

EXPECTATION OUTCOME MODEL FOR SUSTAINABLE DEVELOPMENT IN LOGISTICS OUTSOURCING

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ABSTRACT

One of the significant changes in the global business today is the outsourcing trend. The essence of this trend is to outsource the activities to those who specialize in determined sphere. This gives the company the opportunity to provide the tasks efficiently and on other side it involves in receiving benefits from negotiation and pricing activities. Outsourcing is particularly important in logistics because logistics includes many operations from the management of raw materials to the delivery of the final product. Companies tend to outsource operations including warehousing, transportation, materials, planning, freight forwarding and reverse logistics. This paper deals about the issues of outsourcing and strategies ways to overcome that by expectation outcome model for sustainable development.

Keywords

Issues, Recent Trends, Expectation outcome model, Sustainable development.

INTRODUCTION

The overall scope of outsourcing is continuing to grow, as companies focus on their core competencies and shed tasks perceived as noncore (Sanders et al., 2007). As a result, outsourcing has become a megatrend in many industries, most particularly in logistics and supply chain management (Boissinot and Kacioui-Morin, 2009). This have enabled logistics service providers (LSP) to become almost strategic actors in supply chains (Fulconis, 2014).

Besides the problem in the basic phenomenon of logistics outsourcing, the role of LSP and the development of their activities in recent years have drawn the attention of management science researchers. Research conducted by Marasco (2008) on 152 articles published between 1989 and 2006 in 33 highly ranked international journals demonstrates the growing interest in the topic of outsourcing. In this sense, the recent study by Langley et al. (2013) noted that 65% of shippers are using the services of LSP to manage their logistics activities.

REASON FOR LOGISTICS OUTSOURCING

- Cost reduction – Delegation of some processes to a third party will lead to a significant decrease in inventory, transportation, warehousing and personnel costs.
- Focus on core activities and Expand the market knowledge in turn saves money
- Increase of Quality, efficiency, flexibility and productivity.
- Outsourcing means integration which gives the opportunity of receiving new contacts, new experience, new possibilities and new ways of thinking.
- Decrease in necessity of using own technologies and getting the access to using innovations. It also gives employee flexibility and improved customer service.

THE MARKET OF LOGISTICS OUTSOURCING SERVICES

The market of outsourcing logistics services is a whole set of firms, companies, groups that are providing different types of services fields of managing the material flows. The development of the market of logistics outsourcing services influences economic development.

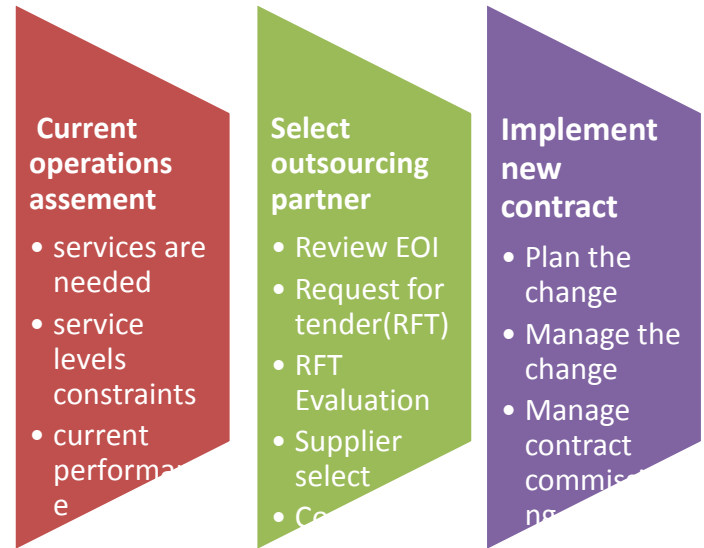


Fig.1- Logistics Outsourcing Services

IMPORTANCE OF LOGISTICS OUTSOURCING

- Logistics outsourcing is the process adapted for service quality improvement.
- The service providers of logistics are thought to be capable to do things often better due to their knowledge and experience as well as their superior equipment.
- Logistics outsourcing offers companies with access to up to date information technology and to global capacities some service provider maintain.
- The most necessary encouragement for logistics outsourcing is reduction of cost.
- The second most necessary motive is an alteration in the structure of cost.
- The major driver for logistics outsourcing after costs is the quality.

LOGISTICS OUTSOURCING ISSUES

When a company contracts with another company or individual to perform duties that in-house employees typically perform, it is outsourcing. The duties usually outsourced to subcontractors include tasks such as payroll, call center duties and data entry. Companies outsource to save costs and to relieve in-house staff. While the practice can help the company, some companies experience issues and obstacles.

Skills and Quality

When outsourcing an individual to complete a task for the company there is a risk of hiring workers without the skills to perform the job. Manufacturing organizations that outsource component production or assembly to another company do not have control over the quality. The company may resolve this problem by requiring the outsourcing company hire employees with specific skill sets and qualifications. The requirement should be in the outsourcing contract to ensure compliance.

Communication

Technology makes communications easier and more accessible, but there still may be issues with timely communication. Outsourcing to overseas corporation may result in communication problems due to time differences. Language barriers may make communication between organizations or individuals difficult as well.

Access

Access to the work site or visiting the subcontractor may prove difficult. In an organization outsourcing manufacturing. Visiting the site to ensure quality measures are in place and the company adheres to standard practices is necessary. The contracting company may have to send key employees to the subcontractor to train, repair equipment or resolve quality problems.

Customer Perception

Companies may experience damage to customer perception when outsourcing call center duties to an overseas subcontractor. Subcontracts may not have the necessary resources and information to provide customers with a satisfactory experience. The company can avoid a drop in customer satisfaction by ensuring the subcontractor should have the skills, information and resources to provide proper customer service. The subcontractor should have the authority to resolve customer problems or have access to customer information to provide service to those calling the call for assistance.

RECENT TRENDS IN LOGISTICS OUTSOURCING

Blockchain Technology

The emergence of blockchain technology has enabled logistics companies to failsafe digital contracts. And to create a transparent and

efficient system for recording transactions, tracking assets, and managing all documents involved in the logistics process. It can be increase the efficiency and transparency of supply chain and is expected to impact everything from warehousing to delivery top payment positively during the next few years.

Digitalization of the Logistics Industry

With the digitalization in the logistics industry expected to bring about significant reduction in procurement and supply chain costs while giving a considerable boost to overall revenues. The integration of digital channels in the logistics industry is another critical logistics trends further allowing the logistics service providers to lend transparency to the customers while optimizing solutions for increased safety and efficiency.

Emergence of 3PL and 5PL

The proliferation of third- party logistics(3PL) and fifth-party logistics(5PL) is expected to accelerate the global logistics market during the predicted period. During 2017, the 3PL was able to contribute the highest to the global logistics market share. The rising complexities in the global supply chain market are further ensuring the adoption of 5PL, wherein, providers of 5PL solutions often link e-businesses to achieve minimum cost targets.

Efficient Last Mile Deliveries

With the continuously increasing proliferation of e-commerce companies, the provision of efficient last mile deliveries is witnessing a major upswing to become one of the most critical aspect of creating differentiation of services among the competitors. The need for getting the orders not just right but perfect will also allow companies to offer ultimate customer satisfaction.

Integration of Drones and Smart Glasses

The rising integration of drones and smart glasses in the logistics industry has improved the flexibility and speed of delivery, in turn, impacting the growth of last mile logistics market during the predicted period. Self-driving vehicles, autonomous vehicles and trucks have been able to maintain high reliability and same-day delivery in both urban and rural areas.

Data Analytics and Big Data Logistics

The use of Big Data and Data Analytics in the logistics industry is allowing several stakeholders involved in the businesses to make informed purchase decisions. Companies are now using big data to anticipate busy periods, potential future supply shortage and other insights for making strategic decisions to improve their market positions and offer a significant competitive advantage over other counterparts.

Logistics Automation and IoT

Automation has been gaining traction in the logistics industry as well with the continuous adoption of Internet of Things(IoT). The inception of logistics 4.0 is one of the key logistics trends transforming the global supply chain market. Shortcomings including transportation delays, operator errors, poor monitoring of cargo, outdated IT failures, and thefts are being overcome by the integration of IoT in the logistics industry. Such rising adoption of logistics automation and IoT has boosted the emergence of connected logistics.

Logistics Safety

With greater connectivity to the internet, there have been rising concerns among the companies pertaining the cyber security and logistics safety. Furthermore, the protection of consumers private data is another key concern making the safety to logistics solutions as one of the topmost priorities. Continuous hacks into the website of e-commerce companies including Amazon, Walmart and others have revealed potential cyber security threats. This has further encouraged logistics providers to focus more on offering secure logistics solutions.

Elastic Logistics

Elastic logistics is expected to merge as the latest conceptual buzzword in the logistics and supply chain industry. It basically refers to the flexibility of expanding and shrinking

capabilities for aligning with the demands within the supply chain during a timeframe.

Chatbots and Collaborative Robots (Cobots)

The use of voice-controlled chatbots for interacting with users to perform specific actions at several purchase points in a supply chain including shopping, ordering, picking and others are expected to trend continuously in the global logistics market. Furthermore, robotics is also set to revolutionize the logistics industry with e-commerce giants including Amazon engaging in the increased development of logistics robots for several functions in warehouses including packaging, storing, and picking.

EXPECTATION OUTCOME MODEL FOR SUSTAINABLE DEVELOPMENT IN LOGISTICS OUTSOURCING

For starters, a logistics outsource engagement depends on a number of factors. Some items are within your control, and some are not. The expectation outcome model gives the clear picture of the strategy to be followed by the as for sustainable development in the outsourcing activities.



Fig.2- Expectation Outcome Model

Understanding the internal expectation of the organization

Bascially, this helps the team work together instead of pointing fingers. The supply chain touches almost all departments, and each looks at the business through its own lens. Include strategic team members from all of these functional areas for a 360-degree view of the supply chain. At the same time, each team member will gain a first-hand understanding of your supply chain strategy, and will be able to implement their portion of the plan and measure outcomes. Companies with the best success tend to choose team members based on strategic inclination, as opposed to title or seniority.

Measure outcomes, not activities

Measuring the provider for activities – such as the number of shipments executed, quantities of pallets moved, or total miles traveled. Instead, measure the outsource provider on how they perform the activity against key performance indicators(KPIs) that improve productivity and increase efficiencies. Outsource models and solutions may look similar on the surface, but the level and quality of the activities performed will have an impact on other parts of the organization beyond transportation.

Grade your current technology against emerging needs

This is particularly important for companies that rely on IT staff to lead the innovation process. Be prepared to discuss the desired metrics and future expansion plans. This helps to know what will be needed for smooth integration with the provider. The existing transportation technology can be with evaluated with these three measures:

- Does the current technology provide the real-time dashboards or reporting capabilities need to monitor the KPIs selected?
- Check whether accurate data provided to the providers.
- Does the current technology offer the scalability, accessibility, and low deployment and maintenance costs of cloud computing?

Carefully choose what to outsource and what to retain

It's better to control and still have a successful logistics outsource. In traditional outsource relationships, typically turn over an entire process or department to a third party. Which manages "activity". But successful outsources can also bring talent and technology inside the company, leaving the organization in strategic control of its transportation network. If the provider has a cloud computing model, the internal team can monitor real-time dashboards and receive customized reports based on KPIs.

Build an informed risk profile

There are a number of built-in-risk factors shippers face in transportation and logistics. Each area had associated cost. Not all risk is equal. And not all providers have the ability to fulfill all obligations related to risk.. The way of assessing these risks can impact a logistics outsource. Understand that not every organization takes on risk the same way-and the cost of assuming, or passing along, these risk factors could make a difference in the outsource relationship with related to the selected provider. Make sure to evaluate the operational, financial/legal, and brand reputation/service risk.

CONCLUSION

With the emergence of e-commerce and rising digital literacy among the consumers, the global logistics industry has been changing

significantly in the recent years. Factors such as rising disposable incomes, dual-income households, and constant urbanization have encouraged consumers across both developed and emerging economies to follow upcoming logistics trends. Supply and distribution lines are also lengthening with greater complexity. In the recreation of competitive advantage, it is increasingly important to identify the values of the customers. In order to be successful in today's environment to develop mutual relationship with customers. This has further resulted in the rapid development of retail channels requiring efficient inventory management and warehousing solutions for helping the customers to make informed purchase decisions. Various companies have started engaging with logistics service providers for catering the customized demands of the consumers, in turn, resulting the global logistics market to register a CAGR of over 7% by the end of 2022.

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