operating in Kenya should deliberate and identify areas or functions in the management that are suitable for outsourcing such as cleaning, cooking, and among others to enable them fully concentrate in core mandates thus net more clients and improve sales and profits. This study would benefit Kuehne + Nagel Limited and other logistic firms in Kenya to improve their logistical activities as well as future researchers as source of reference and citations. **Keywords:** Organizational practices, Outsourcing, Performance, Logistics firms, Outsourcing, Kenya, Kuehne + Nagel Limited

INTRODUCTION

Globally, the performance of logistics firms are affected by competitive markets, the ever evolving consumer preferences, increase in cost of doing business, stringent business regulations, and focus on customer satisfaction (Israel, Albrecht, Frazzon, and Hellingrath, 2020). Lee, Lee and Schniederjans (2018) adds poor corporate practices such as fixed policies, not well thought

strategies, rigid structures, autocratic styles of leadership and ill-skilled workforce reduces performance of logistics firms. According to Brulhart, and Moncef (2015), significant logistics firms fails to establish lean or flat organizational structures, does not entrench internal quality improvements systems, lacks strategic staff training and competency development, use outdated technologies, fails to outsource non-core services that adversely implicate their efficiencies and effectiveness.

In Africa, Kwado (2016) explains logistics industry lag behind to improve their competitiveness and adopting new technologies to bridge the gap in change in technology. The scholar also elaborates African logistics firms unlike the ones in Europe rarely establish modern inventory management system in order to optimize resources. Kogoh (2019) elucidate that the inability of African logistics industry to invest adequate resources and recruit logistics market analysts to foresee supply chain risks and provide interventions as well as developing seamless policies and processes to support timely decisions and planning in the industry is costing the firms' profits and competitiveness.

In Kenya, Nyaga (2017) established logistics firms suffer from a number of issues that affects their performances including inadequate internal resources, lack of skilled logistics manpower, bureaucratic logistics and procurement policies, poor ethos and unethical behaviours, unplanned training and development practices, the issues of uncontrolled company frauds and corruption by the staff and late deployment of advanced technologies to maximize output from logistics market. It was based on this background that this study investigated influence of organizational practices on performance of logistics firms in Kenya with reverence to Kuehne + Nagel Limited.

Organizational Practices

An organizational practice is defined as internal variable(s) that influences how things are done within the organization, operations of the business, and its success or failures (Gelinas and Bigras, 2018). According to Hallavo (2015), there are several organizational practices not limited to organization's structure, size, physical and financial resources, culture, location, policies, values, technology capabilities, leadership, change readiness, project capabilities, customers, employees,

teamwork, quality improvement systems, and business strategies. These internal factors influence logistics firms' performance.

For instance, as logistics firms grow in size, structures and hierarchies, managers and heads of departments becomes of help rather than hindrance (Huang, Yen, and Liu, 2014). However, logistics companies across have to consider how they manage work from home employees, satellite offices, global partners and other issues in the 21st century workplace in order succeed (Kogoh, 2019). Additionally, the resources that logistics firms keep in-house versus the outsourced have consequences in their performance (Magutu *et al.* 2021).

In terms of culture, employees' attitude and feeling and how team structure makes that happen influence their performance (Mangan and Lalwani, 2020). Advances in technology also make it easier than ever to track various logistical metrics, collect, and analyse information, and communicate with others (Milimu, 2015). According to Mwanzia (2016), effective continuous quality improvement systems eliminate wastes, proactively detect defects, and increase logistics firms' efficiency (Kogoh, 2019). Well planned outsourcing is also associated with freedom that enables logistics firms to concentrate in core service delivery (Njiru, 2019). None the least, adequate and robust staff training empowers them to solve logistics problems and add value to the organization (Nyaga, 2017). This study focused on how continuous quality improvement as the organizational practice influence logistics firms' performance. The rationale of using these variables is based on (Al-Tit, 2016; Anyango, 2014; Awino, 2016; Gacuru and Kabare, 2015) studies that found there were factors that affect their effectiveness in logistical firms' performance. This study therefore sought to explore whether this applies to logistics firms in Kenya.

Outsourcing is often undertaken by firms to reduce costs. Thus, implementation of outsourcing affects customer support, manufacturing, to back office (Zailani et al. (2017). According to Owuor et al. (2019), outsourcing occurs when one firm recruit another firm to undertake the responsibilities it is supposed to undertake. The outsourcing concept originated in 1989 as business strategy and normalized in the 1990s as fundamental part of business (Mulama, Chirchir and Magutu, 2021). In the context of this study, outsourcing was studied in terms of how Kuehne

+ Nagel Limited adopt services of other companies to improve; customer support service, security services, human resource management functions, marketing services, and public relations services.

Performance of Logistics Firms

Globally, offer cargo transportation by sea, land, and air whilst adapting to economic trends and growing digitization patterns. According to Stank and Closs (2021), the logistics industry is worth 5.7 trillion euros globally. However, the emergence of Covid-19 disrupted logistics industry operations cutting major supplies to local and international companies that depend on them across the world. For instance, lockdown triggered acute growth of e-commerce thus straining already overstretched freight networks (Thia, Cahoon, & Tran Thanh, 2021). In Africa, a recent Briter Bridges survey of logistics reports three trends will shape the future of logistics in African markets performance; close rural-urban divide; digitize logistics; and continue rise of B2B logistic companies (Mangan and Lalwani, 2020).

According to Okongwu, Brulhart, and Moncef (2019), performance is linked to quality output, timeline of output, attendance to the job, work efficiency, and effectiveness of work completed. Rao *et al.* (2018), however describe performance as fulfilment of task vis a vis set standards, quality, costs, speed, and completeness. Song and Lee (2020) define performance concept as multidimensional abstract concept with its measurement pegged on variety of factors. Performance may refer to both enterprise organizational performance and an activity, a department, a manager or a performer (Stank and Closs, 2021).

According to Israel *et al.* (2020), organizational performance can be measured based on efficiency, effectiveness, productivity, profits, economy, and competitiveness. It can also be measured on service quality, return on investment, assets return, market share, sales growth, customer base, manpower as well as financial and technology capabilities (Gelinias and Bigras, 2018).

In logistics industry, firms' performance is measured in form of zero wastes, zero defect, cycle time, lead time, delivery on time adherence, freight payment accuracy, average dwell time, trailer

utilization rate, average cost per skid/order and on-time pickup percentage. This study measured performance on reduction of cost of operations, profitability, delivery on time adherence and freight payment accuracy since logistics firms adopt outsourcing to reduce costs, improve profits, accuracy, and deliver timely.

STATEMENT OF THE PROBLEM

Conceptually, the link between organizational practices and performance of logistics firms is not conclusive. For instance, whilst Bagshaw (2017) established direct positive core relationship between strong organizational practices and performance of logistics firms; Bryman and Bell (2018) found the performance of logistics firms is not directly tied to organizational practices only but more other factors such as individual staff personality and commitment at work. Thus, direct link between organizational practices and performance of logistics firms still needs more scientific investigation and empirical evidence to fill the grey gap.

Based on methodological gaps, Bagshaw (2017) undertook a study on logistics management from firms' performance perspective. This study however relied on small sample size of 41 respondents. The current study used sample size of 82 participants. Bowen (2018) focused on logistics performance analysis and improvement. The study scope was however based in United Kingdom and its finding was therefore not based on Kenyan logistics firms. Gacuru and Kabare (2015) also investigated factors affecting efficiency in logistics performance of trading and distribution firms based in Kenya. This study was however, purely quantitative in methodology thus lacking narrative interpretations. The current study therefore chose quantitative and qualitative approaches.

Contextually, Kuehne + Nagel Limited is a shareholder funded company and thus exists to make profits to guarantee return for investment. However, there have been customer complaints indicating there are ineffective organizational practices at the firm. These ineffective organizational practices are unknown and their effects on the performance of the logistics firm are also unknown. For instance, in Kuehne + Nagel Limited Complaints and Reviews database available on [Kuehne + Nagel: Reviews, Complaints, Customer Claims \(complaintsboard.com\)](https://complaintsboard.com/kuehne-nagel-reviews-complaints-customer-claims),

there are registered number of customers' dissatisfaction with the company's services indicating there are organizational practices affecting the operations of the logistics firm.

For instance, one of the complaints read; "NTG620055579 Tracking has been booked since 19th April 2022 and the pallet has still not arrived. I have lost the number of times I have tried to get information from the company representatives to no avail. All promises given to me are NEVER met and I have to say this is probably the worst company I have dealt with in my 30 years of business. You are not running a proper service and need to be accountable to customers - THEY pay your bills," (Kuehne + Nagel Limited Customer Complaints and Reviews Database, 2022). Another customer complains read, "I am writing to report one of your delivery drivers being extremely obstructive, unhelpful and downright rude". In another customer post, it reads, "Kuehne have repeatedly failed to deliver my goods, and have consistently given be unclear and inaccurate advice. It has cost me a lot of time on the phone to customer services and holiday from work," (Kuehne + Nagel Limited Customer Complaints and Reviews Database, 2022).

The above samples of customers' complaints against company's services indicate there are ineffective organizational practices that need to be identified and research undertaken on how they can be improved to enhance firm's performance. It was based on this background that this study sought to investigate how outsourcing as internal factor influence performance of Kuehne + Nagel Limited in Kenya.

OBJECTIVE OF THE STUDY

The specific objective was to examine the effect of outsourcing on performance of logistic firms in Kenya.

RESEARCH HYPOTHESIS

Specifically, this study hypothesis was that there was no relationship between outsourcing and performance of logistic firms in Kenya.

SIGNIFICANCE OF THE STUDY

Kuehne + Nagel Limited operates in logistics industry in Kenya. However, there was knowledge gap on how outsourcing influence performance of Kuehne + Nagel Limited. This study outcome could therefore be used by Kuehne + Nagel Limited to inform or shape its future business strategies and policies.

To the Government of Kenya, logistics industry stakeholders in Kenya, and logistics practitioners in Kenya; the outcome of this study could be an instrumental source of information for logistical policy development in Kenya. For effectiveness and efficiency, the logistics firms in Kenya could also adopt recommendations from this study to redesign their logistical operational policies informed by the outcome of this study.

Further, the finding of this study would be of significance to future researchers as they would use it as source of reference and citations. This study also suggested areas for further studies that future researches would undertake to add value in body knowledge with regard to organizational practices influence on performance of logistics firms in Kenya.

SCOPE OF THE STUDY

The study focused on organizational practices on performance of logistics firms in Kenya. And even though there are several logistics firms in Kenya, this study was only limited to Kuehne + Nagel Limited as case study to improve accuracy of study's outcome. The study specifically investigated how outsourcing as organizational practice affecting performance of logistics firms in Kenya. This study target population was 342 Kuehne + Nagel Limited employees working in Nairobi, Kenya. The study was undertaken for a period of eight months from January 2023 to August 2023.

LITERATURE REVIEW

Theoretical Framework Review

This study was anchored on resource based view theory (RBV). The resource based view theory was advanced by Penrose in the year 2009. Penrose proposed the model for effective management of companies' resources, executing the diversification strategies, and exploring the productive opportunities. In Penrose view, an organization was conceptualized as plethora of resources that

if used well is capable and enables a firm to achieve its short term, medium term and long term goals and objectives. This theory usage highly began in the 1990s under the growth of the firm concept but was highly criticized by Jay Barney's work that also dominated the strategic management and planning in the 1990s (Mudogo, 2019).

The resource based view theory (RBV) concept is influential approach in strategic management. This theory is highly and often applied in management of firms to determine the resources vital for the competitiveness and the achievement of the companies' advantages. This theory is also the basis under which firms predicts their future performances or competitive advantages (Milimu, 2015).

RBT provide fundamentals to foresee a firm's performance and competitive advantage. The Penrose's the RBV concept is based on meso perspective which was a reaction to earlier interest in industry management and structure more so in macro perspective side. Thus, the RBT focuses on the internal angle of the organization especially the resources contrary to macro approaches that focuses to understand why firms fails or get successful based on the factors such as technology innovation, political stability, the economic stability, the environmental perspective, the legal frameworks and the social fabric of the society. In other words, the RBT seeks to explain how imperfect imitable a firm resource could essentially become a source of its competitive advantage for success (Mwanzia, 2016).

It is notable to say that some form of confusion often exists as to whether RBT or RBV is the ideal label for this theory. Some scholars prefer RBT (resource based theory) since a view has evolved into a theory whilst some researchers use the term RBV. However, upon reflection of several perspectives in community studies, several scholars often adopt and use the term RBT which this study adopted (Njiru, 2019). This theory links organization resources to competitive advantage of the firm. The theory proposition is that for a firm to be competitive in the market, it must use rare distinct resources it has to its advantage. The rare resources can be personnel, technology, finance power, knowledge, and other physical facilities (Grant, 2014). The theory further posit that organization competitive advantage comes in using or converting resources it

has to make unique services or products that cannot be imitated by other firms (Barney & Hesterly, 2021).

In RBT, the resources are viewed in two dimensions, the internal resources and the external resources. The internal resources refer to the company's pool of staff, financial capability, the transaction or production processes of the firm, the policies and procedures, the strategies developed by the management, the vision and mission that guide the operations of the firm, skills and body of knowledge retained in the organization, the firm information systems, the firm's physical facilities. The other others are firm's logistics channels, the brand image and the research and development (Huang et al, 2014).

The external resources of the firms comprise of the suppliers, the customers' and the technology change. For instance, a good supplier often ensures a firm production is continuous which offer reliable and steady flow of company products into the market. This win customers' trust that results in repeat sales and the growth of the firm in profitability and the market share. Additionally, customers' goodwill often acts as source of asset to the firm since it can be translated into loyalty to company products or services and act as source of repeat sales, customer base, market share, profitability and the expansion (Hallayo, 2015).

The RBT further categorizes resources into three areas; namely human capital resources, physical capital resources and the organizational capital resources. The theory explains the physical capital resources as resources such as company production plant, raw goods, finished goods, company vehicles, science or computer lab, business premise, company accounts, company valued land among others (Karaman et al, 2019). The human capital are company employees, company managers, the top management team, the board of directors, the casual employees, employees under contract and contracted employees through outsourcing. The human capital also involves the skills firm workforce holds, the training capacity of the firm, the staff talents, the succession plan, creativity, and innovation as well as knowledge management and retention strategies (Kwado, 2016).

The organizational resources cover the organization information and data, the transaction systems, the production processes, the style of leadership, the policies and the procedures, the training or working manual, the ethical codes of conduct, the management structures, the reporting channels, the communication framework, the vision and mission and the objectives of the business (Nyaga, 2017).

According to RBT, firms' asserts can also be seen in the context of intangible and the intangible resources. The intangible resources include the skills of the employees, the experience of the staff, the knowledge in the workforce, the goodwill of the customers, the talents held by employees, the firm services, the staff talents, the workflow and the business processes (Owuor et al, 2019). The tangible resources of the firm are the company's financial power, the number of employees of the firm, the number of the company vehicles, the number of business premise, the capital land, the product, the physical plant, the machines and equipment, the computers, the lab and among others (Okongwu et al, 2015).

In the concept of RBT, the importance of firms' resources is seen in the capability to use such resources to improve the performance of the organization. This means the company managers and staff must use the unique tangible and intangible resources the firm has to turn raw goods or ideas into products or services that are then sold to customers for the company to earn profit. It is in this perspective that a company that is capable to develop unique products or services that are attractive to customers wins the competitive advantage in the market (Owuor et al, 2019).

However, RBV framework has no shortage of criticism. According to Peteraf and Barney (2021), RBV lacks managerial implications. For instance, the manager identifies resources that it uses to improve competitive advantage of the firm. However, the firm still lose market share, profits and sales. Thus, RBV focus on internal elements of the firms but lacks executional strategies. This then leads to failure of the firms regardless of the resources at its disposal (Rumelt, 2018).

Further, the RBT is based on the assumption that every firm has unique resources that is not transferable or imitable. The theory holds that each company has an outstanding resource that it can use distinctively to produce unique services or the products in the market that gives it

competitive edge. However, in real sense, this actually is not the truth. As Sink et al (2018) explains, one or more organization can have one or several similar resources and can be also operating from the same business environment with similar resources. This therefore reduces or eliminates the unique ability the RBT emphasize on and eliminates the competitive advantage the theory is anchored on.

The other weakness of this theory is that it assumes that firm characteristics cannot be modified. The work of Penrose holds that company unique abilities and characters differentiates them from the rest and thus when utilize gives them competitive advantage over the rest in the market. However, this assumption is a fallacy. For instance, a company might not have a resource the other company has but along the way acquires such unique resource it didn't have. For instance, a company might lack a particular skills or knowledge the company has to make or produce a certain product, however, the said company can recruit a staff that comes with the new skill that was lacking in the workplace. Thus, the competitive advantage of the other firm held the previous skill earlier is reduced if not eliminated in the market (Song & Lee, 2020).

RBV was used as an anchor theory in this study to signify organizational practices and performance of logistics firms depends on internal and external resources and how the firm competitively uses such resources to its advantage. For example, the internal skills employees have, the financial capability of the firm, how robust and effective their logistics operational policies and strategies are, as well as how the leadership respond to emerging logistical issues determines the logistical performance of the firms. However, RBV theory will be meaningless if there is no planned intention to change the behaviour of employees and the culture required of them to practice. It is under this context that theory of planned behaviour was discussed and its connection to this study.

Empirical Literature Review

Zailani et al, (2017) has investigated influential factors and performance of logistics firms in Malaysia. The response of 21 percent out of 486 firms selected was achieved and used as empirical data. The findings reveal most firms outsource non-core activities to address other uncertainties matters in their businesses. However, Zailani *et al.*(2017) study data and finding

was based on Malaysian companies. As earlier discussed, the business environment, policies, and markets logistics firms in other countries such as Malaysia is different from Kenya. Therefore, a study undertaken in Malaysia cannot be generalized in the Kenyan context without undertaking a local study and doing comparison in that regard. The current study therefore sought to understand outsourcing in a Kenyan company perspective and consequently provide finding to fill the gap.

Mangan and Lalwani (2020) executed a research titled 'global logistics and supply chain management in New York'. The study was undertaken using the exploratory research design with the qualitative approach adopted as the basis for data collection, the data analysis and the interpretation of the findings. The study was purely based on the interviews performed with the stakeholders from the 32 firms in the New York City. The study established outsourcing is undertaken by all the major global supply chain firms across the world. The study reveals most logistics globally execute outsourcing for a number of reasons. Some of the reasons the study revealed are to concentrate on core business matters, to cut costs of operations, to reduce the level of staffing and to tap in the expertise of the outsourced firm. The study also found other factors that influence global firms in the supply chain to adopt outsourcing includes the motivation to improve customer service, customer experience, customer satisfaction and to improve on sales and the profitability of the firm.

This study was however based on qualitative approach. As Kothari (2014) reveals, a qualitative study is prone to biasness in reporting and judgement. Further, qualitative study is based on the view or eye-lenses of the researcher. Thus, how a researcher interprets or understands the findings influences the outcome of qualitative study which might not be true. Further, the qualitative studies lack the numerical strengths in terms of the analysis and therefore the narrative finding cannot be qualified against statistical trend which is lacking. This means qualitative studies lacks consistent statistical structures that can be used to reinforce the qualitative findings or reporting.

For the above reasons, the current study adopted both qualitative and quantitative structures for the research tools development, data collection, data analysis and the outcome interpretations. This would cure the shortfall experienced in Mangan and Lalwani study. The use of the both approaches was also important to ensure that the links between the variables tested are shown.

For example, the relationship between outsourcing over the performance of logistics firms in Kenya.

Isaac (2014) study assessed management of logistics outsourcing in MaerskLine Ghana Limited. This company was used as case study by researcher because of ease of access to data. The study reveals benefits of outsourcing to the company include cost reduction, profit increase, more time for core business, and the competitive advantage. However, Maersk Ghana Limited internal and external factors that influence its outsourcing performance is not the same as Kuehne + Nagel Limited operations and dynamics in Kenya. This therefore warrants new research that the current seeks to explore to fill the gap.

Owuor et al, (2019) investigated influence of outsourcing on performance of retail firms in Nairobi Kenya. The study used descriptive research design with 32 retail businesses within central business district (CBD). The finding has proved outsourcing has direct relationship with performance of retail firms in Nairobi Kenya. Owuor et al, study however looked at outsourcing in retail sector perspective. There is need to undertake a new study and understand how outsourcing and influence performance in logistics firms' perspective. This is the gap an undertaking of the current study seeks to fill.

Mulama, Chirchir and Magutu (2021) explored outsourcing practices in performance of manufacturing companies in Nairobi County. The study used both stratified random sampling and simple random sampling to select participants considering heterogeneous factors with 83 percent response being achieved. The finding has revealed manufacturing firms outsource transport management, warehousing activities, and material handling to reduce costs and improve performance.

However, Mulama, Chirchir and Magutu (2021) study was carried out almost ten years ago. Its findings are therefore overtaken with time. It is important to note that between 2021 up-to-date there has been wide business environmental issues that could affect how logistics practices are undertaken in organizations and how firms operate such as the emergence of Covid-19. It

therefore follows the current study is viable to assess current logistics practices and how the influence modern organizations.

Nyachwaya and Rugami (2020) executed ‘competitive strategies and performance of commercial banks in Mombasa County Kenya.’ The study was undertaken using survey design with the focus on several banks opening in Mombasa county. The study followed mixed approach design choosing to adopt both qualitative and quantitative methods for the data collection, data analysis and the data interpretations. The study used both questionnaires and the interview guide to collect data from a total of 187 participants. The data was analysed using descriptive and inferential approach. The participants were chosen using stratified random sampling technique and the interviewees chosen using the purposive sampling approach.

The study found outsourcing is common among the commercial banks operating in Mombasa County. The study revealed all the banks that were under the scope of the study adopted outsourcing as part of their business operations. The commercial banks staff interviewed explained their firms adopted the outsourcing approach to ensure that they acquire best quality services they did not have in-house. The results also revealed all the banks in the study benefited from outsourcing in one way or the other in matters such as improved quality, improved customer care, expertise advisory among other conveniences such as reduction of staff supervision, operational costs and the ability to focus on core banking services.

The results also reviewed few commercial banks that had outsourced some of their business operations to third party companies were facing a number of issues such as lack of confidentiality of company sensitive information, poor staff relations, and even poor services rendered below the expected standards and the existing contracts. The finding reveals some commercial banks were in court with their party suppliers over a number of misunderstandings some going against the spirit of the business contracts developed between a third party and the commercial bank. The participants stated the court settlement was reached after both parties failed to reach consensus on the contentious issues based on the business contractual agreement they signed in the case of the dispute during their business engagements.

However, Nyachwaya and Rugami (2020) study was based on the commercial banks operating in the MOmasa county. This was contrary to the logistics firms that the current study sought to explore. The focus on Nyachwaya and Rugami study on the commercial banks also means the outcome of the study was based on commercial banks' context and not the logistics firms' context. the commercial banks and logistics firms operate differently in terms of policies, structures, regulation and management that could affect the outsourcing outcome.

Additionally, the business environment of the commercial banks and the logistics firms is different indicating they face different micro factors and the macro factors that could affect outsourcing operations and the contract of the firm. The current study was therefore undertaken to understand outsourcing in the perspective of logistics firms in Kenya and not the commercial banks in Kenya.

Summary of Research Gaps

Table 17 Summary of Research Gaps

Author and Year	Title	Study variable	Findings	Research gap	Current study intervention
Zailani et al, (2017)	Influential factors and Malaysian logistics companies' performance	Outsourcing	Firms outsource non-core activities to focus on addressing uncertainties.	Study data and finding was based on Malaysian companies	Current study sought to understand outsourcing in a Kenyan company perspective.
Isaac (2014)	Management of logistics outsourcing activities at MaerskLine Ghana Limited.	Outsourcing	Maersk Limited benefits outsourcing its operational activities.	Study was based on Limited; Kumasi branch	Focus of current study was Kuehne + Nagel Limited to bridge the case study gap

Source: Author (2023)

CONCEPTUAL FRAMEWORK

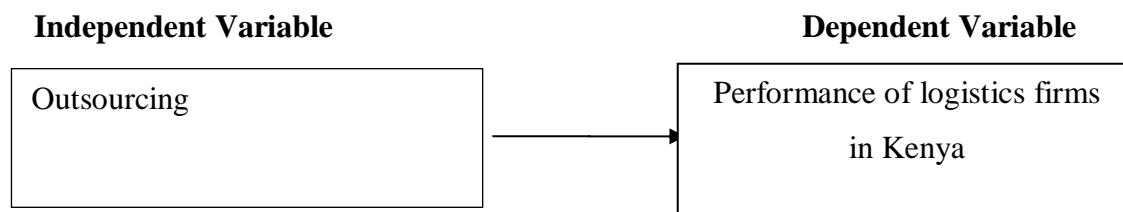


Figure 1: Conceptual Framework

Operationalization of Variables

Table 18 Operational Framework

Variables	Indicators	Measurements	Data Analysis
Outsourcing	Service efficiency Service quality Customer satisfaction Improved data management Improved customer relationships	Scale of 1-5 where 1 is strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly disagree	Descriptive statistics
Performance of logistics firms	Cost efficiency Services effectiveness Manpower reduction Quicker orders fulfilment	Scale of 1-5 where 1 is strongly disagree, 2 disagree, 3 neutral, 4 agree and 5 strongly agree	Descriptive statistics

Source: Author (2023)

RESEARCH METHODOLOGY

This study adopted survey research design. Survey research means collecting information about a group of people by asking them questions and analyzing the results (Kothari, 2014). The survey research design was adopted in this study as it was good choice when want to find out about the characteristics, preferences, opinions, or beliefs of the target population. Surveys also allowed the researcher to collect a large amount of data in a relatively short period. This study target population was 326 Kuehne + Nagel Limited employees working at Jomo Kenyatta International Airport. The target population comprised top management, middle staff, and support staff.

Table 3 Target Population

Category	Population	Percentage
Top Managers	11	4
Middle Level Staff	67	21
Support Staff	248	75
Total	326	100

Source: Kuehne + Nagel Limited (2023)

The study adopted stratified random sampling techniques. A 25% sample size (an average of between 20% to 30%) was selected based on Peil (2021) that opine the sample size of a study should be between 20% to 30% of the target population. There were 326 Kuehne + Nagel Limited employees working at Jomo Kenyatta International Airport when 16 staff involved in pilot testing were excluded. As a result, 82 Kuehne + Nagel Limited employees were selected as the sample size. See table 4.

Table 19 Sample Size Distribution

Category	Target Population	Sample Size 25%) of Target Population)	Percentage
Top Management	11	3	3
Middle Level Staff	67	17	20
Support Staff	248	62	77
Total	326	82	100

Source: Author, (2023)

The data was obtained using a questionnaire. Kothari (2014) define questionnaires as structured documents with set specific questions to be answered by study participant. The questionnaire was designed to contain the things that are aligned towards achievement of objectives of the project. The questionnaire was a closed-ended questions. Closed questions consisted of a fixed questions answered by respondents in certain sequence and with pre-designated response options to take care of the quantitative part of the study. Comments were accompanied by a list of alternative options to choose from. The questionnaires were divided into three parts namely general information, outsourcing and logistics performance.

The piloting study took place in Kuehne + Nagel Limited head office. The goal of the pilot research was to determine the questionnaire's dependability, including the language, structure,

and sequence of questions. The pilot test included 16 Kuehne + Nagel staff, however these were not included in the main sample size. This was justified by (Sheatsley 1983; Sudman 1983) studies that opine the rule of thumb is to test the survey on at least 12-50 people prior to full-scale administration. The study's goal was to rewrite the questionnaire such that respondents in the main study had less difficulties answering questions.

Validity tests were conducted for criterion, content and construct validity to ascertain representative and relationships between variables. Triangulation was utilized before research instruments administration to guarantee research findings. Content validity ratio was used to calculate Content validity index using below formula:

$CVI = \frac{\text{Total number of items rated by all respondents (25 items)}}{\text{Total Number of items in Instruments (32)}}$

$CVI = \frac{25}{32}$

$CVI = 0.78$

CVI=0.78

Content validity index of 0.7 and above, according to Peil (2016) qualified instrument of the study. First step of reliability in this study was to operationalize variables. Thereafter, internal consistency was measured using Cronbach's alpha. If R2 (Alpha) equal or more than 0.7, the instrument was considered satisfactory (Kothari, 2014). After data collection, reliability analysis was undertaken and results presented in table 5 below.

Table 5 Reliability Statistics

Variable	No. of Items	Alpha
Outsourcing	5	0.79
Logistics performance	4	0.89
Overall	25	0.88

The field data was coded and categorized using Statistical Package of Social Sciences (SPSS) version 22.0. The descriptive statistics was used to analyse the field data. The quantitative data was analysed and presented in tables using percentage, frequency, mean and standard deviation. The quantitative analysis was undertaken using narrative approach. The inferential statistics was also performed using multiple linear regression model to understand the relationships between

in/dependent variables. For instance, multiple regression model was developed to test organizational practices on performance of logistics firms in Kenya. The multiple regression formula was:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where, Y = Performance of logistics firms

X₁ = Outsourcing

β₀ = Constant Term

β₁, β₂, β₃, β₄ = Beta coefficient; ε = Error Term.

RESEARCH FINDINGS AND DISCUSSIONS

Response Rates

Table 20 Response Rates

Category	Frequency	Percentage
Filled and returned	65	79
Not returned	17	21
Total	82	100

According to (table 6), out of 82 questionnaires that were issued to a logistics firm in Nairobi County, 65 were fully filled and returned representing (79%) response rate. However, 17 questionnaires were never filled and returned representing (21%) return failure. The above average return on data collection tool (79%) indicates this study achieved its data collection objective as Kothari (2014) requires data from the field to be above 50 percent.

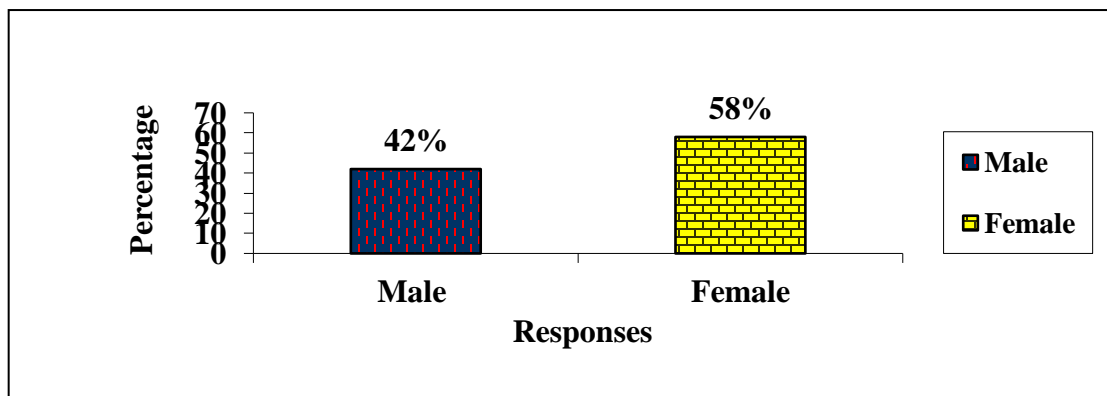


Figure 4 Gender Analysis

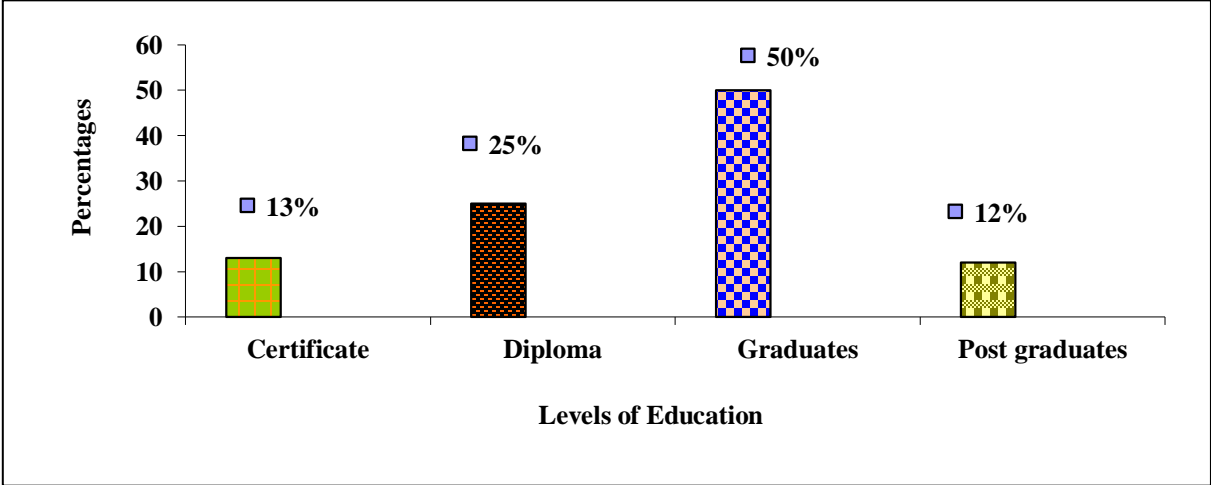
According to figure 2, the number of women that participated in this study were (85&%). The number of men that participated in the study were (42%). These results indicate that more female respondents than male respondents. It also indicates study used data gathered from both genders and therefore formed conclusions based on gender equity as required by Donalson and Preston (2016).

Table 7 Age Analysis

Age Range	Frequency	Percentage
18-25 years	13	20
26-33 years	19	29
34-41 years	11	17
42-49 years	15	23
50 years and above	7	11
Total	65	100

As shown in table 7, majority of employees (37%) and (31%) were between the age of 26-33 years and 34-41 years respectively. However, other employees had their age brackets spread in different categories as indicated above. The age of respondents were analysed to understand the pool of logistics firm’s logistics and supply chain management staff.

Figure 5 Highest Level of Education



As shown in figure 3 above, 50% of employees were graduates from different universities in Kenya and around the world. The other employees also had certificate, diploma, and postgraduate qualifications as show in the above figure. The education level was analysed because Hill and Jones (2017) require researcher to understand respondents level of reasoning and literacy skills.

Table 8 Duration of Employment

Categories	Frequency	Percentage
< 2 years	7	11
2-4 years	23	35
4-6 years	15	23
6-8 years	11	17
Over 8 years	9	14
Total	65	100

According to table 8 above, majority of employees (31%) and (25%) had working experience between 2-4 years and 4-6 years respectively. The work experience analysis was important to understand logistics firm's level of understanding in supply chain and logistical issues as supported by Miles (2017).

Results on Outsourcing

Table 21 Effects of Outsourcing on Logistics Performance

	N	Mean	Std. Deviation
Our outsourced experts in cargo handling have reduced pilferages.	65	3.72	1.329
Our outsourced human resource management has built our staff competence.	65	3.74	1.136
Our outsourced marketing function has improved sales.	65	3.71	1.538
Our outsourced security team protects our company cargos.	65	3.34	1.417
Our outsourced customer support team has improved our relations with customers.	65	3.35	1.316
Valid N (listwise)	65		

The second objective tested influence of outsourcing on performance of logistics firms in Kenya. In table 10, the statement on our outsourced cargo handling experts has reduced pilferages had mean score of 3.72 and standard deviation of 1.329. The statement our outsourced human resource function has improved our staff competence was with a mean score of 3.74 and standard deviation

of 1.136. A statement outsourced marketing team has improved sales was with a mean score of 3.7 and standard deviation of 1.538. A statement outsourced security team has protected our cargos had mean score of 3.34 and standard deviation of 1.417. Lastly, statement outsourced customer support team improved our relations with customers was with mean score of 3.35 and standard deviation of 1.316. These results aligned with Rao, Young and Novick (2018) study on ‘Third party services on logistics of global firms’ that ascertained outsourcing has positive effects on global firms’ sales, quality of services rendered and customers’ satisfaction.

Results on Performance of Logistics Firms

Table 22 Organizational practices on Performance of Logistics Firms

In the last bit, the researcher wanted to understand if organizational practices influence performance of logistics firms in Kenya.

	N	Mean	Std. Deviation
Our annual sale has increased by 10% due to our standard and quality services.	65	3.82	1.550
Our customer base has increased by 10% as our portfolio and reputation grows.	65	4.34	1.314
Company has opened 5 more branches because it focuses in its core function.	65	3.38	1.343
We have realized 10% profit increase for our ability to tap and retain talented logistics and supply chain professionals.	65	3.45	1.552
All shareholders are happy due to over 10% return on investment.	65	2.98	1.420
Internal survey indicates over 70% of our customers are satisfied with real time update on their orders.	65	3.98	1.293
Valid N (listwise)	65		

In table 13, the statement of annual sale has increased by 10% due to maintenance of quality standards had mean score of 3.82 and standard deviation of 1.550. A statement of customer base increased by 10% as company portfolio and reputation grows had mean score of 4.34 and standard deviation of 1.314. The statement of company has opened 5 more branches since it has time to concentrate on core business had mean score of 3.38 and standard deviation of 1.343.

A statement we have realized 10% profit increase because of ability to tap and retain logistics and supply chain management professionals had mean score of 3.45 and standard deviation of 1.552.

The statement all shareholders are happy because of more than 10% return on investment had mean score of 2.98 and standard deviation of 1.420. Lastly, a statement over 70% of company customer satisfied due to real time update on their orders had mean score of 3.98 and standard deviation of 1.293. These findings were in agreement with Mwanzia (2016) study on success factors on organizational performance of third party firms in Kenya that further established staff competence, outsourcing, quality standards and investment in technology was the basis of indigenous third party firms' growth in Kenya.

Inferential Statistics

Table 23 Coefficient Correlation

Performance Of Logistics Firms	Outsourcing	
Performance Of Logistics Firms	1	
Outsourcing	.217	.101
	.002	.002
	65	65

**Correlation is significant at 0.01 level (2-tailed).

In investigating relationship between variables and findings, the researcher used Karl Pearson's coefficient of correlation (r) indicated in table above. From the results, it was no doubt there was positive correlation between organizational practice (outsourcing) and performance of logistics firms in Kenya. The results indicate correlation r equal 0.507 for outsourcing. This indicates positive relationship between outsourcing and performance of logistics firms in Kenya.

Coefficient of Determination R²

Table 24 Model Summary

Model	R			Std. Error of Estimate
	R	Square	Adjusted R Square	
1	.875 ^a	.765	.760	1.93596

Predictors: (Constant), Outsourcing

In table 15, the model shows 76.5% of variance (Adjusted R Square = 0.760) on the performance of logistics firms in Kenya. Undoubtedly, there are other factors other than four variables in this study that can be used to predict logistics performance. However, this still good model as Cooper and Schindler (2016) indicated lower value R square 0.10-0.20 is acceptable in social research. This therefore means 76.5% of relationship is explained by identified outsourcing variables. In nutshell, outsourcing constitutes 76.5% of relationship whilst 23.5% constitutes other factors not researched by this study.

Regression Results

Table 16 Analysis of Variance

Model		Sum of	df	MeanSquare		
		Squares		F	Sig.	
1	Regression	735.369	4	8.84	2.359	.003 ^b
	Residual	224.877	60	3.748		
	Total	960.246	64			

Dependent Variable: Performance of logistics firms in Kenya

b. Predictors: (Constant), Outsourcing

Regression Coefficients

Table 25 Regression Coefficient

Model	Unstandardized		Standardized		Sig.
	Coefficients		Beta	t	
1	(Constant)	26.487		2.425	.0018
	Outsourcing	.312	.103	3.029	.0001

Dependent Variable: Performance of Logistics Firms in Kenya

Regression equation was:

$$Y = 26.487 + 0.176X_1 + 0.312X_2 + 0.255X_3 + 0.332X_4$$

Where Y = Performance of logistics firms in Kenya

X₁ = Outsourcing

Hypothesis H₀₂ – There is no significant relationship between outsourcing and the performance of logistics firms in Kenya. In terms of relations, findings in table 17 show outsourcing had no significant effect on performance of logistics firms in Kenya. This is reinforced by regression analysis t-value of 3.029 which is greater than critical value 2.0 and p-value of 0.00 at 95 percent significance level which is less than 0.05.

The finding was in line with Rao, Young, and Novick (2018). After testing hypothesis comparing score of calculated t-value and the critical t values was 3.029 for outsourcing that was greater than critical t_{36-(0.05)} = 2.0. Thus, the study rejected null hypothesis outsourcing has no effect of performance of logistics firms in Kenya. Therefore, results show that outsourcing has significant effect on performance of logistics firms in Kenya.

SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The study focused on whether outsourcing affects the performance of logistics firms in Kenya. The study found outsourcing enabled logistics firm to acquire expert services in areas such cargo handling, HR management, security, customer service support and marketing that has allowed the firm to concentrate in its core business. This has reduced staffing costs leading to minimization

of operational costs and the result is increase in profitability. The study concludes outsourcing has significant effect on the performance of logistics firms in Kenya. Outsourcing enabled logistics firms to acquire expertise services in security, cargo handling, marketing, customer relationship management and HR management that has reduced overheads leading to increase in profitability. The logistics firms operating in Kenya should further deliberate and identify areas or functions in the management that are suitable for outsourcing such as cleaning, cooking, and among others. This would enable logistics firms to fully concentrate in core mandates thus net more clients and improve sales and profits.

REFERENCES

- Abraham, K., & Taylor, S. (2016). Firms use of outside contractors: Theory and Evidence. *Journal of Labour Economics*, 14 (3), 394 - 424.
- Ajzen, I. (2016). *Theory of planned behaviour. Organizational Behaviour and Human Decision Processes*. Washington DC: Sage Publishers.
- Al-Tit, A. (2016). The impact of lean supply chain on productivity of Saudi manufacturing firms in AL-QASSIM region. *Polish J Manage Stud*; 14(1): 18–27.
- Amwata, A. D., & Nyariki, D. (2016). Effect of communal and individual land tenure systems on land use and food security in Kajiado County, Kenya. Unpublished Master of Science (Project Management), University of Nairobi, Retrieved from <https://www.uonbi.ac.ke>
- Anyango, B., J. (2014). Outsourcing and the performance of state corporations in Kenya (Doctoral dissertation, University of Nairobi).
- Awino, Z., B. (2016). *Strategic Management: An Empirical Investigation of Selected Strategy Variables on Firms Performance: A Study of Supply Chain Management in Large Private Manufacturing Firms in Kenya. Department of Business Administration, School of Business*, University of Nairobi.
- Bagshaw, K., B. (2017). Logistics Management from Firms' Performance Perspective. *International Journal of Supply Chain and Logistics*, 1(3), 1–18. <https://doi.org/10.47941/ijscsl.180>
- Barney, J. B., & Hesterly, W. S. (2021). *Strategic Management: Competitive Advantage Concepts and Cases*. Boston, MA: Sage Publishers.
- Bugo-Kionge, C., & Sasaka, P. S. (2018). Influence of Strategic Management Practices on Performance of Selected Agribusiness Small and Medium Enterprises in the Kenyan Coast. *The International Journal of Business and Management*, 6 (4), 107-125.

- Bowen, G. B. M. R. (2018). Logistics Performance Analysis and Improvement: A Case Study of a Building Materials Company. *Global Business and Management Research: An International Journal*, 10(1), 266–279.
- Burnes, B. (2018). *Managing Change: A Strategic Approach to Organizational* 2nd Ed. London: Pitman Publishing.
- Cappel, R. E. (2018). Industrial organization and new findings on the turnover and mobility firm. *Journal of Economic Literature*, 5 (3), 394 - 424.
- Cooper, R., & Schinder, S. P. (2018). *Business Research Methods* 3rd Ed. New York: McGrawHill.
- Durowoju, S. T. (2017). Impact of Technological Change On Small and Medium Enterprises Performance in Lagos State. *Economic and Environmental Studies*, 17(44), 743–756. <https://doi.org/10.25167/EES.2017.44.7>
- Gacuru, W., & Kabare, K. (2015). Factors affecting efficiency in logistics performance of trading and distribution firms based in Jomo Kenyatta International Airport area. *International Academic Journal of Procurement and Supply Chain Management*, 1 (5), 50-71.
- Gacuru, W., & Kabare, K. (2018). Factors affecting efficiency in logistics performance of trading and distribution firms based in Jomo Kenyatta International Airport Area. *International Academic Journal of Procurement & Supply Chain Management*, 1(5), 50-71.
- Gelinas, R., & Bigras, Y. (2018). The Characteristics and Features of SMEs: Favorable or Unfavorable to Logistics Integration? *Journal of Small Business Management*, 42(3), pp. 263-278.
- Israel, A., Albrecht, E. M., & Hellingrath, B. (2020). “Operational Supply Chain Planning Method for Integrating Spare Parts Supply Chains and Intelligent Maintenance Systems,” *IFAC Papers OnLine*, vol. 50, no. 1, pp. 12428–12433, 2017.
- Karaman Kabadurmuş, F. N. (2019). The Relationship Between Logistics Performance and Innovation: *An Empirical Study of Turkish Firms*. *Alphanumeric Journal*, 7 (2), 157-172 . DOI: 10.17093/alphanumeric.614170
- Kiprotich, A.M., Njuguna, D.R., & Kilika, D.J. (2018). Total Quality Management Practices and Operational Performance of Kenya Revenue Authority.
- Kogoh, Z. B. K. (2019). Effect of outsourcing on performance of logistics industry in Kenya (Thesis). Strathmore University. Retrieved from <http://su-plus.strathmore.edu/handle/11071/4730>
- Kwado, E. (2016). The impact of efficient inventory management on profitability: Evidence from selected manufacturing firms in Ghana. *International Journal of Finance and Accounting*. Vol 5, 22-26.
- Lee, S., Lee, D., & Schniederjans, M. (2018). Supply chain innovation and organizational performance in the healthcare industry. *Int J Operat Product Manage*; 31(11): 1193–1214.
- Magutu, P.O., Chirchir, M.K., & Mulama, O.A. (2021). The Effect of Logistics Outsourcing Practices on the Performance of Large Manufacturing Firms in Nairobi, Kenya.
- Mahmoud, A.F. (2019). Factors Affecting Performance of Logistics Companies in Kenya: A Case of Spears Logistics Kenya Limited.

- Mangan, J. L. & Lalwani, C. L. (2020). *Global logistics and supply chain management*. New York: John Wiley & Sons, Inc.
- Mdiniso, N., (2021). "A critical analysis of quality management systems: A logistics perspective, University of Kwazulu-Natal." Available on: [Mdiniso Nontsikelelo 2021.pdf \(ukzn.ac.za\)](https://ukzn.ac.za) (Accessed on 14th May, 2022).
- Milimu, C. S. (2015). Factors Affecting Containerized Cargo Clearance at Kenya Port Authority. *The International Journal of Business & Management*, 3(9),404.
- Mosse, D. (2015). *People's Knowledge Participation & Patronage: Operations and Representations in Rural Development*. London: Oxford University Press.
- Mudogo, E.K. (2019). Technological Innovation and Performance of Telecommunication Companies In Kenya. Available on: [Technological Innovation And Performance Of Telecommunication Companies In Kenya \(uonbi.ac.ke\)](https://uonbi.ac.ke) (Accessed on 14th May, 2022).
- Mwanzia, M. (2016). Critical Success Factors and Organizational Performance of Indigenous Third Party Logistic Businesses in Transport Sector in Kenya. *Strategic Journal of Business & Change Management*, 3.
- Njiru, L. M. (2019). *Strategic Groups Analysis In The Freight Forwarding Industry In Mombasa, Kenya*. Doctoral dissertation, University of Nairobi.
- Nyachwaya, J. M., & Rugami, J. M. (2020). Competitive Strategies and Performance of Commercial Banks in Mombasa County, Kenya. *International Journal of Business Management, Entrepreneurship and Innovation*, 2(1), 65–74. <https://doi.org/10.35942/JBMED.V2I1.109>
- Nyaga, J.W. (2017). *Factors Affecting the Performance of Courier Service Industry: A Survey of Courier Companies in Kenya*.
- Okongwu, U., Brulhart, F., & Moncef, B. 2015. Causal linkages between supply chain management practices and performance. *J Manuf Technol Manage*; 26(5): 678–702.
- Owuor, E.A., Zaman, N., & Zaman, N. 2019. Influence of Logistics Outsourcing on Performance of Large Retail Firms in Nairobi City County, Kenya (2019). *American Based Research Journal*, Vol. 8 Issue 10, October 2019, Available at SSRN: <https://ssrn.com/abstract=3585638>
- Petrovic-Lazarevic, S., & Prascevic, Z. (2017). Corporate Social Responsibility and Business Development. Case of Serbia. *Proceedings of the 4th Biennial Conference of the Academy of World Business, Marketing and Management Development* (pp. 1 (1) 541 - 551). Herzagovina: Conference Press International.
- Rao, K., Young, R.R., & Novick, J.A. (2018). Third-party services in the logistics of global firms. *Logistics and Transportation Review*, 29 (4), pp.363-70.

- Sekaran, U., & Bougie, R. (2017). *Research methods for business: A skill building approach*. New Jersey: John Wiley & Sons.
- Sink, H. I., Langley, C. J., & Gibson, B. J. (2018). Buyer observation of the US Third party logistics market. *International Journal of Physical Distribution & Logistics*, 30 (5), 36 - 46.
- Song, D., & Lee, R. (2020). The effect of shipping knowledge and absorptive capacity on organizational innovation and logistics value. *International Journal of Logistics Management*, vol. 26.
- Stank, T.P., & Closs, D.J. (2021). Performance benefits of supply chain logistical integration. *Transportation Journal*, 32-46.
- Thia, V., Cahoon, S.C., & Tran Thanh, H. (2021). Skill and knowledge requirements for logistics professionals in Australia, *24th Annual Australian and New Zealand Academy of Management Conference*, 7-10 December, Adelaide, Australia, pp. 1-23.
- Wernerfelt, B. (2014). A Resource-Based View of the Firm. *Strategic Management Journal*, 5 (2), 171 - 180.
- Wheatley, M. J. (2017). *The Unplanned Organizations*. London: Oxford University Press.
- Wilson, N., Iravo, D.M., Tirimba, O.I., & Ombui, D.K. (2015). Effects of Information Technology on Performance of Logistics Firms in Nairobi County Macharia. Available on: [\[PDF\] Effects of Information Technology on Performance of Logistics Firms in Nairobi County Macharia | Semantic Scholar](#) (Accessed on 14th May, 2022).
- Yeung, T., Irene, Y. M., & Rosalie, L. T. (2018). Achieving business success in confucian societies. The importance of Guanxi (Connections). *Organizational Dynamics*, 96, 25 (2) 54.
- Zailani, S., Shaharudin, M.R., Razmi, K. et al. 2017. Influential factors and performance of logistics outsourcing practices: an evidence of malaysian companies. *Rev Manag Sci* 11, 53–93 (2017). <https://doi.org/10.1007/s11846-015-0180-x>