

## THE EFFECT OF OUTSOURCING INTRA-PORT HAULAGE OPERATIONS ON PRODUCTIVITY: THE CASE OF COCOA MARKETING COMPANY LIMITED, TAKORADI

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### ABSTRACT

The study aims at facilitating the enhancement of intra-port operations of Cocoa Marketing Company (CMC) Takoradi by assessing the performance of outsourcers in the area of haulage operations and thereafter making appropriate recommendations for increased productivity. A case study research design was used for the study. A purposive sampling method was used to select fifty (50) respondents for data collection. Data were collected from respondents using structured questionnaires both open ended and close ended questionnaires. The data was analyzed using SPSS (version 16.1). The study revealed that, outsourcing of intra-port haulage operations at CMC Takoradi has in some ways contributed to cost efficiency in that the operations of third party providers has reduced cost that otherwise would have been borne by the Company. Outsourcing has helped the company to be more efficient on service delivery to its clients. The study also revealed lack of management support has been a major source of challenge with the outsourcing of intra-haulage operations. One critical area was the selection of third party providers who provide outsourcing services where most respondents strongly agreed that, success of outsourcing requires a good partner or third party providers. The study revealed, majority of the respondents agreed that CMC has improved its standard of operations from the outsourcing of intra-port haulage operations. Intra-port operations were known to be best undertaken by CMC partnering with third party providers (private haulage companies). The study concluded that, predominant reason for outsourcing application is the cost savings and also developing highly proficient, job specific team of skilled employees in an organization. The study recommended that, third party providers should own a stipulated minimum number of trucks, CMC should procure a few trucks of its own to compliment the efforts of third party providers and Management should streamline the process of assessing the performance of third party providers.

**Keywords:** Outsourcing, Intra-Port Haulage Operations, Productivity.

### INTRODUCTION

Every item on every store shelf, in every office or in every home has, at one point of its production or distribution, been on a truck (International Road Transport Union- IRU). Trucks and for that matter Haulage Operations are crucial to the productivity of most, if not, all Logistics Firms, with Cocoa Marketing Company (CMC) not being an exception. Outsourcing is defined as the procurement of products or services from sources that are external to the organization (Rundquist, 2006). Very simply outsourcing can be defined as a phenomenon in which a company delegates part of its in-house operations to a third party with the third party gaining full control over that operation/process (Ono & Stango, 2005).

The clients inform their provider what they want, how they want the work performed and the control of the process is with the third party instead of the parent company.

The value of outsourcing has been noted by organizations who want to increase their efficiency and reduce their costs by sending work to external third parties. The practice which encourages mutually beneficial collaborative working relationships has grown over the past 20 years and is estimated to generate revenues in the region of trillions of US dollars a year (BS ISO 37500- Guidance on Outsourcing).

According to Kakabadse and Kakabadse (2000), the reason for outsourcing has changed from primary cost disciplines to strategic re-positioning, core competence enhancement, greater service integration and higher value creation. Companies no longer assume that all organizational activities and services can, and must, be provided and managed internally. Furthermore, competitive advantage is increasingly critical and as has also already been alluded to, may be gained by outsourcing by outside providers. Outsourcing has therefore become a key strategic tool in today's competitive business environment and there is increasing acceptance of the need for leadership and management capability to structure and manage co-operative relationships crucial to the effective working of outsourcing arrangements (Kujawa, 2003).

Organizational performance in this study will refer to cost efficiency and productivity. According to Chaffey (2008), judgments of efficiency are based on some idea of 'wastage'. Productivity is the amount of output produced with a given amount of inputs (Houseman, 2006). In this study, therefore, productivity will refer to the extent to which an amount of output in the operations of CMC is produced with a certain amount of input and the extent to which value is created in comparison to the time required to create that value. There are many challenges associated with maintaining operational excellence with offshore operations. Ensuring that the employees of the third party provider understand the organization and the business it performs is a key element. The major risk that can arise out of outsourcing is the loss of quality. Outsourcing can be used to save money, but when it degrades critical business attributes such as quality, reliability, integrity and security, it can become a public relations disaster (Boyer and Verma 2010). Transportation and warehousing both involve considerable capital commitment. Many firms have well-established management practices which place emphasis upon taking advantage of available external services especially for peak or overflow demand situations. Transportation and warehousing present ideal outsourcing candidates considering the fact that, it is relatively easy to separate or partition specific requirement (Bowersox et al., 1990).

Outsourcing non-core competencies has now become a widely accepted practice across many industries. Organizations can hardly ignore the opportunities for cutting down costs. In fact to be more precise, as pressures mount on the heads of procurement and chief executives to contribute more to profitability, they tend to outsource non-core functions as a measure to cut down costs and increase profitability (Kujawa, 2003). As a consequence, organizations that regard trucks operations or the ownership of and management of a fleet of trucks as a threshold competence tend to outsource to third party logistics providers (3PLS) to enable the former minimize cost and maximize productivity. However, it is worth noting that the inability of the outsourcer to live up to agreed service levels could potentially jeopardize the productivity of the organization.

It is against this background that a careful observation of the operations of private haulage companies who provide services to CMC by this researcher reveals a lackluster performance by these 3PLS.

## LITERATURE REVIEW

### *The Concept of Outsourcing*

According to Belcourt (2006), outsourcing refers to a contractual relationship for the provision of business services by an external provider. Outsourcing is shifting work that originally is done internally to an external provider, while often transferring employees of the original organization to this service provider, companies strive to gain a certain competitive advantage by cutting costs, improving quality among others. Outsourcing occurs when an organization contracts with another organization to provide services or products of a major function or activity (Belcourt, 2006).

Greaver (1999) also defines outsourcing as the act of transferring some of the company's recurring internal activities and decision rights to outside provider, as set forth in a contract. Beandor- Samuel (2000) concurs and insists that the key to the definition of outsourcing is the concept of "transfer of control", thus outsourcing takes place when an organization transfers the ownership of a business process to a provider. Companies outsource a wide range of services all aimed at creating competitive advantages; these mainly include transport, warehousing services among others. This is because these services are non-core and repetitive in nature thus similar in almost all organizations. Furthermore they can be done by an outside company at cheaper cost or at the same cost but in better ways (Quinn and Hilmer, 1994).

Lankford and Parsa (1999) revealed that outsourcing operations is the trend of the future, and those organizations which are already involved with outsourcing are satisfied with the result. At present, the outsourcing of selected organizational activities is an integral part of corporate strategy. Several outsourcing frameworks and models presented have signified the importance of identifying the organizations' core business (McIvor, 2002; Franceschini et al, 2003) and core competence (McIvor, 2003). The core competence paradigm is based on a company's understanding of what internal skills and resources they should own and control through internal contracts in order to sustain their business success. Other than core competence, the organization must also understand the business perfectly in every possible aspect, namely the operations, tactical and strategic (Gavin and Matherly, 1997).

Since outsourcing has attracted many parties to explore the possible benefits and profits it may bring, outsourcing benefits, drivers and advantages have been carefully scrutinized and clearly explained by many researchers (Jennings, 2002; Lankford and Parsa, 1999; McIvor 2003; Linder et al, 2002). According to Lankford and Parsa (1999), outsourcing is seen to reduce costs, expand services and expertise, improve employee productivity and morale, create a more positive corporate image by allowing the organization to refocus their resources on their core business, buy technologies from vendors that would be too expensive for them to reproduce internally, re-examine the organizations' plans, make them more efficient, save time and money while improving efficiencies, and improve the plans' service level to their employees by making the information more consistent and more available. Nevertheless, the cost efficiency advantage could be gained only if the right tasks are contracted out (Behara et al, 1995).

Outsourcing helps companies to improve competitive pressures, improve quality and efficiency, increase the access to functional expertise, raise the potential for creating strategic business alliances and reduce internal administrative problems (Fill and Visser, 2000). The increasingly popular use of outsourcing is also caused by the strategic shift in the ways the organizations are managing their businesses (Winkleman et al, 1993) other than market forces and technical considerations (Gupta and Gupta, 1992).

Outsourcing allows organizations to take advantage of strengths within the supply market. It is therefore possible for one to conclude that the advantages could benefit not only the end service receivers (customers) who get much better value for their money, but also the numerous suppliers to be able to make profit. In the end, the practice of outsourcing should result in the widening of business opportunities for small firms and higher profit to the larger organizations practicing it.

Outsourcing is essential to companies. Successful companies share the same success factors; they have a clear understanding of their core-activities (Barthelemy, 2003); have done adequate research and planning; and most importantly have developed clear objectives, goals and expectations of outsourcing activities (Elmuti, 2003). Another important ingredient for success is a good partner. Essentially in outsourcing agreements, the relationship between the companies and their partners are based on trust and contracts. So it is essential that the right partners are selected based on criteria like credibility, expertise, and reliability (Elmuti, 2003). This will eventually lead to closer ties and relationships (Barthelemy, 2003). It is also important to get the right people involved in managing outsourcing efforts. Therefore adequate training, infrastructure and facilities are essential (Elmuti, 2003).

According to Nicholas and Amrik (2004) paper report on the data pertaining to outsourcing collected from a survey administered in 2002 in Australia, the underlying assumption is that outsourcing is becoming popular for sound business reasons such as economics of scale and enabling the management and executives to concentrate on the core business activities of the organization. Outsourcing emerged as a popular operational strategy in the 1990's and most of the current literature was developed during the same time.

The decision to outsource should address the critical role of information and processes in organizations, including the role that systems play. If an entire function is to be outsourced, sufficient provision should be made in the outsourcing contract to deal with current and future requirements of the organization. Special attention should be given to the potential need for innovative solutions to be provided by the outsourcer, and to the timing of these actions (Evans and Lindsay, 2001).

### **Reasons for Outsourcing**

Belcourt (2006) itemizes at least six major reasons that organizations outsource, the first of which is financial savings that is to save money. In her opinion organizations believe that costs can be reduced by outsourcing a function such as payroll. This typically is the case when the provider concentrates on one area and can achieve economies of scale by providing the same service to many other organizations.

According to the Outsourcing Institute's Outsourcing Index 2000, there are numerous reasons why organizations decide to outsource. These reasons include gaining access to expertise. The organization is able to access exceptional expertise from the external resources which are not available internally. Again, organizations improve the company focus. Through

outsourcing, an organization is able to concentrate on its core activities leaving other organizations to concentrate on theirs. Organizations cannot be jack of every port. There is reduction and control of operating cost. The main reason for outsourcing is reduction of cost. The firm is able to reduce cost of staffing, training, health insurance, employment taxes and retirement plans.

The organization is able to access resources which are not available internally. If it is a manufacturing organization, they can be able to access plant and equipment which the organization cannot afford by that time. Internal resources are freed for other purposes. Some people in the organization do not concentrate on their area of expertise. Through outsourcing they will be able to handle exactly what they were hired to do. This can help the organization to improve its productivity. The organization is able to maximize its restructuring benefit. When a firm is restructuring it needs to improve costs, quality, service, or speed, and non-core business functions may get pushed aside. They still need to be handled, however, and outsourcing is an optimal way to do this.

Organizations are able to outsource those functions that are difficult to manage and control to the experts. In this way the organization is able to concentrate on its core competence without having to worry about other functions. Capital funds are made available. Through outsourcing capital funds are saved which can be used to improve the products or services the organization produces mainly (European Journal of Business and Social Sciences 2015). According to Lynch (2002), outsourcing allows improving the return on investment. This is because the outsourcing company is able to reduce its assets for example in expensive technology, warehouses or equipment. Also, many companies also expect reductions in operating costs (Langley et al., 2001).

Another consideration is that the company has to improve its focus in order to cope with its competitors for example through focusing on its core business (Prahalad and Hamel, 1990). It simple faces a lack of knowledge or skill or it does not have the required resources and therefore has to search for the capabilities somewhere outside (Brown and Wilson, 2005). Quality and shorten lead times are two other main and often mentioned reasons for outsourcing. These are very important criteria especially for manufacturing companies since shorter lead times will result in less in-transit inventory and shorter time to market. A reasonable quality compared to the price is another important factor for differentiating from competitors and for gaining and maintaining customers (Duening and Click, 2005).

### **Effect of Outsourcing on Productivity**

Outsourcing has emerged as one of the leading economic and business issues currently. When a company outsource operations to a service provider whose core competence is centred on those processes, the company is likely to experience service improvements that can turned into competitive advantages over rivals. Therefore, the movement from the inside of the an organisation to external service providers has the tendency to enhance productivity, enhancing value and profitability and productivity through cost efficiency.

### **Enhancing productivity**

Outsourcing is viewed as a means to provide enhanced productivity. However, many organizations never realize the full benefits of an outsourcing relationship. Outsourcing relationships fail when they are viewed as short-term or tactical solutions, rather than part of long-term strategic plans. The process of considering and/or implementing an outsourcing solution must be systematic and fully documented to achieve the desired results. A multi-step

approach, including Planning, Analysis, Design, Implementation, and Operations phases, along with a contingency exit strategy, is required to achieve a successful outsourcing implementation (Linder, 2004). Outsourcing non-core activities allows firms to focus on the activities that they do best and improve their overall performance. Transferring non-core activities to specialized vendors can help reduce costs and improve the performance of those activities (Boyer & Verma 2010). This presupposes that the vendor possesses the requisite capabilities to undertake successfully the activities in question. It also implies that the organization seeking to outsource noncore activities lack the necessary resources and capabilities to enable it compete favourably with rivals in respect of that particular activity (Boyer & Verma 2010).

Outsourcing to highly capable and reliable suppliers can lead to improved product quality and brand reputation in addition to lower prices, particularly when the outsourced product or service is a core product of the supplier (Wisner, Keah-Choun & Keong 2012). It can deduce from the above that the choice of a 3PL can determine to a large extent the level of productivity to be attained.

Productivity criteria measure the amount of output a firm produces per unit of input, or outputs divided by inputs. Examples of output measures are tons shipped, pounds loaded, orders filled and shipments delivered. Inputs are things such as labor hours, the number of employees or trucks and warehouse space (Coyle J.J., Bardi E.J & Langley Jr.J. 2012). Evans and Lindsay (2001) assert that the decision to outsource can lead to increased productivity for businesses. For outsourcing to be successful in enhancing productivity, the decision needs to be an informed one. Good, hard, detailed information in the hands of strong management can help avoid a costly step, one that is not easily reversed. Ultimately, for outsourcing in any form to be successful in enhancing productivity, quick response times to strategic opportunities and threats are essential. Effective management of the outsourcing relationships is an organizational imperative (Evans and Lindsay, 2001).

According to Kakabadse and Kakabadse (2000) outsourcing has become an attractive option in order to take advantage of global opportunities, to acquire state of the art logistics capabilities, significantly improve customer service and to enable focusing on core competencies. Rothman (2003) also asserts that organizations that outsource are seeking to realize benefits as well as address various issues amongst them; cost saving whereby lowering of overall cost of the service to the organization is a prime objective. It is necessary to mention that improving customer service as well as cutting cost is elements of productivity which can accrue to an organization that successfully lands an efficient third party provider (Rothman, 2003).

Discussions about the extent of outsourcing have raised questions about its possible impact on productivity measures. In a recent survey, fifty six percent (56%) of IT specialists claimed that outsourced work was at least inferior to that produced in-house. More worryingly, eleven percent (11%) reported that the outsourced work actually induced a setback to the firm's production (Software Development Magazine, January 2004 issue). In spite of the above, it has been established that successful implementation of an outsourcing strategy has been credited with helping to increase capacity, improve capacity, and improve quality (Lau and Hurley 1997; Kotabe, Murray and Javalugi 1998).

According to D'Aveni and Ravenscraft (1994), every business has limited resources, and every manager has limited time and attention. Outsourcing can help your business to shift its

focus from peripheral activities toward work that serves the customer, and it can help managers set their priorities more clearly. According to Elmuti (2003), personnel expenses were the primary reason behind outsourcing; however, it also improves operating efficiency. Görzig and Stephan (2002) used German data for a sample of large companies to examine the benefits of outsourcing. They found that firms that engage in outsourcing experience benefits, in terms of increased returns per employee.

### **Value Enhancing and Profitability**

A fundamental question to ask is whether outsourcing is value enhancing and, in particular, whether the firm that undertakes outsourcing shows higher profitability as a result. Essentially this question renders down to the transactions cost question regularly posed: should a firm manufacture its own inputs by some form of vertical merger or should it seek to obtain possibly more competitively priced inputs on the open market (Kimura, 2002). To the best of some researchers' knowledge, there are only a very limited number of more rigorous statistical or econometric studies looking at this issue. The evidence that has been produced in such papers, however, suggests that the value-enhancing link between outsourcing and profitability is not clearly established. Specifically, Kimura (2002) did not find any evidence that outsourcing led to higher profits in Japanese manufacturing firms. Differentiating between outsourcing of services and non-services inputs, Görzig and Stephan (2002) found that outsourcing of materials is positively correlated with profits, while there is a negative relationship between profitability and outsourced services for a sample of German manufacturing firms. The evidence that has been produced in such papers, however, suggests that the value-enhancing link between outsourcing and profitability is not clearly established. Specifically, Kimura (2002) does not find any evidence that subcontracting leads to higher profits in Japanese manufacturing firms. Differentiating between outsourcing of services and non-services inputs, Görzig and Stephan (2002) find that outsourcing of materials is positively correlated with profits, while there is a negative relationship between profitability and outsourced services for a sample of German manufacturing firms.

### **Productivity through Cost Efficiency**

Firms should consider outsourcing when it is believed that certain support functions can be completed faster, cheaper, or better by an outside organization (Barthelemy & Adsit, 2003). Tasks that are not core competencies of the organization are candidates for being contracted out. However, any skill or knowledge that allows an organization to serve its customer base better, that deals directly with the product or service it is trying to put out of the door, is one that must remain in-house. Cost efficiency remains the primary explanation for the development of outsourcing. Firms evaluate outsourcing to determine if current operation costs can be reduced and if saved resources can be reinvested in processes that are more competitive. Some researchers contend that an important source of cost reductions is the outsourcing firm's access to economies of scale and the unique expertise that a large outsourcing vendor can deliver, all of which in turn will serve to boost the Organizational performance (Bin, 2004).

Some authors support the argument that the main motivation for outsourcing is found to be cost reduction (Altinkemer et al. 1994, Gilley & Rasheed 2000). This is because paying for outsourcing generally costs less than maintaining equivalent services in-house. According to Malhotra (1995), factors that affect outsourcing decisions are reduction in operating costs, cost predictability due to fixed contract, sharing risk on technology investments, access to specialized expertise, and perception of efficiency. Successful implementation of an outsourcing strategy has been credited with helping to cut cost (Bowersox 1990; Gupta and

Zeheuder 1994; Greer, Youngblood and Gray 1999). The literature articulates numerous reasons for outsourcing: reduced costs, higher quality, increased capacity among others (Kotabe, 1989; Bettis, Bradley, and Hamel, 1992; D'Aveni and Ravenscraft, 1994; LaLonde, 2004; Linder, 2004; Bardhan, Whitaker, and Mithas, 2006; Jiang, Frazier and Prater, 2006; Deloitte Consulting, 2008; Kumar and Arbi, 2008). Elliot (2006, p. 22) states that, "in most cases the objective of outsourcing is a targeted 20% cost reduction, with actual savings coming from direct labor and variable costs". It can be deduced from the various positions adopted by the different scholars whose works have been reviewed that for productivity to increase, cost must necessarily be reduced.

### **The effects of outsourcing on an organisation**

However, outsourcing is readily perceived as a breach of the psychological contract with the original employer and can therefore lead to a drop in morale. Second, it evokes job insecurity and concern about a deterioration of working conditions like relating to place of work and duration of commuting. Although these aspects may be covered in the outsourcing contract, it also happens that not all employees are hired by the new employer or remain on the pay roll for a longer time, which leaves tangible risks for some employees (Görzig and Stephan, 2002). Third, employees may consider outsourcing plans as an underestimation of their talents and credibility, which may lead valuable staff to quit the firm. Fourth, employees may experience a loss of identity as they lose their original position and the link with their first employer; this may impede their integration with the new employer. Fifth, as a result of all this, employees may show a decline in trust and commitment. These kinds of effects and the resources needed to address them add to the real costs of outsourcing (Elliot, 2006).

### **Assessing the Performance of Outsourcers**

According to Hillstrom (2001), once an organisation or a company has made the decision to outsource, assessing its performance is based on some factors that must be considered in making a successful transition and forming a partner relationship with the vendor. First, the company should determine what of outsourcing relationship will best meet its needs. After the business has decided which function to outsource, it should initiate a search process that utilises referral from other companies and service-provider directories. At that point contacting potential vendors begins through specific questions about the services they provide and their abilities to meet the company's needs. During this period, the company should also re-examine its own culture and business needs to make sure that the outsourcing arrangement under consideration is suitable. Finally, the company should select a vendor to trust and seek to develop a mutually beneficial partner relationship. It is important to develop tangible measures of job performance before entering into agreement. As well as financial incentives to encourage the vendor to meet deadlines and control costs. The contract should define responsibilities and performance criteria, outline confidentiality rules and owner rights to new ideas. It should also include a means of severing the relationship if the service does not meet company's expectations (Hillstrom, 2001).

According to Espino-Rodriguez and Gil-Padilla (2005), after the decision to outsource has been reached, it is essential that the right vendor is chosen. Typically, outsourcing is a long-term relationship, which requires the supplier and the purchaser to work closely together. It is worthwhile, therefore, to spend the time and the money to choose the correct supplier the first time, following which the performance of the vendor or outsourcer should be monitored and assessed against already established standards and expectations spelt out in the outsourcing contract.



Boyer and Verma (2010) explain that a good contract is essential to outsourcing success because the contract helps to establish a balance of power between the client and the vendor. Among the best business practices is outsourcing the correct activities after carefully considering different vendors and selecting the right one, writing a meaningful contract, paying attention to personnel issues, reducing labour turnover, maintaining control over the outsourced activity, carefully reviewing the hidden costs of outsourcing, and planning an exit strategy.

According to ISO27k Implementers' Forum (2008), outsourcing involves transferring responsibility for carrying out an activity (previously carried on internally) to an outsourcer for an agreed charge. The outsourcer provides services to the customer based on a mutually agreed service level, normally defined in a formal contract. The policy statement agreed on by the Forum mentioned that the criteria for selecting an outsourcer shall be defined and documented, taking into account the: company's reputation and history; quality of services provided to other customers; number and competence of staff and managers; financial stability of the company and commercial record; retention rates of the company's employees; quality assurance and security management standards currently followed by the company. It presupposes that due diligence must be carried out during the selection of 3PLs, as well as a strict monitoring of the performance of 3PLs.

### **Challenges of Outsourcing**

Outsourcing typically increases a firm's flexibility and access to state-of-the-art products and processes. As markets or technologies change, many firms find changing supply chain partners easier than changing internal processes. With outsourcing, less investment is required up front in the resources needed to provide a product or service (Bogarth and Handfield 2008).

Of course, outsourcing has its risks or challenges. Suppliers might misstate their capabilities; their process technology might be obsolete or their performance might not meet the buyer's expectations. In other words, the possibility of choosing a wrong supplier or vendor and the subsequent negative consequences is a factor worth considering. According to Bogarth and Handfield (2008), control and coordination are also issues in outsourcing and as such buying firms may need to create costly safeguards to regulate the quality, availability, confidentiality, or performance of outsourced goods or services. Companies who outsource also risk losing key skills and technologies that are part of their core competencies.

The major disadvantages of outsourcing include loss of core activities, loss of strategic flexibility, receiving poor quality of supplies, being leveraged by suppliers, interruptions to supply, employee's loose morale, confidentiality leaks, loss of internal coherence and loss of intellectual property rights (Lonsdale and Cox 2000). Embleton and Wright (1998), outlined the major disadvantages of outsourcing procurement as follows; outsourcing cedes control to the provider, once a process has handed over to an outsider, it will be extremely difficult and costly to bring it back in-house; The initial contract can be very competitive, however, the inevitable changes may cost significantly more; The time required to manage the contract may make it more expensive; The quality of the good or service must be monitored because of the contractor's incentive to save money. Outsourcing obviously has an effect on company morale; severe cuts in staff can damage the morale of existing workers. Practice shows that the human aspect of outsourcing often is overlooked. While reduction in employee morale may encourage the most talented and marketable staff to seek opportunities elsewhere, large employee lay-offs are also not beneficial to a corporate image (Embleton and Wright, 1998).

In summary, analyses provide strong support for the impacts of outsourcing on organizational performance. Cooperation with a vendor leads to significant improvement in organizational effectiveness, productivity, profitability, quality, continuous improvement, quality of work life, and social responsibility levels. Managers think that organizational performance increases after outsourcing (Bolat and Yılmaz, 2009).

## **METHODOLOGY**

The study restricted itself to the Takoradi Take-over Centre of Cocoa Marketing Company. Cocoa Marketing Company (GH) Limited, as a subsidiary of Ghana Cocoa Board, undertakes various logistics activities as both core and threshold competences. The company has three (3) Take-over Centres for the receipt, storage and shipment of raw cocoa beans. These are Tema, Takoradi and Kumasi.

The Takoradi Take-over Centre is duly sited because of its nearness to the Takoradi Sea Port which provides a vital conduit for the marketing and export of raw cocoa beans, seeing that the Western Region is endowed with lots of cocoa. As part of its operations, the company relies on private haulage companies to provide trucks for various operational activities, especially Intra-Port Operations. This involves the carting of bags of cocoa beans on articulated trucks or cocoa-laden containers from various warehouses to the Takoradi Port for onward shipment overseas.

### **Vision**

Our vision is of CMC as a world-class company within Ghana's cocoa industry, with global reputation for professionalism, skill and efficiency.

### **Mission**

1. Be a leader in cocoa marketing by delivering value and satisfaction to our customers.
2. Be a world-class institution within Ghana's cocoa industry by delivering effective sales and promotion of Ghana's cocoa.
3. Operate global standard logistics and documentation systems in cocoa taking-over, cocoa warehousing, shipping and collection of proceeds for Ghana's cocoa.
4. Manage Ghana's cocoa marketing operations at least cost.

This study used a case study research design. According to Robson (2002) a case study is a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. A case study offers an opportunity to the researcher to understand the attitudes, behavior and experiences of people within their local setting and it is particularly good for examining the "Why", "How" and "What" questions (Yin, 2008)

The researcher used both qualitative and quantitative (Mixed) strategies to find answers to the research questions. The qualitative strategy helped the researcher to have a personal feeling of the respondents to knowledge on outsourcing, its effect on productivity, assessing the performance of outsourcers and challenges of outsourcing. The quantitative strategy on the other hand enabled the researcher to quantify incidences in order to describe current conditions and to investigate the relationships between outsourcing and organizational performance using information gained from the questionnaires. Many authors including Marian (1998) agree that case study is essentially qualitative but Yin (2003) supports the use of both qualitative and quantitative (mixed) strategies to enhance the study.

The study population will include staff of Cocoa Marketing Company Limited in Takoradi, particularly the Warehousing and Port Operations Department whose jurisdiction it is to manage truck operations. The Department has a total population of one hundred and eighteen (118) staff for the Takoradi operational center.

Sampling refers to the systematic selection of a limited number of elements out of a theoretically specified population of elements. The rationale is to draw conclusions about the entire population. According to Mugenda (1999), the ultimate test of a sample design is how well it represents the characteristics of the population. Purposive sampling technique was used to select the managers whereas random sampling technique was used to select other staff to participate in the study. A purposive sampling was used because the units that are investigated are based on the judgment of the researcher and standards such knowledge on outsourcing, its effect on productivity, assessing the performance of outsourcers and challenges of outsourcing. Data was collected using structured questionnaire method. Self-administered questionnaires covering all the aspects of the study variables and form of question/response with a five-point Likert scale response continuum, that is 5 = strongly agree, 4 = agree, 3 = undecided, 2 = disagree and 1= strongly disagree, will be used for this study to collect data from low level staff. The study employed both open ended and close ended questionnaires to ascertain information from the target population.

A covering letter accompanied the questionnaires explaining the purpose of the study and the questionnaires was distributed directly to the respondents in their respective areas for filling and will be collected after 1 week following its dispatch and filling. The data will be edited and decisions made on whether to use it or not and how. The data collected from both primary and secondary sources will be subjected to a thorough systematic analysis through quantitative and descriptive approach. The Statistical Package for Social Scientist (SPSS version 16.1) was used to analyze, summarize and stored the collected data in statistical tables, frequencies and percentages. The data collected were descriptively analysed.

## RESULTS

### *Outsourcing Intra-Port Haulage Operations*

Outsourcing has been a significant feature of the Intra-Port Haulage Operations, but opinion on the perceived success of outsourcing is still divided. This section focuses respondents' perspectives on the core business activities of Intra-Port Haulage Operations pertaining to outsourcing.

#### *4.2.1 Parameters for the selection and registration of third party providers*

Analysis of data on parameters for the selection and registration of third party providers is as represented in Table 1 below.

**Table 1: Parameters for the selection and registration of third party providers**

Response	Frequency	Percent
Strongly Agree	7	14.0
Agree	29	58.0
Indifference	4	8.0
Disagree	10	20.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study sought to assess respondents' perspective on the parameters for the selection and registration of third party providers. This was measured in terms of whether respondents strongly agree, agree, indifference, disagree and/or strongly disagree with the view that parameters for the selection and registration of third party providers (private haulage companies) does not result in selection of a suitable operator. The study revealed that, seven (7) respondents representing 14% of the respondents said that they strongly agree and twenty-nine (29) respondents representing 58% of the respondents said that they agree. However, four (4) respondents representing 8% of the respondents were indifferent and ten (10) respondents representing 20% of the respondents indicated that they disagree on the view that parameters for the selection and registration of third party providers (private haulage companies) does not result in selection of a suitable operator. It infers that, in order to build close ties and relationships, there is the need to get the right people involved in managing outsourcing efforts to enhance productivity.

### *Parameters for the selection and registration of private haulage companies*

Table 2 shows analysis of data on the Parameters for the selection and registration of private haulage companies.

**Table 2: Parameters for the selection and registration of private haulage companies**

Response	Frequency	Percent
Strongly Agree	22	44.0
Agree	20	40.0
Indifference	6	12.0
Disagree	2	4.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study revealed, twenty-two (22) respondents representing 44% of the respondents said that they strongly agree and twenty (20) respondents representing 40% of the respondents also said that they agree. However, six (6) respondents representing 12% of the respondents had indifferent perspective and two (2) respondents representing 4% of the respondents also said that they disagree. This indicates that it is essential that the right partners are selected based on criteria like credibility, expertise, and reliability for outsourcing to enhance productivity.

### *Improvement in standards of operations from outsourcing*

Table 3 shows analysis of data on improvement in standards of operations from outsourcing.

**Table 3: Improvement in standards of operations from outsourcing**

Response	Frequency	Percent
Strongly Agree	7	14.0
Agree	20	40.0
Indifference	9	18.0
Disagree	13	26.0
Strongly Disagree	1	2.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study sought to examine respondents' perspective on whether CMC has improved its standard of operations from the outsourcing of intra-port haulage operations. It was revealed that, twenty (20) respondents representing 40% of the respondents said that they agree and seven (7) respondents representing 14% of the respondents also said that they strongly agree. However, thirteen (13) respondents representing 26% of the respondents said that they disagree and only one (1) respondents representing 2% of the respondents said that they strongly disagree. Also, nine (9) respondents representing 18% of the respondents were indifferent on whether CMC has improved its standard of operations from the outsourcing of intra-port haulage operations. It can be inferred that outsourcing has helped CMC to improve its standard of operations through strategic shift in the ways in which intra-port operations are managed.

#### *Intra-port operations are best performed by third party providers*

Table 4 shows analysis of data on intra-port operations is best performed by third party providers.

**Table 4: Intra-port operations - best performed by third party providers**

Response	Frequency	Percent
Strongly Agree	4	8.0
Agree	11	22.0
Indifference	6	12.0
Disagree	27	54.0
Strongly Disagree	2	4.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study revealed that, eleven (11) respondents representing 22% of the respondents specified that they agree and four (4) respondents representing 8% of the respondents also said that they strongly agree. However, twenty seven (27) respondents representing 54% of the respondents acknowledged that they disagree and two (2) respondents representing 4% of the respondents also specified that they strongly disagree. Moreover, six (6) respondents representing 12% of the respondents said they were indifferent on the view that intra-port operations are best performed by third party providers (private haulage companies). It can be inferred that private haulage companies who undertake intra-port operations have been useful in reducing lead time during the servicing of vessels.

#### *Third party providers as sole operators of intra-port operations*

Table 5 shows analysis of data third party providers as sole operators of intra-port operations

**Table 5: Third party providers as sole provider of Intra-port operations**

Response	Frequency	Percent
Strongly Agree	5	10.0
Agree	10	20.0
Indifference	4	8.0
Disagree	23	46.0
Strongly Disagree	8	16.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study sought to examine respondents' perspective on whether intra-port operations should be undertaken solely by third party providers (private haulage companies). It was revealed that, ten (10) respondents representing 20% of the respondents said that they agree and five (5) respondents representing 10% of the respondents specified that they strongly agree. However, twenty-three (23) respondents representing 46% of the respondents indicated that they disagree and eight (8) respondents representing 16% of the respondents said that they strongly disagree. Moreover, four (4) respondents representing 8% of the respondents specified that they were indifferent on whether intra-port operations should be undertaken solely by third party providers (private haulage companies). The implication of this is that, it calls for the transfer of factors of production, the resources used to perform the work and the decision rights

#### *Perspective on intra-port operations best performed by CMC with own trucks*

Table 6 shows analysis of data on perspective on intra-port operations best performed by CMC with own trucks.

**Table 6: Intra-port operations - best performed by CMC with own trucks**

Response	Frequency	Percent
Strongly Agree	10	20.0
Agree	18	36.0
Indifference	3	6.0
Disagree	14	28.0
Strongly Disagree	5	10.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

A total of eighteen (18) respondents representing 36% of the respondents acknowledged that they agree and ten (10) respondents representing 20% of the respondents admitted that they strongly agree. However, fourteen (14) respondents representing 28% of the respondents specified that they disagree and five (5) respondents representing 10% of the respondents said that they strongly disagree. Also, three (3) respondents representing 6% of the respondents acknowledged that they were indifferent on the view that Intra-port operations would be best performed by CMC with its own trucks. The implication is that; a large proportion of respondents believe that CMC will perform efficiently if it procures its own trucks.

#### *CMC partnering with third party providers*

Table 4.7 shows analysis of data on intra-port operations - best undertaken by partnering.

**Table 7: Intra-port operations - best undertaken by partnering**

Response	Frequency	Percent
Strongly Agree	8	16.0
Agree	28	56.0
Indifference	5	10.0
Disagree	8	16.0
Strongly Disagree	1	2.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study sought to assess respondents' perspective on whether intra-port operations would be best undertaken by CMC partnering with third party providers (private haulage companies). It was revealed that, twenty-eight (28) respondents representing 56% of the respondents acknowledged that they agree and eight (8) respondents representing 16% of the respondents specified that they strongly agree. However, eight (8) respondents representing 16% of the respondents said that they disagree and only one (1) respondents representing 2% of the respondents acknowledged that they strongly disagree. Moreover, five (5) respondents representing 10% of the respondents specified that they were indifferent that on view that intra-port operations would be best undertaken by CMC partnering with third party providers (private haulage companies).

### ***Third party operators with own fleet of trucks perform better***

Table 8 shows analysis of data on third party operators with own fleet of trucks performs better.

**Table 8: Third party operators with own fleet of trucks performs better**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Strongly Agree	12	24.0
Agree	22	44.0
Indifference	6	12.0
Disagree	8	16.0
Strongly Disagree	2	4.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

**Source: Author's Field Data, May 2016**

A total twenty-two (22) respondents representing 44% of the respondents said that they agree and twelve (12) respondents representing 24% of the respondents also said that they strongly agree. However, eight (8) respondents representing 16% of the respondents acknowledged that they disagree and two (2) respondents representing 4% of the respondents also specified that they strongly disagree. Moreover, six (6) respondents representing 12% of the respondents indicated that they were indifferent on the view the third party operators with own fleet of trucks perform better. It is fair to infer that third party operators with their own fleet will contribute to cost efficiency, in the opinion of respondents.

### ***Third party providers' qualification for intra-port operations***

Table 9 shows analysis of data on third party provider's ownership of trucks as qualification for intra-port operations.

**Table 9: Third party provider's ownership of trucks as qualification for intra-port operations**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Strongly Agree	28	56.0
Agree	16	32.0
Indifference	1	2.0
Disagree	5	10.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

**Source: Author's Field Data, May 2016**

The study revealed that, twenty eight (28) respondents representing 56% of the respondents acknowledged that they strongly agree and sixteen (16) respondents representing 32% of the respondents also specified that they agree. However, five (5) respondents representing 10% of the respondents said that they disagree and only one (1) respondents representing 2% of the respondents said they were indifferent on the perspective that third party providers (private haulage companies) should own a required number of trucks to qualify for intra-port operations.

### ***Challenges associated with the Outsourcing of Intra-Port Haulage Operations***

*This section considers the major disadvantages of outsourcing of Intra-Port Haulage Operations which affect productivity.*

### ***Third party provider operations and theft during intra-port operations***

Table 10 shows analysis of data on the operations of third party provider and theft during intra-port operations.

**Table 10: The operations of third party provider and theft during intra-port operations**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Strongly Agree	13	26.0
Agree	24	48.0
Indifference	8	16.0
Disagree	3	6.0
Strongly Disagree	2	4.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

***Source: Author's Field Data, May 2016***

The study sought to examine the challenges associated with the outsourcing of intra-port haulage operations. This focus on assessing respondents' perspective on the operations of third party provider (private haulage companies) sometimes leads to theft during intra-port operations. It was revealed that, twenty four (24) respondents representing 48% of the respondent said that they agree and thirteen (13) respondents representing 26% of the respondents specified that they strongly agree. However, three (3) respondents representing 6% of the respondents acknowledged that they disagree and two (2) respondents representing 4% of the respondents also said that they strongly disagree. Also, eight (8) respondents representing 16% of the respondents specified that they were indifferent on the view that the operations of third party provider (private haulage companies) sometimes lead to theft during intra-port operations.

### ***Ceding of control to 3PLs and effect on relationships***

Table 11 shows analysis of data on the ceding of control to 3PLs and relationship between CMC and major stakeholders.



**Table 11: Ceding of control to 3PLs and relationship between CMC and major stakeholders**

Response	Frequency	Percent
Strongly Agree	3	6.0
Agree	28	56.0
Indifference	14	28.0
Disagree	5	10.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

A total of twenty-eight (28) respondents representing 56% of the respondents indicated that they agree and only three (3) respondents representing 6% of the respondents also said that they strongly agree. However, five (5) respondents representing 10% of the respondents acknowledged that they disagree and fourteen (14) respondents representing 28% of the respondents also specified that they were indifferent on the notion that the ceding of control to 3PLs has adversely affected the relationship between CMC and major stakeholders such as the port authority.

#### *The inefficiencies of 3PLs and costs*

Table 12 shows analysis of data on the inefficiencies of 3PLs and incurred costs in operational activities.

**Table 12: The inefficiencies of 3PLs and incurred costs in operational activities**

Response	Frequency	Percent
Strongly Agree	10	20.0
Agree	25	50.0
Indifference	7	14.0
Disagree	8	16.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study revealed that, twenty five (25) respondents representing 50% of the respondents specified that they agree and ten (10) respondents representing 20% of the respondents also said that they strongly agree. However, eight (8) respondents representing 16% of the respondents indicated that they disagree and seven (7) respondents representing 14% of the respondents acknowledged that they were indifferent on the view that the inefficiencies of 3PLs has led to costs incurred in paying cocoa dockers for incomplete operational activities.

#### *Outsourcing intra-port haulage operations and CMC targets*

Table 13 shows analysis of data on CMC operations and meeting of targets as a result of outsourcing.

**Table 13: CMC operations and meeting of targets as a result of outsourcing**

Response	Frequency	Percent
Strongly Agree	17	34.0
Agree	19	38.0
Indifference	3	6.0
Disagree	9	18.0
Strongly Disagree	2	4.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study revealed that, nineteen (19) respondents representing 38% of the respondents said they agree and seventeen (17) respondents representing 34% of the respondents also specified that they strongly agree. However, nine (9) respondents representing 18% of the respondents acknowledged that they disagree and only two (2) respondents representing 4% of the respondent specified that they strongly disagree. Also, three (3) respondents representing 6% of the respondents said that they were indifferent on the view that CMC operations has suffered greatly in terms of meeting targets as a result of outstanding intra-port haulage operations.

#### ***Service contractor's incentive to save money and services provided***

Table 14 shows analysis of data on service contractor's incentive to save money and services provided.

**Table 14: Compromises due to service contractor's incentive to save money**

Response	Frequency	Percent
Strongly Agree	2	4.0
Agree	30	60.0
Indifference	9	18.0
Disagree	9	18.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

A total of thirty (30) respondents representing 60% of the respondents said that they agree and only two (2) respondents representing 4% of the respondents also specified that they strongly agree. However, nine (9) respondents representing 18% of the respondents acknowledged that they disagree and nine (9) respondents representing 18% of the respondents also said that they were indifferent on the idea that service contractor's incentive to save money results in compromises in services provided.

#### ***Management support as a major source of challenge for outsourcing***

Table 15 shows analysis of data on management support as a major source of challenge for outsourcing.

**Table 15: Management support as major source of challenge with the outsourcing**

Response	Frequency	Percent
Strongly Agree	5	10.0
Agree	17	34.0
Indifference	9	18.0
Disagree	18	36.0
Strongly Disagree	1	2.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study revealed that, eighteen (18) respondents representing 36% of the respondents said they disagree and only one (1) respondent representing 2% of the respondents also specified that they strongly disagree. However, seventeen (17) respondents representing 34% of the respondents acknowledged that they agree and five (5) respondents representing 10% of the respondent specified that they strongly agree. Moreover, nine (9) respondents representing 18% of the respondents said that they were indifferent on the view that lack of management support has been a major source of challenge with the outsourcing of intra-haulage operations. This indicates that lack of management support can lead to risk and challenges in the outsourcing process with third party providers performing abysmally with impunity.

#### ***Multiple clients and prioritization of critical business attributes***

Table 16 shows analysis of data on providers with multiple clients and prioritization of critical business.

**Table 16: Providers with multiple clients and prioritization of critical business**

Response	Frequency	Percent
Strongly Agree	8	16.0
Agree	28	56.0
Indifference	8	16.0
Disagree	6	12.0
Total	50	100.0

*Source: Author's Field Data, May 2016*

A total of twenty eight (28) respondents representing 56% of the respondents acknowledged that they agree and eight (8) respondents representing 16% of the respondents also said that they strongly agree. However, six (6) respondents representing 12% of the respondents specified that they disagree and eight (8) respondents representing 16% of the respondents also indicated that they were indifferent on the idea that providers with multiple clients do not often give priority to critical business attributes such as quality, reliability, integrity and security.

#### ***Performance of Private Haulage Companies involved in Intra-Port Operations***

##### ***Structured processes for assessing the performance of third party providers***

Table 17 shows analysis of data on structured processes for assessing the performance of third party providers.

**Table 17: Structures for assessing the performance of third party providers**

Response	Frequency	Percent
Strongly Agree	5	10.0
Agree	19	38.0
Indifference	6	12.0
Disagree	17	34.0
Strongly Disagree	3	6.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study sought to assess the performance of private haulage companies involved in intra-port operations. This aimed at examining respondents' perspective on the view that CMC has a structures process for assessing the performance of third party providers. The study revealed that, nineteen (19) respondents representing 38% of the respondents said that they agree and ten (10) respondents representing 10% of the respondents also specified that strongly agree. However, seventeen (17) respondents representing 34% of the respondents acknowledged that they disagree and three (3) respondents representing 6% of the respondents said they strongly disagree. Moreover, six (6) respondents representing 12% of the respondents said that they were indifferent on the view that CMC has a structures process for assessing the performance of third party providers. This implies that, CMC is able to assess the performance of private haulage companies.

#### ***Blacklisting of underperforming third party providers***

Table 18 indicated analysis of data on blacklisting of underperforming third party providers.

**Table 18: Underperforming third party**

Response	Frequency	Percent
Strongly Agree	3	6.0
Agree	13	26.0
Indifference	11	22.0
Disagree	21	42.0
Strongly Disagree	2	4.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study revealed that, twenty one (21) respondents representing 42% of the respondents said that they disagree and only two (2) respondents representing 4% of the respondents also said that they strongly disagree. However, thirteen (13) respondents representing 26% of the respondents acknowledged that they agree and three (3) respondents representing 6% of the respondents also specified that they strongly agree. Also, eleven (11) respondents representing 22% of the respondents specified that they were indifferent on the indication that underperforming third party providers are blacklisted. The implication of this is that, underperforming third party providers are left without any sanctions despite their non-performance.

#### ***Third party providers' performance***

Table 19 shows analysis of data on performance of third party providers in intra-port operations.

**Table 19: Performance of third party providers in intra-port operations**

Response	Frequency	Percent
Strongly Agree	3	6.0
Agree	16	32.0
Indifference	4	8.0
Disagree	22	44.0
Strongly Disagree	5	10.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

A total of twenty two (22) respondents representing 44% of the respondents acknowledged that they disagree and five (5) respondents representing 10% of the respondents also said that they strongly disagree. However, sixteen (16) respondents representing 32% of the respondents specified that they agree and three (3) respondents representing 6% of the respondents also indicated that they strongly agree. Moreover, four (4) respondents representing 8% of the respondents specified that they were indifferent on the view that third party providers perform very well during intra-port operations.

### ***Third party providers and competitiveness/new technologies***

Table 20 shows analysis of data on third party providers and enhancement of CMC port operations.

**Table 20: Third party providers and enhancement of CMC port operations**

Response	Frequency	Percent
Strongly Agree	1	2.0
Agree	10	20.0
Indifference	11	22.0
Disagree	25	50.0
Strongly Disagree	3	6.0
<b>Total</b>	<b>50</b>	<b>100.0</b>

*Source: Author's Field Data, May 2016*

The study revealed that, twenty five (25) respondents representing 50% of the respondents said that they disagree and three (3) respondents representing 6% of the respondents also specified that they strongly disagree. However, ten (10) respondents representing 20% of the respondents acknowledged that they agree and only one (1) respondent representing 2% of the respondents also said they strongly agree. Also, eleven (11) respondents representing 22% of the respondents specified that they were indifferent on the notion that third party providers have enhanced the operations of CMC through their competitiveness, new technologies.

## **DISCUSSION**

### **Effects of Outsourcing Intra-port haulage Operations on cost and productivity**

The findings revealed that outsourcing of intra-port haulage operations at CMC Takoradi has in some ways contributed to cost efficiency in that the operations of third party providers has reduced cost that otherwise would have been borne by the Company reduced lead time in servicing of vessels and has helped the company to be more efficient on service delivery to its clients.

The study findings support some authors who asserted that the main motivation for outsourcing is found to be cost reduction (Altinkemer et al. 1994, Gilley & Rasheed 2000). This is because paying for outsourcing generally costs less than maintaining equivalent services in-house. The findings of the study also concur with some academicians that successful implementation of an outsourcing strategy has been credited with helping to cut cost (Bowersox 1990; Gupta and Zeheuder 1994; Greer, Youngblood and Gray 1999).

### **Challenges associated with the outsourcing of intra-port haulage operations**

Despite the fact that outsourcing provides many benefits and profits to firms, there are challenges or risks that are also associated with outsourcing. Majority of the respondents disagreed that lack of management support has been a major source of challenge with the outsourcing of intra-haulage operations. When management attempts to lead outsourcing initiatives without understanding the long-term consequences to their organisations' overall business strategy, they cannot articulate an execution strategy that can be driven down to all levels of the organisation.

One critical area is the selection of third party providers who provide outsourcing services. Majority of respondents agreed that the parameters for the selection and registration of third party providers (private haulage companies) often lead to the selection of a suitable operator, majority of the respondents acknowledged that they agree. These findings imply that, the success of outsourcing requires a good partner or third party providers and supports Elmuti (2003) study which revealed that, it is essential that the right partners are selected based on criteria like credibility, expertise, and reliability. The relationship between the companies and their partners are based on trust and contracts. Therefore, in order to build close ties and relationships, there is the need to get the right people involved in managing outsourcing efforts through the provision of adequate training, infrastructure and facilities.

It is evidenced from the study that standards of operations have improved as a result of the outsourcing of intra-port haulage operations. This finding supports Winkleman et al (1993) assertion that, the increasingly popular use of outsourcing is caused by the strategic shift in the ways in which organizations are managing their businesses. There was however disagreement on the fact that intra-port operations are best performed by third party providers and third party providers should also be undertaken solely by private haulage companies. This portrays the common thinking that organisations are continuously faced with the decision of whether to expand resources to create an asset, product, resource or service internally or to buy from a third party or external party. If the organisation chooses to buy, it is engaging in outsourcing. This calls for the transfer of factors of production, the resources used to perform the work and the decision rights.

Intra-port operations are best undertaken by CMC partnering with third party providers where there is transfer of knowledge about the production process from CMC to third parties. This emphasises the need for the CMC to concentrate resources on a set of core competencies where it can achieve definable pre-eminence and provide unique values for customers. Although intra-port operations are best performed by CMC with own trucks, however third party operators with own fleet of trucks perform better where they have a certain minimum own of own fleet of trucks.

As the company races to outsource larger pieces of their business, management may minimise the scope, time, cost and resources needed to formulate successful outsourcing strategies. Lack of management support usually results in unfulfilled expectation. Therefore,

true commitment to a successful outsourcing initiative requires management involvement and perseverance to resolve fundamental business problems prior to establishing an outsourcing initiative. This also requires management to lead charge and assess the business.

The challenge with outsourcing to third party providers is that it sometimes leads to theft during intra-port operations, a situation which often adversely affects the relationship between CMC and major stakeholders such as the Port authority. Third party providers with multiple clients do not often give priority to critical business attributes such as quality, reliability, integrity and security and the incentive to save money results in compromises in services provided which reflects in inefficiencies such as costs incurred in paying cocoa dockers (carriers) for incomplete operational activities, adverse effects on CMC's operations and also the inability to meet targets as a result of outstanding intra-port haulage operations.

### **Performance of private haulage companies involved in intra-port operations**

In all, the introduction of private haulage companies for intra-port operations has been useful in reducing lead time during the servicing of vessels and by this, it can be inferred that, the benefit of providing a better business solution may be achieved by handing over a particular function or activity to an expert who is better equipped, more experienced, and therefore better able to perform the tasks as required. It may be seen as a conceivable business solution and a viable strategic and economic approach allowing CMC to concentrate on their core competencies. It can be deduced that, outsourcing developed as a viable strategic alternative as CMC determined that its activities could be classified as non-core and core, however, the complexity of business does not allow for definitive rules and a simple decision on what constitutes core and non-core activities. The most common rationale is that core competencies remain in-house and non-core activities are outsourced.

### **Assessing the Performance of private haulage companies involved in intra-port operations**

Structured process for assessing the performance of third party providers CMC by has given CMC the opportunity to have a wide array of common corporate functions previously performed internally, such as human resources, finance and accounting, and supply-chain management executed by third party service providers.

Strict monitoring and evaluation and prompt action by blacklisting underperforming third party providers is seen as a sure way of guaranteeing effective outsourcing practice. Outsourcing is also seen as a way of eliminating the hiring of additional permanent staff when in-house staff cannot cope with the extra volume of work to be done. In all there is the belief that third party providers do not perform very well during intra-port operations and that the involment of third party providers in CMC's operations has not enhanced its operations through their competitiveness or introduction of new technologies. However, third party operators are considered useful in temporarily managing short term challenges where they can be hired at a moment's notice or for a specified period of time in situations where the organisation's workload exceeds the capabilities or abilities of in-house staff.

## **CONCLUSIONS**

It was established that outsourcing is the act of transferring the work to an external business part. CMC can outsource intra-port operations because there are vendors who can do it cheaper, faster and better. The predominant reason for outsourcing application is the cost savings and also developing highly proficient, job-specific team of skilled employees in an

organisation. A very critical thing about outsourcing is that it allows organizations to focus on the core issues of their business and it can shift extra functions to other organisations. This makes companies such as CMC that outsource more readily adaptable to fluctuations in supply, demand and customer preference. The higher the outsourcing application in intra-port haulage operations, the higher the stability level of businesses and improvement in productivity. Again, third party providers can perform better if they own their fleet of trucks based on the outsourcing contract.

In all productivity is affected by the outsourcing of intra-port haulage operations and outsourcing can also impact on cost efficiency of a company. Appropriate monitoring and evaluation policies and their effective implementation is key to performance improvement through outsourcing.

## ACKNOWLEDGEMENTS

First of all, we have readily acknowledged and give thanks to Mighty God, the Omnipotent and Omniscient who created everything and in giving us the ability to begin and complete this project. We owe lots of gratitude to our Supervisors, Professor, Zhou Wencheng for the invaluable guidance, advices, motivations, critics and friendship. Without his help, this thesis would not have been the same as presented here. We are also grateful to our other professors for their lessons, advice, suggestions, assistance, and guidance for providing us not only with the computer software, SPSS, for analyzing our data but also assisting in the use of it. We are also wish to express our special thanks and appreciation to Mr. Samuel Owusu for his encouragement and advice. Our sincere appreciation is also extended to Mr. Sampson Ampong, My friends, Kwame Oteng Gyasi (Phd. Student-chengdu), Kyei Baffour Boafo and my entire course mates. All examiners deserve sincere commendation for their input in making the entire exercise a success and to all those, too numerous to name, who were not specifically mentioned, we say thank you. Finally, we wish to thank our mother Felicia Boakye, our brothers and sisters for their encouragement and support throughout the course. God bless you all.

We dedicate the project to our entire family for supporting us through our studies in Nanjing University of Posts and Telecommunications.

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