

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF ECONOMICS



**THE IMPACT OF OUTSOURCING TRANSPORTATION TO THIRD PARTY
PROVIDERS ON TRANSPORT COSTS IN SMEs. A CASE STUDY OF ALUTECH.**

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**DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE BACHELOR
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DEDICATION

I dedicate this project to my family that gave me all the support for it to be a success.

ABSTRACT

To maximize production and logistical control, large industrial enterprises previously found it helpful to vertically integrate supplier operations and distribution activities. Modern businesses, however, place a significant amount of reliance on suppliers and outsourced services that assist in the production process in one way or another. The study's goal was to ascertain how transport outsourcing affected organizational costs using Alutech Investments as a case study. In order to demonstrate the causal relationship between the variables in this case, outsourcing and costs, a descriptive and exploratory research design were used. This study used a mixed research methodology which triangulated the qualitative data from interviews and questionnaire survey. The quantitative method involved gathering and analyzing quantitative data, such as trends in the expenses associated with outsourcing. On the other hand, during the interview sessions and questionnaire distribution, a qualitative technique was employed to record certain comments from the respondents that were pertinent to the study. Data was gathered through questionnaires, and SPSS (20.0) was utilized to analyze it. The management staff of Alutech Investments were the target population, including managers from the accounting and logistics departments as well as other departments that collaborate closely with the procurement department. Tables and basic descriptive statistics like pie charts and graphs were used to analyze the data. This study came to the conclusion that transport outsourcing has a positive impact on the organizational costs after conducting a thorough literature review and data analysis. Basing on the study's findings, outsourcing transportation led to low operating expenses, including lower maintenance costs for fleets, lower investments in new fleet, lower insurance costs, and lower labor (driver) costs. This demonstrated a positive relationship between outsourcing and business costs. In order to properly assess the success of transportation outsourcing in terms of cost-cutting, conclusions and recommendations were drawn from the analysis' findings.

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CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

Globalisation, technological innovation, shorter product life cycles, and changing customer tastes, among other things, are some of the forces that are continually transforming the modern corporate environment (Handley and Benton, 2009). As a result of these changes, corporate processes must become more specialized, and many value-added activities must be carried out outside of an organization's traditional boundaries. To be successful in the face of these changes, businesses are collaborating with other entities. As organizations seek solutions to these changes, the changing business environment has altered supply chain areas. According to Handley and Benton (2009), "which portions of our value chain should we undertake internally and which aspects should we source outside" is the most pressing dilemma facing business leaders today. This subject was addressed by Lafontaine and Slade (2007) as a traditional make-or-buy decision or a decision on the degree of vertical integration. When a company considers outsourcing, it is essentially rethinking a previous decision to "make." An organization's existing borders will be redefined via outsourcing.

It is critical for an organization to understand the benefits and drawbacks of outsourcing transportation services in order to be successful. As a result, the study's focus was on determining the impact of outsourcing transportation on transportation costs, as well as the primary motivations for outsourcing and the benefits of the strategy in terms of transportation expenses. The purpose of this chapter is to give a general summary of the study as well as a motivation for it. The backdrop of the study, the statement of the problem, the purpose of the study, the objectives of the investigation, the research questions, the scope of the study, and the significance of the study are all presented in this chapter. This introduction chapter will provide readers with a comprehensive overview of the study.

1.1 BACKGROUND OF THE STUDY

1.1.1 Outsourcing

Companies have recognized the increased strategic importance of the logistics function within the organization as a result of globalization and competitive constraints (Kumar, et al, 2006).

Flexibility, lead-time reductions, transportation cost reductions, and reliable and quality deliveries are among the new competitive advantages that have emerged, with Logistics Service Providers (LSP) playing a crucial role in this regard (Parashkevova, 2007). Transportation is part of Logistics, which is part of the supply chain. Transportation services have a significant impact on organizations' day-to-day operations, as well as the economic state and development of their logistics. Thus, logistics management is a part of the supply chain that includes the process, planning, implementing, and controlling procedures for the efficient and effective transportation of goods from point of origin to point of consumption (inbound, outbound, internal, and external flows) with the goal of cost-effectively meeting customer requirements and maximizing current and future profitability (Chase et al. 2004).

Outsourcing, according to Chase et al. (2004), is the act of transferring some of a company's internal activities and decision-making responsibilities to outside sources. Products and services have become more sophisticated and diverse over time, as have consumer needs, and logistics services have evolved as national and worldwide marketplaces for commodities and services have grown (Adebambo, 2015). Adebambo (2015) highlights that thousands of new items and services have been launched throughout recent decades and are marketed and supplied to consumers all over the world. As a result, the market has gotten more competitive, and corporations have found it increasingly challenging to maintain typical profit levels and growth rates during the last two decades (Adebambo, 2015). Therefore, in order to retain profitability, SMEs commonly outsource a number of activities, including transportation, with the goal of achieving certain organisational goals, such as cost reduction (Lau & Zhang, 2006). Jiang and Qureshi (2006) emphasized this point, claiming that multinational corporations have adopted outsourcing as a fundamental strategy to achieve considerable cost and differentiation advantages. Furthermore, according to Adebambo (2015), organizations employ transportation outsourcing to save financial resources by moving segments of work to outside vendors rather than performing them internally. This is because owning a transportation service necessitates the establishment of a dedicated transportation division, which necessitates a significant capital investment, resulting in high operational costs associated with vehicles and their management, such as fleet depreciation, driver wages, and fleet maintenance costs, among other things.

Zimbabwe is no exception when it comes to transport outsourcing, as many businesses use this method for a variety of reasons. The following are some of the general transportation activities that are outsourced by SMEs in Zimbabwe:

- ❖ Reverse logistics (return of empties and recycling),
- ❖ Inbound logistics (transportation of raw materials),
- ❖ Outbound logistics (transportation of finished goods),
- ❖ Transportation for Employees

1.1.2 Transportation outsourcing at Alutech

Alutech Investments is a small manufacturing firm that specializes in aluminium sliding doors, shop fronts, windows, shower cubicles, office partitions, sky lights, suspended ceilings, metal fabrication, and various forms of blinds. Alutech Investments has been providing Aluminium Technology to businesses, corporations, and individuals in Harare and beyond since 2003. Clients of Alutech are those looking for infrastructural developments that require detailed site inspections, needs assessments, current concepts and designs of required solutions in a cost-effective and quality-conscious manner. The company creates aluminum items for both businesses and private individuals.

According to Lacity (2012), one of the most important factors impacting outsourcing decisions and outcomes is the company's characteristics and nature of operations. Alutech, like other manufacturing enterprises, uses third-party transportation services to order raw materials, transfer staff, deliver finished items to job sites, and transport returns. The company developed outsourcing strategy in 2018 as a mechanism of coping with fuel shortages and increased fuel prices. Recently, the firm developed an outsourcing plan to transport its employees to and from work due to the Covid-19 outbreak that led to a temporary ban of the operations of privately owned commuter transport service providers, which generally affected the. In addition, due to their increase in production capacity, the company chose to outsource a fraction of its transportation services as a cost-cutting approach to avoid the costs of owning a fleet of delivery vehicles.

Therefore, Alutech Investments outsource transportation services to transfer their raw materials from suppliers to their warehouses as part of inbound logistics. They also use third-party transportation services to get their finished goods to their customers. Companies, on the other hand,

use transportation services to return empties or recycle materials following deliveries. Furthermore, as a result of the Covid 19 pandemic, which restricted people's movement, local businesses in Zimbabwe have increasingly outsourced transportation services to deliver their goods door to door. Transportation services are also outsourced to get employees to and from work. Firms can save money on capital expenditure and hence lower financial risks by outsourcing certain transportation services activities (Fadile, et al 2018). Investment in transportation assets, such as transportation vehicles and garages, typically requires a significant huge sum of money, posing a considerable financial risk to the company (Fadile, et al.2018). According to Dzogbewu (2010), outsourcing transportation services is a successful business strategy since it allows organizations to utilize their resources, disperse risks, and focus on issues vital to survival and further growth by outsourcing non-core operations. Many small manufacturing businesses like Alutech have turned to outsourcing logistics services to help them restructure their distribution networks and achieve a competitive edge. Outsourcing, according to Babu (2005), provides a level of influence not attainable within an organization's own divisions. This influence can take many forms, including economies of scale, process knowledge, money access, and access to costly technology (Dzogbewu 2010).

The question of which logistics service provider would be best suited to have in-depth understanding of the customer's requirements while upholding accountability, responsibility, and entails capability to not only strategize but also execute the operational aspects of the outsourcer, remains unanswered despite the many promising features and factors offered by a variety of logistics service providers (Hosie, 2008). A strong strategy for transportation and distribution will provide businesses a competitive edge, be essential to offering top-notch customer service while also reducing costs. However, the literature study reveals that there is a gap in terms of transport outsourcing deployment and success as a cost-cutting approach in Zimbabwean SMEs. As a result, the purpose of this study was to look into the impact of transportation outsourcing on lead time in SMEs, focusing on a case study of Alutech investments in Harare.

1.2 RESEARCH PROBLEM

The business environment has gotten more competitive, making it more challenging for businesses to sustain traditional profit levels and growth rates. As a result, in order to retain profitability, businesses commonly outsource a number of activities, including transportation, with the goal of

reducing the costs of operating certain activities in-house. Although cost reduction is a primary motivation for outsourcing transportation, the decision to outsource is complex and frequently involves the application of conflicting criteria, as it can also result in other issues such as a loss of control over the transportation system, which can result in consequences such as delivery delays, which have direct and indirect implications on the supply chain. In addition, there are also hidden costs of outsourcing which include the costs of management and coordination of contractors, among others. As a result, the purpose of this study is to look into the impact and effectiveness of transportation outsourcing on SMEs' transportation costs and expenses, by weighing the financial benefits and drawbacks of the strategy.

1.3 OBJECTIVES OF THE STUDY

- i.** To determine the impact of outsourcing transportation to third party providers on transport costs at Alutech.
- ii.** To investigate motives behind transportation outsourcing activities at Alutech.
- iii.** To investigate the challenges and hidden costs of outsourcing transport services to third party providers at Alutech.

1.4 RESEARCH QUESTIONS

- i.** What is the impact of outsourcing transportation to third party providers on transport costs at Alutech?
- ii.** What are the motives behind transportation outsourcing activities at Alutech?
- iii.** What are the challenges and hidden costs of outsourcing transport services to third party providers at Alutech?

1.5 SIGNIFICANCE OF THE STUDY

The study's findings will aid SMEs and other organizations in Zimbabwe by revealing the impact of outsourcing transportation services on their transportation costs and expenses. Companies will be able to plan efficiently and avoid future outsourcing blunders if they are aware of these implications of transport services outsourcing. Furthermore, the research is important to the researcher because she wants to gain useful information that she can use to conduct future research in other areas. Finally, the study will serve as a resource for future researchers interested in conducting research in the same subject.

1.6 RESEARCH ASSUMPTIONS

- The participants of this particular responded truthfully, with no deception regarding the impact of outsourcing transportation activities on the costs of their organisation
- The case study of Alutech Investments chosen is an adequate representation of the entire population of SMEs in Zimbabwe.
- The exploratory and descriptive research design in this research applied are valid and reliable.

1.7. SCOPE OF THE STUDY

This is categorized in to three concepts, that is to say content scope, geographical scope and time scope of the study

1.7.1 Content scope.

The purpose of this research is to determine the influence of transportation services outsourcing on SMEs' costs in Zimbabwe. The research also looks into how SMEs might employ transportation outsourcing as a cost-cutting technique. The study outlines the primary drivers for transportation outsourcing, as well as the advantages and disadvantages of outsourcing transportation services in relation to Alutech Investments' costs.

1.7.2 Geographical scope

The research only focused on the Alutech Investments which is based in Harare.

1.7.3 Time scope

The study utilized collected data between 2017 and 2022 regarding transport outsourcing at Alutech, in order to assess the effectiveness of the strategy at reducing costs over the past five (5) years.

1.8 LIMITATIONS

The respondents were hesitant to reveal the some of their financial records, claiming confidentiality and privacy as their primary concern. They considered some of the materials to be confidential company information and were hesitant to release it. However, in order to overcome this constraint, the researcher was able to assure them that the research findings would be utilized just for the purposes of the study, and that the information would not be used anywhere else, outside of the research. Because the researcher had to balance the research and other academic

modules, the researcher, who is a student, had limited time to collect data. To save time, the researcher utilized a case study research approach, which takes less time to collect data because she just focused on Alutech Investments. In addition, the researcher only focused of the management staff at Alutech, who were able to provide the relevant information regarding transportation outsourcing at Alutech.

1.9 DISSERTATION STRUCTURE

This study comprises five chapters in order to achieve the study's goals and objectives. The first chapter provides the research's introduction, background, research purpose, and research questions. It also included information about the study's objective, scope, restrictions, and delimitations. The second chapter provides a literature overview on outsourcing, including definitions, motivations and driving forces, benefits, and obstacles. Hence by examining the literature offered in prior studies, Chapter 2 will give an understanding of what kind of general influence transport outsourcing has on transportation expenses. After Chapter 2, the following chapter explains the research methods used in this study, as well as the target population, sampling, and data collection tools and methodologies. It detailed how the study was carried out in general, from the start to the last phase (data analysis and presentation).

Data presentation and analysis based on earlier theoretical studies and primary data obtained were given in chapter four. Pie charts, tables, and bar graphs were used to present the findings of the study. The final chapter concluded with a conclusion, a summary of the findings, and outsourcing advice for SMEs. The final chapter concluded with a conclusion, a summary of the findings, and outsourcing advice for SMEs. This chapter also included recommendations for further research.

1.10 CHAPTER SUMMARY

The introduction, the study's background, and the problem statement were all highlighted in this chapter. The study's objective as well as its significance were also addressed. The research objectives and questions were also defined in this chapter. The study's scope as well as its assumptions were also revealed. The literature review and theoretical foundation for this investigation are presented in the following chapter.

CHAPTER TWO

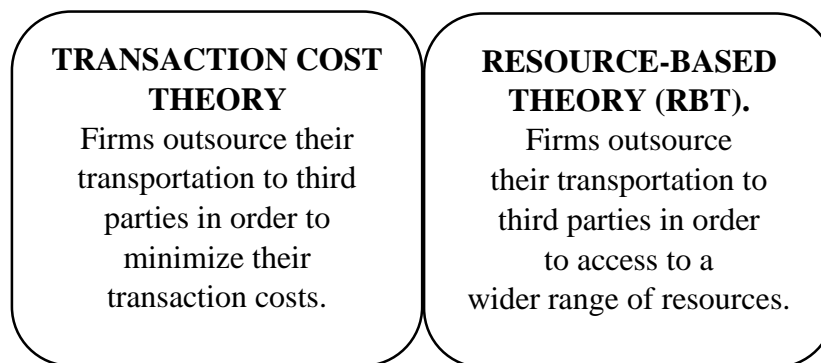
LITERATURE REVIEW

2.0 INTRODUCTION

This chapter provides a review of the literature regarding the study topic. This comprises a theoretical overview of the accepted concepts, and techniques for comprehending and explaining significant components of the outsourcing strategy and its relationship with business costs in the transportation department. It will also include an empirical assessment of prior studies on the subject as well as a critique of the current literature. The chapter concludes with a conceptual framework that depicts the relationships between the variables, as well as an examination of the conceptualization, definition, and measurement of the variables employed in the study.

2.1 THEORETICAL REVIEW

A number of social science hypotheses have been established to justify logistics outsourcing as a business strategy. This category comprises ideas that have a strong link to logistics concepts and practice, as well as their integration with supply chain management. The Transaction Cost Theory is the study's main emphasis because it wanted to evaluate the influence of outsourcing transportation services on costs. However, Transaction Cost Theory alone cannot explain a firm's decision to reorganize its process in order to outsource more services to a transportation services provider and remain competitive, thus the researcher also looked into Resource-Based View Theory.



2.2.1 Transaction Cost Theory

According to the Transaction Cost Theory, businesses decide to contract out their transportation needs in order to save expenditure on both transactional and administrative expenses. The

fundamental tenet of this concept is that outsourcing to a provider of logistics services will happen when transaction costs may be decreased. According to Skjoett-Larsen's (2000) explanation of this idea, transportation services should be purchased on the open market (outsourced) if transaction costs are low, and internalized if they are high (managed in-house). The human and physical costs spent during the exchange of transportation services between the business and a third party are referred to as the transaction costs.

The transaction cost hypothesis explains why companies outsource transportation functions to third-party service providers rather than conducting them in-house, with a focus on the possible cost savings (Wandiri, 2017). According to McIvor (2009), firms will expand economically as long as their tasks can be conducted more cost-effectively within the company rather than outsourcing them to market providers. A transaction cost, on the other hand, happens when a service is transmitted through a technologically separated interface, according to Williamson (2008). As a result, transaction costs occur whenever a product or service is transferred from one stage to another, necessitating the acquisition of additional technological skills.

The transactional costs are influenced by a number of things. Opportunistic behavior, the quest for the 'real' pricing and 'true' quality of goods and services offered in the market, constrained rationality, environmental uncertainty, and the company's assets are among these elements (Wandiri, 2017). These elements have the potential to raise the external transaction costs connected with the production of goods and services, making it more costly for a company to manage them. As a result, if businesses see environmental risk as significant, they may opt not to outsource or exchange resources with the environment (Wandiri, 2017). Previous logistic researches linked to this theory include Aertsen (2002) in his study of physical distribution decisions and third-party logistics, Steensma and Corley (2002) in their study of technology sourcing, and Mikkola and Skjoett-Larsen (2003) in their study of supplier involvement and new product development, as cited by Wandiri, (2017). As a result, the transaction Cost theory can be employed as a theoretical framework for the main purpose of this study, which is to determine the effectiveness of 3PL providers in SME manufacturing enterprises such as Alutech Investments in Harare.

2.1.2 Resource-Based View Theory (RBT)

The Resource Based Theory (RBT) proposes that a firm can be viewed as a collection of resources that are distributed differently between enterprises and change over time (Fadile, et al 2018).

In this context, the term "resources" has a broad definition, including organizational assets, knowledge, know-how, and both tangible and intangible assets like as materials, warehouses, and equipment (Fadile, et al 2018). The underlying premise of this idea is that a corporation must secure an efficient flow of the right kind of resources from its surrounds in order to survive and function well. According to the resource-based strategy, a competitive advantage can be gained by owning inimitable assets, inventions, and resource barriers that allow a business to readily move market positions. In this context, ownership refers to the "operational control over" resources rather than the "legal claim to" resources (Fadile, et al 2018).

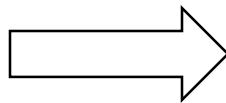
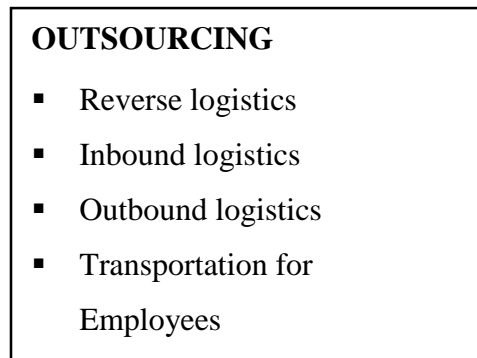
These resources are likewise valuable, scarce, one-of-a-kind, and difficult to replace (Barney, 2001). In terms of superior internal routines and management operations, including transportation, these resources are essential assets. It's also worth noting that an organization's resource profile tends to influence the extent to which all or part of the logistics process is outsourced. A resource-based view is particularly appropriate for examining logistics outsourcing, according to Bromiley and Rau (2016), because firms essentially use outsourcing as a strategy for gaining access to other firms' valuable resources in order to gain a competitive advantage through cost reduction or operational efficiency. Thus, the capacity to successfully implement a logistics outsourcing plan can be considered an intangible asset, as it represents a method through which firms learn and acquire new skills and capacities (McIvor, 2009).

The RBV theory, according to Mwangangi (2016), is useful for supply chain and logistics management study. Some research looked at the impact of information flow on 3PL providers' competitive advantage (Lai et al., 2008), while others looked at the impact of logistical capabilities on company performance (Lai et al., 2008). (Yang et al., 2009). As a result, a resource-based perspective is particularly relevant for evaluating transportation outsourcing, because firms primarily employ outsourcing as a strategy for gaining access to suppliers' expertise and valuable resources (Fadile, et al 2018).As a result, the Resource Based View Theory can be used as a theoretical foundation for one of the study's goals, which is to uncover incentives for outsourcing transportation services in SMEs in Zimbabwe.

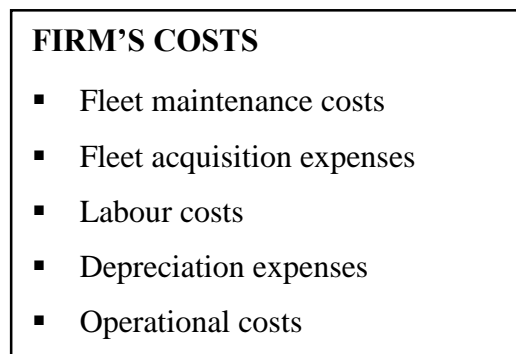
2.2 CONCEPTUAL FRAMEWORK

Figure 2.1: Conceptual Framework

Independent Variable



Dependent Variable



There are three key principles utilized to understand the outsourcing of transportation within the recognized categories of outsourcing: quality consciousness, cost reduction, and delivery time. However, the focus of this study is on the cost-cutting notion of transportation outsourcing. In most circumstances, outsourcing tries to reduce costs to some extent, regardless of the disciplines it originates from (Hätönen 2008). The strategy to cost reduction varies depending on the company's characteristics and the outsourced structure it employs (Nguyen 2014).

This section outlines and establishes a relationship between the study's two primary variables, outsourcing and costs. As indicated in figure 2.1 above, Alutech outsources reverse logistics, inbound logistics, outbound logistics and staff transportation with an aim to reduce fleet maintenance costs, insurance costs, fleet acquisition expenses, labor costs, depreciation expenses and operational costs. In this case, companies must give control to third party transportation providers, relying on their capacity to supply the required quality and delivery performance to meet the company's demands and standards while reducing the firm's costs.

The concept of cost reduction can be used as a strategy for lowering both fixed and variable costs such as labor, fleet purchase, insurance and maintenance. Outsourcing is seen as a way for businesses to save financial resources by repurposing resources and labor forces in the most efficient way possible. Outsourcing focuses on the need to concentrate on core capabilities in order

to acquire flexibility through internal reorganization, to speed projects, to gain access to a flexible workforce, and to sharpen the business focus (Hätönen (2008)). This demonstrates how firms may achieve financial economies of scale by working with specialists while focusing on their core competencies by outsourcing non-essential activities.

2.3 DRIVERS OF OUTSOURCING TRANSPORTATION SERVICES

The reasons for outsourcing transportation services can differ substantially from one organization to the next. One of the main reasons for outsourcing is that it allows businesses to focus on their core competencies, allowing them to gain a competitive advantage while lowering expenses (Fadile, et al 2018). According to Lambert et al. (1999), outsourcing logistics tasks has become a more effective strategy for conventional vertically integrated enterprises to cut costs and disperse risks. Furthermore, Mercer Management Consulting, (2002) adds to this viewpoint by stating that "the primary reason why companies outsource their logistical services to third-party logistics providers is to save money."

Third-party logistics (3PL) is now a critical component of manufacturing companies' logistics management strategies (Gooley, 2002). One of the most essential benefits of using third-party transportation service providers is that they may give their clients with expertise and experience that would otherwise be impossible or expensive to obtain in-house (Mercer Management Consulting, 2002). Because third-party suppliers are experts in their domains, their knowledge and experience would be invaluable in improving the overall quality of transportation activities. Users can benchmark against other organizations using their expertise earned from working with other clients, which could lead to cost savings and better customer service.

Other key drivers of outsourcing, according to Bromiley and Rau (2016), are new technologies and the versatility of third parties. Companies might use third-party transportation networks instead of investing in technology because developing and implementing new technologies for transportation management is time consuming and expensive. Third-party adaptability, on the other hand, allows them to improve control, technology, and location, converting fixed costs into variable costs (Bromiley and Rau 2016). Small and medium businesses (SMEs) are more likely to outsource transportation facilities in order to save money, especially if they are non-core business activities. In SMEs, this is also owing to a lack of internal capabilities. Rather than attempting to

establish internal transportation operations, companies with little transportation knowledge should outsource.

2.3.1 Make or Buy Analysis

According to Odnokonnaya (2017), the decisions about outsourcing are mostly based on an economic make-vs-buy analysis. This economic analysis concerns the choice of whether companies should provide a transportation activities on their own or to source it from a third parties. Therefore, the company needs to decide between insourcing and outsourcing their transportation activities (Odnokonnaya, 2017). In this regards, insourcing representing the centralization of the transportation activities under the guidance of the organisation. Consequently, insourcing increases the level of control, but at the same time the expansion of the number of processes leads to decrease in efficiency. Therefore, one of the common solutions to this problem is outsourcing (Lysons K, 2012). Table 1 below presents the make or analysis as cited by Odnokonnaya (2017).

Table 1: Make or Buy Analysis

REASONS TO MAKE	REASONS TO BUY
Risks of choosing a wrong provider	Focus on core activities
Guarantee of good service’s process	Cost Savings
Redundant amount of personnel or facilities	Gaining new technical opportunities
Good service’s quality	Lack of facilities
No need in personnel’s discharge	Alternative source of services
Protection of property rights	Lack of money resources
Expansion of the company	Gaining competitive advantage

Source: Odnokonnaya (2017)

To explain the decision process of outsourcing logistics activities, Odnokonnaya (2017) employed the make or purchase analysis. The author points out that there are four steps to the make-or-buy decision-making process. At the outset, the organization considers all potential risks as well as management options, which is normally done by the project leader or an external advisor

(Odnokonnaya, 2017). Following this step, the organization moves on to a full examination, during which it defines core and non-core activities. This is one of the most important factors to consider when outsourcing transportation services. The company also evaluates its key motives and objectives at this point, and compares them to the organization's overall strategy (Odnokonnaya, 2017). Companies that begin outsourcing without a clear grasp of what they seek will fail to improve their services. Clearly, cost reduction is one of the most important goals. As a result, in the make-or-buy choice process, an assessing stage that incorporates cost estimation is critical. The following expenditures must be considered when outsourcing transportation: employee pay and benefits, recruitment, training, and education, specialist transportation management systems, travel expenses, fuel charges, and maintenance costs, among others. According to Odnokonnaya (2017), the final stage is a selection stage. This is the final stage of the process, in which the organization chooses the best transportation outsourcing provider. Defining the company's needs, considering the marketplace, and locating suitable providers are all steps in the process of selecting the correct supplier (Lysons 2012).

2.4 IMPACT OF TRANSPORTATION OUTSOURCING ON LOGISTICS COSTS

According to Lieb et al. (2004), outsourcing logistics services such as transportation has become a fast developing source of competitive advantage and logistics cost savings across a wide range of sectors. As a result of outsourcing, he claims that certain companies have been able to achieve 30 to 40% cost savings in logistics and have considerably improved global logistics procedures. Logistics plays an important role in a company's competitive advantage. According to Gitaari (2011), cost savings, the freedom to focus on core business, and fresh ideas obtained that helped improve service delivery because contracts were renewed based on performance were some of the advantages of outsourcing. According to the Capgemini 2015 Annual 3PL Study, companies that outsourced part of their logistics to 3PLs saw a 6 percent increase in order fill rate, a 5% increase in order accuracy, a 9% reduction in logistics costs, a 5% reduction in inventory costs, and a 15% reduction in logistics fixed assets.

2.4.1 Flexibility and Agility

Outsourcing, according to Thompson & Strickland (2004), has the following benefits: a company's capacity to focus on its core business, access to trained people at inexpensive rates, enhanced productivity, and the ability to acquire world-class technology at lower rates. However, the most

prevalent reason for outsourcing transportation services is to save money by hiring third-party transportation experts who can provide better service at a reduced cost. As a result, organizations can enhance operating efficiency, increase return on assets, and, most crucially, increase profitability by decreasing costs through outsourcing. It's tough for businesses to adapt internal space and staff to match distribution volumes on a regular basis. As a result, 3PLs may scale up and down space and labor dependent on the needs of their clients. In this approach, the logistical expenditures of the outsourcing company are aligned with their revenue stream. Outsourcing is also an excellent way to generate new revenue streams (Dlakwa, 2016). A company that outsources can hire a third-party to provide products and services that it cannot deliver profitably (Dlakwa, 2016). This type of outsourcing allows a client company to evaluate market demand for a service or product to see if it is a safer, more cost-effective option than developing the service internally with limited resources (Dlakwa, 2016).

2.4.2 Avoid distribution infrastructure investments

Transportation outsourcing provides various benefits to organizations that use it, including cost savings on distribution infrastructure investments in facilities such as equipment and truck purchases. Because 3PLs have already invested in infrastructure, the outsourcer will simply have to hire a third-party service provider. The expenditures of investing in new distribution infrastructure are included in the outsourcing company's overhead, but they are spread among many clients, so businesses profit from this broad cost allocation. In dedicated facility deals, the correct 3PL may invest in infrastructure on behalf of the client as part of a long-term partnership agreement.

As a result, companies like Alutech Investments are able to reduce their spending on new vehicles and facilities like workshops by subcontracting transportation services to professionals in the field. As a result, the using companies have more flexibility in adjusting to market developments (Wanjiru 2010). On the other hand, they can benefit from large profit margins because they are able to avoid the expenditures of creating and maintaining a transportation department within the company. Companies just need to contract for the level of service required to meet current demand. When demand exceeds a company's ability to meet it, a third-party may be brought in to assist the company. As a result, contract logisticians turn a fixed cost into a variable cost for customers (Bradley, 1994).

2.4.3 Avoid Transportation Management Systems (TMS) Investments.

Investments in Transportation Management Systems (TMS), a "logistics platform that uses technology to help companies plan, execute, and optimize the physical movements of goods, both incoming and outgoing," will be reduced because a third-party service provider will handle the entire transportation process. Outsourcing organizations can save money on software purchases, programming, and maintenance by using 3PLs with superior transportation management systems. The technology is not free, but 3PLs spread the costs across a large number of consumers, and their clients split the bill. In general, outsourcing can reduce the need for in-house technology and provide access to cutting-edge technology (Odnokonnaya 2017).

2.4.4 Avoid fleet investments and maintenance.

Logistics managers must be able to control costs. Outsourcing third-party transportation service providers can provide a company with cost-effective transportation services without the hassle of owning vehicles, maintaining equipment, hiring and keeping drivers, and dealing with safety, compliance, and liability issues. For example, by outsourcing transportation services, total downtime expenses such as depreciation and financing of new vehicles, as well as operating expenditures such as tire maintenance and overall vehicle servicing, can be avoided. Given the large financial expenditure required to establish a workshop, manufacturing companies like Alutech Investments can afford to outsource their transportation services.

2.4.5 Reduces coordination costs

Coordination costs are lowered since the use of an outside multiple service provider reduces the number of required multiple service contacts for the firm to a single point of contact. In a recent Purchasing Magazine poll, more than half of the contract logistics users said they utilize third-party logistics to save money on transportation and distribution, free up or reduce staff, focus on the core company, and save internal administrative costs (Abdullahi and Sallau, 2019). In addition, outsourcing of transportation services eliminates the need to hire individuals to perform certain activities in-house, thereby minimizing the operational and recruitment cost for drivers. On the other hand, due to rising fuel prices in around the world, and the shortage of petroleum fuel in Zimbabwe in recent years, through outsourcing of transportation services, companies avoid the fuel expenses.

2.5 CHALLENGES AND COSTS OF OUTSOURCING TRANSPORTATION

A company's capacity to influence how transportation services are provided often decreases with outsourcing, thus raising its liability risk. The difficulties encountered as a result of outsourcing, according to Gitaari (2011), include third-party logistics vendors not providing quality services as agreed, declining business loyalty, and a lack of secrecy surrounding company problems. The loss of control over transportation-related activities, an increase in transportation costs if the distance between the outsourcing provider and the client company increases, and the emergence of new competition are some of the drawbacks of outsourcing, according to Haizer & Render (2008).

The client company may also encounter issues if the service provider is unable to provide the services due to insolvency, a lack of human capital, or a lack of financial resources. Because of this, outsourcing companies run the risk of losing control over crucial functions, becoming overly dependent on external transportation providers, failing to realize the ostensibly hidden cost savings of outsourcing, having to deal with managing tense relationships, and lowering long-term employee morale. The loss of control to outside providers is the most commonly cited concern preventing businesses from using contract logistics (Bardi and Tracey, 1991).

Users have also brought up the potential issues of losing control, losing touch with crucial information, improper selection or management of providers, unreliable promises made by providers, their inability to adapt to changing requirements, their ignorance of the buyer's business objectives, and the difficulty of switching providers (Bradley, 1995). One of the main obstacles to outsourcing is the difficulty in obtaining organizational support (Bowman, 1995). Management's lack of confidence in a third party to provide service at the same caliber as firm workers is a significant challenge because the third party's capabilities might not be sufficient to meet customers' needs. The difficulty in figuring out the savings that can be gained by outsourcing causes further problems. Additionally, hiring an outside company might make the company's logistics staff fearful of losing their jobs; they might develop a fear of being fired.

Information asymmetry exists in logistics outsourcing. While the third party logistics provider may only have partial knowledge of the contracting company, the former rarely has comprehensive awareness of the latter. The pricing a third-party logistics provider offers could not be optimally suited to the cost structure of the contracting companies if it has insufficient knowledge of that cost structure. A company's ability to innovate in logistics may be damaged if it outsources its

logistical services (Earl, 1996). In the long run, if a company wants to keep its comprehensive competitive competencies, it will need to find innovative ways to provide logistics services to its customers.

Estimating transition expenses might be tricky when it comes to outsourcing. When a company outsources its transportation needs to a third-party logistics provider, it runs the danger of becoming reliant on that company. By contracting out logistics tasks to the same third-party logistics supplier for an extended length of time, the company may become increasingly vulnerable and lose control of some of its logistics activities. Part control of a project is invariably transferred from the sponsor to the collaborator under outsourcing arrangements. The information acquired and the early detection of problems will have a significant impact on the firm's ability to properly operate an outsourced logistics operation. The fact that each party's goals are typically distinct means that the criteria that define the commercial merit of the partnership are assessed from various perspectives, which can lead to disputes in the firm's culture. Within companies, management styles and levels of bureaucracy may differ. These aspects must be taken into account in order to assure the collaborative venture's viability and long-term success (Piachaud, 2002).

2.6 EMPIRICAL REVIEW

Companies are often arguing whether to "make or purchase," whether to perform internally or outside (Fadile, et al 2018). According to Sink and Langley (1997), new business developments that caused organizations to reevaluate their goals and concentrate their resources on a select few services, including logistics, are what gave rise to outsourcing. In this regard, Kenyon and Meixell (2009), conducted research on the impact of outsourcing logistics on firm's costs. According to their analysis, outsourcing logistics really lowers the total cost of goods sold (COGS). Their study concentrated on three logistics processes: warehousing, packaging, and transportation. They came to the conclusion that, among the three logistics-based activities examined, the consequences of outsourcing transportation held the greatest promise for having an appreciable impact on a plant's COGS (Kenyon and Meixell, 2009).

Harrison et al. (2002), who also hold the same opinion, emphasize that firms' internal structures, cost structures, and resource availability make the need for outsourcing transportation services even more clear. Therefore, outsourcing enables businesses to be more adaptable, especially when the services are contracted out to transportation industry experts (Fadile, et al 2018). Reverse

logistics (return of empties), inbound logistics (transportation of raw materials), outbound logistics (transportation of finished goods), and recycling are a few examples of transportation services that businesses both staff and outsource.

Wambua, et al. (2017) conducted research on the performance of Kenyan food and beverage manufacturing enterprises as well as the cost of outsourcing third-party logistics providers. Their research suggests that enterprises that manufacturers of food and beverages in Kenya outsource logistical tasks when the transactional cost of doing so internally is significantly greater and doing so will lower the firm's profitability. These results are in line with those of Selviaridis and Spring (2007), who found that a firm's choice of whether to handle logistical tasks internally or contract them out to third-party logistics providers depends substantially on the assessment of cost or service trade-offs. Consequently, cost comparison of available solutions is a key factor in deciding whether to outsource (Wambua, et al. 2017). The lowest cost option should be chosen after weighing the costs of performing logistics activities internally and investing in capital assets against service provider fees (van Damme and Ploos van Amstel, 1996).

2.7 CHAPTER SUMMARY

The literature review of the research issue under inquiry has been thoroughly explored in this chapter. The goal of this chapter is to characterize the strategic potential of transportation outsourcing as a cost-cutting approach for SMEs. This study's theoretical framework, literature review, and conceptual framework were all provided by it. The research methods used in the study is discussed in the following chapter.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 INTRODUCTION

The research approach used in the study is described in this section. It describes why the researcher picked a certain research method to address the study issues. The research design, sample size, and demographic study are all discussed in this chapter. The instruments for data collection, analysis, and presentation, as well as ethical considerations, are all discussed in this chapter.

3.1 RESEARCH DESIGN

A descriptive and exploratory study strategy was used by the researcher. The purpose of this descriptive research methodology was to demonstrate a causal relationship between variables, in this case outsourcing and expenses (Saunders et. al., 2007). As a result of adopting this sort of research design, the researcher was able to identify a causal relationship between Alutech Investments' outsourcing strategy and its impact on logistics costs. Exploratory research, on the other hand, aims to gather as much information as possible through the utilization of many sources and by specifying the purpose and criteria for judging the exploration's success (Saunders et al, 2007). This design was utilized to gain a better understanding of the potential difficulties that can arise as a result of outsourcing logistics.

3.2 RESEARCH APPROACH

This study used a mixed research approach, which included both qualitative and quantitative data collection techniques. The quantitative technique was utilized to collect and analyze quantitative data, such as changes in outsourcing costs at Alutech. During the interview sessions and questionnaire administration, on the other hand, a qualitative technique was used to capture some relevant comments from the respondents. The qualitative data provided in-depth information about transportation outsourcing at Alutech Investments, answering the why, how, and when questions.

3.3 STUDY POPULATION

Managers from Alutech Investments made up the study's population. The managers from Administration, Sales, Operations, Logistics and Fleet Management, Accounting, and Procurement divisions participated the questionnaire survey and served as key informants in the

interviews. These departments were chosen for their direct engagement in the use of transportation services, while top managers were chosen because they are in charge of all activities and strategic decision-making in these organizations. The goal of the study was to look at the influence of outsourcing transportation services on Alutech Investments' logistics costs in Harare by looking into the costs, benefits, and obstacles of the outsourcing plan. As a result, the study's chosen population was able to supply all of the necessary data. Alutech Investments had a total workforce of around 40 employees.

3.4 SAMPLING

3.4.1 Sample Design

Senior managers who have worked at the company for more than five years were included in the study sample. The managers were chosen from Administration, Sales, Operations, Logistics and Fleet Management, Accounting, and Procurement divisions. The accounting management were chosen since they were key to uncovering the relationship between transportation outsourcing and costs at Alutech. The other managers were chosen since they were in strategic positions to know the role of transportation outsourcing in their relative departments. As a result, accurate and trustworthy data on the impact of outsourcing on transportation costs was acquired.

3.4.2 Sample Procedures

To participants (managers) of this study, the researcher employed a judgmental sampling (non-probability sampling). This is due to the fact that the management at Alutech investments were directly involved in transportation outsourcing decisions at the company hence they were able to provide the necessary and relevant information to the study. This strategy allowed the researcher to judgmentally choose the managers from the accounting department who were key at providing relevant information regarding the changes of the firm's costs as a result of outsourcing transportation.

3.4.3 Sample Size

Three (3) top level managers from the accounting, administration and logistics departments were purposively chosen for the interviews. On the other hand, seven (7) the researcher also included other managers Alutech Investments' Sales and marketing, Operations, Logistics and Fleet

Management, and Procurement were also included in the questionnaire survey. As a result, the sample size was set at 10 people

3.5 DATA COLLECTION

For the purpose of obtaining enough data, both primary data and secondary data were collected for the study.

3.5.1 Primary Data

The researcher needed primary data since it allowed her to get firsthand information on transportation outsourcing and its impact on expenses at Alutech Investments. The information was gathered through employee questionnaire surveys and manager interviews.

3.5.1.1 Questionnaire

To obtain information from the target respondents, semi structured questionnaires were used, which included both open-ended and closed-ended questions. The questionnaires were self-administered to all participants over the course of two days and then left with them for three days so that they could complete them. Questionnaires were quick and efficient because they allowed the researcher to collect large amounts of quantifiable data from a larger group of people. Questionnaires were simple to create, process, and quantify, as well as to analyze. However, the researcher discovered that some questionnaires were incomplete, and others were never returned, which was the questionnaires' principal flaw.

3.5.1.2 Interview

Semi-structured interviews were used in this study to allow the researcher to obtain information by interacting face to face with respondents who provided straight answers to research questions in a simple technique, as well as to give the researcher more freedom to ask supplementary questions to the respondents. The researcher used interviews to learn more about what the questionnaire didn't cover, such as the reasons for outsourcing transportation and how it affects the firm's expenditures. The respondents were interviewed at their comfort, at a location and time of their choosing. Three (3) top level managers from the accounting, administration and logistics departments were purposively chosen for the interviews.

3.5.2 Secondary Data

These are data acquired from a variety of literary sources. Secondary data, according to Saunders et al. (2007), is described as information that has already been acquired by other researchers for different objectives and is made up of published data. The secondary data for the study was gathered using documentary methods from a variety of existing relevant materials such as books, files, journals, and reports that were available in libraries and on the internet. The key benefit of this data collection technique was the ability to save time and money that would otherwise be spent on data collection.

3.6 METHODS OF DATA ANALYSIS

Data analysis, according to Zikmund (2003), is the use of reasoning to analyze and evaluate the information that has been gathered. The data analysis methodologies used in the proposed study are dependent on the type of the data, whether it is qualitative or quantitative.

3.6.1 Qualitative Data Analysis

The researcher evaluated the qualitative data of the study using Leedy and Ormond's (2001) technique, in which the researcher followed the processes as follows after validation:

- i. Identify the statements that are relevant to the topic: The information gathered during the interviews was split down into single and specific thoughts.
- ii. Make sense of the statements by grouping them together: The single individual thoughts were grouped into similar groups to reflect the respondents' diverse points of view.
- iii. Divergent opinions were sought, and both opposing and similar viewpoints were considered.
- iv. Constructed composite: multiple meanings were discovered and combined to develop an overall picture research findings

3.6.2 Quantitative Data Analysis

According to Babbie (2004), quantitative research approaches typically focus on analyzing numerical data, whereas qualitative research approaches focus on meanings, exploring people's attitudes, feelings, and motives. Statistical procedures for qualitative analysis were carried out with the Statistical Package for Social Science (SPSS) version 20.0. In order to quickly draw

conclusions and make recommendations about the topic under investigation, quantitative data was coded, investigated for integrity, processed, and presented in helpful outputs, which included tables and figures. In order to arrive at accurate findings, descriptive analysis was applied in percentage calculations and the arithmetic mean of data collection.

3.7 SUMMARY

This chapter explained how the study was carried out, including the research design, population, sample size, sampling methods, and procedures, as well as their justifications. The research tools, data presentation, and analysis methodologies employed were discussed, along with justifications. The presentation, analysis, and discussion of data are the topics of the following chapter.

CHAPTER 4

DATA ANALYSIS AND PRESENTATION

4.0 INTRODUCTION

In this chapter the researcher presents the analysis, presentation and interpretation of the data that was collected from the questionnaires. The researcher presents the data analysis results as analyzed with the help of SPSS version 22 from the questionnaire. Descriptive statistics such as frequency distribution and percentages were used to analyze general information collected from the respondents. The demographic information obtained by the researcher gave an overview of the respondents in terms of gender balance, appropriate age, level of education, experience and knowledge of the study topic. Means and percentages was used to analyze the components of transportation outsourcing. The findings are presented in form of tables and graphs.

4.1 RESPONSE RATE

Three (3) top level managers from the accounting, administration and logistics departments were purposively chosen for the interviews. On the other hand, seven (7) the researcher also included other managers Alutech Investments' Sales and marketing, Operations, Logistics and Fleet Management, and Procurement were also included in the questionnaire survey. As a result, the sample size was set at 10 people. The study received back a total of 6 duly filled questionnaires, with only one was not successfully filled. This resulted in a total of 90% response rate. However, De Vaus (2013) claims that an adequate response rate is one that is at least 80% and may be utilized as a reliable tool to draw conclusions and inferences about the complete community from whom the sample was drawn. The inference is that the study's response rate was sufficient for the researcher to draw conclusions.

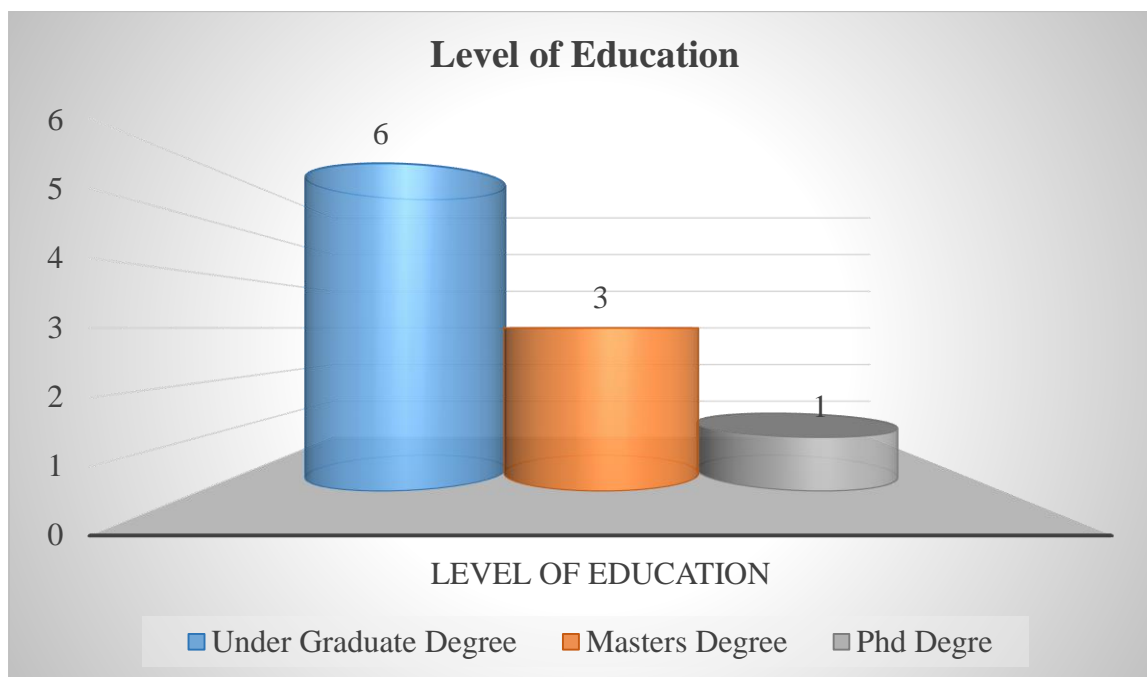
4.2 DEMOGRAPHIC INFORMATION

General information on respondents' level of education and work position held within the company, and time spent in that position in years, was requested. In this section, the analysis of this data is presented.

4.3.1 Level of Education

The study also aimed to determine the level of education that each participant in the study attained. The results showed that 70% of the respondents had earned undergraduate degrees, and the other 30% had earned postgraduate degrees. This is significant because it shows that the respondents who participated in the study had the background information necessary to comprehend the questionnaire's questions.

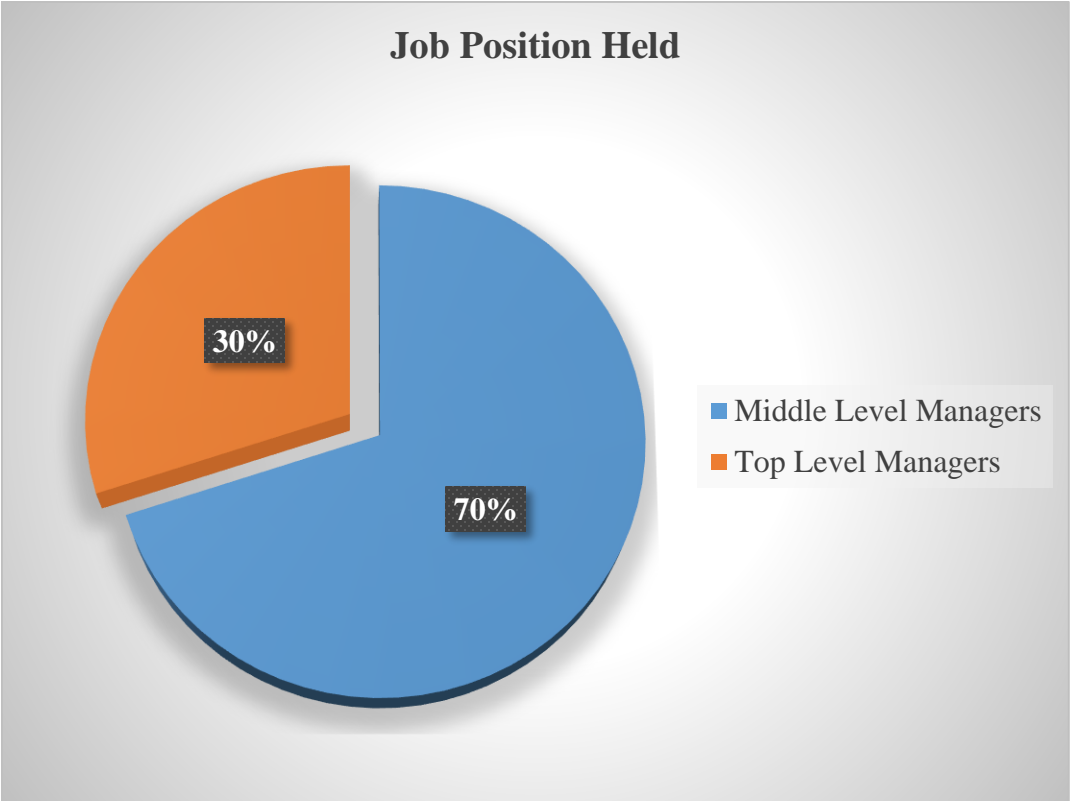
Figure 4.1: Level of Education



4.3.2 Job Position Held

In this section, the respondents were requested to indicate their job designations. The results of the study area as shown in figure 4.2 below.

Figure 4.2: Position held in the organisation



Majority of the respondents (70%), who participated in a questionnaire survey were employees. On the other hand, the remaining 30% were managers, who were interviewed during data collection. The demographics of the respondents chosen (employees and managers), provided different perspectives of transportation outsourcing at Alutech.

4.4 DATA ANALYSIS AND PRESENTATION

4.4.1 Transportation outsourcing at Alutech

The study sought to establish the extent to which outsourcing transportation has affected the costs at Alutech Investments. This section analyses and presents the responses from the questionnaires which were completed by the employees from procurement, logistics, accounting, sales, fleet management and operations department. Firstly the researcher requested the respondents to

highlight their understanding of the concept of outsourcing, in regards to the transportation department. All respondents managed to provide a reasonable understanding of the concept of outsourcing. In regards to the second question of the questionnaire, which requested the respondents to highlight if they outsource transportation in their organisation, they all agreed that outsourcing is a strategy that is being used at the firm, particularly in the transportation department. The respondents highlighted that they have own transportation in their organisation, but due to the increasing market of their aluminium products, they are outsourcing transportation services to cope with the market growth. They highlighted that they started outsourcing in 2018, when the country was hit by fuel shortages. The respondents were requested to indicate the frequency of outsourcing in their respective departments. The responses were ranked using a 5 point Likert Scale (1-Never 2-Rarely 3-Sometimes 4-Often 5-Always). The findings from the question are presented in table 4.3 below

Table 4.1: Level of Use of Outsourced Transport in Alutech’s Departments

Level of Use of Outsourced Transport	Mean Scores
	Procurement
Operations	4.21
Administration	2.57
Distribution	4.48
Overall Mean score	3.10

The respondents from the distribution department and procurement department recorded the highest and second highest mean scores of 4.48 and 4.26 respectively. This is because, the procurement department is responsible for ordering and purchase raw materials from the company’s suppliers and hence they require outsourced transportation since they order raw materials in bulk. On the other, the distribution department had a high mean score as it is responsible for distributing the finished products to the intended sites. The operations department recorded the third highest score (4.21), since it is responsible for the pickups and drop offs of employees, to and from work. This department started outsourcing transportation as a result of the Covid 19 pandemic, which caused transport shortages, as a result of the ban of private commuter

omnibuses, in order to contain covid-19. Despite the fact that the department outsources transportation, some respondents highlighted that they use their own cars. The overall mean of the findings is average (3.10), due to the fact that the administration department indicated that it rarely uses outsourced transportation, since most of its operations can be done using the company vehicles. They only use outsourced transportation, on rare occasions, such as conferences and marketing expos.

In regards to the rate of transportation outsourcing at Alutech, the responses from interviews with managers are presented below using *italics*. The responses from questionnaires were important they added more detailed explanations to the phenomena under study.

Participants A:

“Since we have our own transportation at Alutech, some of the minor transportation activities are performed in-house. For instance, the top level employees drive company cars to perform certain activities like attending appointments with suppliers orb prospective customers and other business related functions. So generally, I would say, the level of outsourcing at Alutech is around 65% of our transportation activities. These activities usually involve the bulk transportation of raw materials from our suppliers, delivery of finished aluminium products, like different types aluminium doors and windows to the intended sites, and of course, the pickups of our staff members to and from work.”

Participant B:

“Yes, this strategy is a huge part of our logistics strategy. We frequently outsource transportation services for different purposes in our departments. This has helped the company to deal with many challenges such as fuel shortages and increasing fuel prices.”

4.4.2 Drivers of transportation outsourcing

The respondents were further asked the motives for outsourcing transportation in their respective departments. The responses from the results included; agility- faster response to changes, efficiency in providing services, and elimination of inefficiencies, orders and deliveries are easily processed to avoid delays, reduction in logistics costs, improved financial performance and timely delivery of services to clients. Furthermore, the respondents were requested to indicate the extent

to which the certain factors had influenced their decision to outsource transportation in at Alutech. The responses were ranked using a 5 point Likert Scale (1-Very Low Extent, 2-low extent, 3-moderate extent, 4-large extent, 5-very large extent). The findings from the question are presented in table 4.2 below

Table 4.2: Transportation outsourcing drivers

Motives of Outsourcing Transportation	Mean Scores
	Focus on core activities
Cost Savings	4.63
Gaining new technical opportunities	2.55
Lack of facilities	3.56
Alternative source of services	1.96
Lack of money resources	3.77
Gaining competitive advantage	4.16
Overall Mean score	3.47

In order to find the extent to which the above motives have influenced the organisation’s decision to outsource, the researcher requested the participants to rank the factors basing on their importance. The participants reported that the main motive for outsourcing was to cut costs. This was indicated by the majority of the respondents, as represented by the highest mean score of 4.63. This was followed by “gaining a competitive advantage,” which had the second highest mean score of 4.16. This supports the view of Lieb et al. (2004), who assert that outsourcing logistics activities like transportation, across many industries, has become a rapidly expanding source of competitive advantage and logistics cost saving. The authors reported that some firms routinely have achieved 30 to 40 % reduction in logistics costs as a consequence of outsourcing. Therefore the company managed to cut costs of recruiting and training employees, fuel expenses, investing in new vehicles and fleet maintenance, among others. Other factors including, lack of financial resources, focus on core activities, and lack of facilities were ranked as moderate in importance. The company owns a fleet of vehicles, but they were not able to meet cope with the size of the company’s growing operations, hence they decided to outsource, in order to avoid exhausting their financial resources

on acquiring new vehicles. Lastly, searching for alternative source of services received the lowest ranking (1.96), since the organisation reported that it has its own vehicles. However, from the findings, it can be noted that the main drivers to outsourcing transportation at the firm were financial. This was supported by one of the managers during an interview who cited the following.

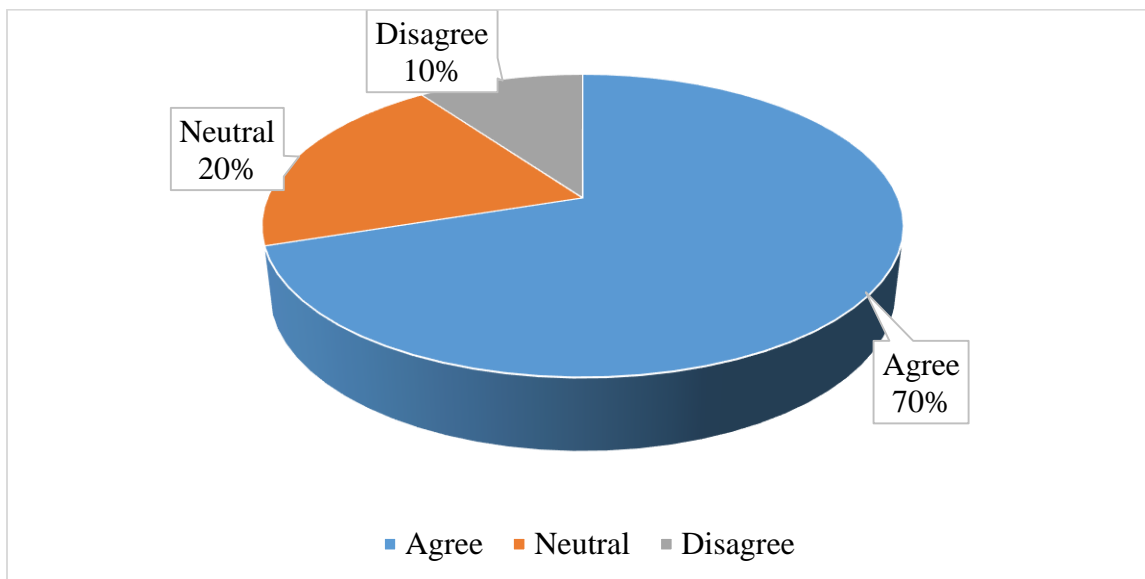
Manager A:

“During the period before 2018, our operations grew substantially. However, with our fleet, we could not cope with the demands of our products, in terms of ordering and transporting supplies to our warehouse as well as distributing the finished products to different locations in Harare. We considered buying new trucks for transportation purposes but the capital to be invested was too high, considering our firm’s liquidity at that time. Therefore in 2018, we decided to outsource about 65% of our transportation activities. This decision was further hugely influenced by fuel shortages in 2018, which even made it harder for us to run our own transportation in-house.”

4.5 IMPACT OF TRANSPORTATION OUTSOURCING ON COSTS

This section presents the findings regarding the impact of outsourcing transportation services on costs. The respondents were requested to highlight their perceptions on the impact of outsourcing transportation on costs at Alutech. The responses were ranked using a 3 point Likert scale (1-Agree, 2-Neutral, 3-Disagree). The findings are presented in figure 4.3 below.

Figure 4.3: Alutech staff’s perceptions of the impact of outsourcing on transportation costs



Approximately, 70% of the respondents agreed that outsourcing transportation reduces costs at Alutech. Upon further analysis, the researcher discovered that these respondents were from the accounting department, human resources department, and the logistics department, who had in-depth knowledge of the relationship between outsourcing and costs. On the other hand, 10% of the respondents did not agree with the potential costs benefits of outsourcing, citing that, sometimes the suppliers change the agreed rates, because of the rising fuel prices. The remaining 20% were neutral about the contribution of outsourcing to the reduction of costs at the firm. These respondents cited that they had no idea if the strategy was effective or not. However, the ones who agreed, explained that, the firm has managed to cut expenditure on fuel, insurance, maintenance and labor costs. This is in line with Abdullahi and Sallau's, (2019) view, who assert that more than 50 percent of the firms that outsource logistics activities like transportation cite cutting transportation or distribution costs, freeing up or reducing staff and cutting internal administrative costs as major reasons for using third-party service providers.

4.5.1 The effectiveness of outsourcing transportation as a cost cutting strategy

To gain an in-depth understanding of the impact of outsourcing on transportation costs, the respondents were requested to indicate the extent to which specific costs of operating transportation in-house had been reduced at the firm. Likert scale (1-Very Low Extent, 2-low extent, 3-moderate extent, 4-large extent, 5-very large extent). The responses were analyzed and presented in table 4.5 below

Table 4.3: The effectiveness of transportation outsourcing as a cost cutting strategy at Alutech

Transportation costs	Mean Scores
Avoid capital investments	4.00
Reduces Transportation Management Systems (TMS) Investments.	3.87
Avoid fleet maintenance.	4.29
Reduces fuel costs	4.47

Reduces driver costs	3.87
Reduces recruitment and training costs	4.00
Insurance Expenses	4.18
Reduces internal administration costs	4.16
Overall Mean score	4.10

The respondents highlighted that outsourcing transportation is effective as a cost cutting strategy in different areas. Reduction of fuel costs received the highest mean score (4.47). The respondents perceived the strategy as important in reducing fuel costs due to the rapid increase in fuel prices since 2018. The respondents also explained that outsourcing of transportation activities helped the company to deal with the uncertainties of the availability of fuel in Zimbabwe, due to the fuel shortage problems that have haunted the country over the past 5 years. Furthermore, “avoiding fleet maintenance costs” received the second highest mean score (4.29). This is because, the company managed to reduce the costs of hiring fleet maintenance services, buying new parts or increasing the capacity of their workshop in order to cope with the increase of fleet.

The respondents also ranked “the reduction of recruitment” and training costs, as well as “avoiding capital investments” to a large extent (4.00). The human resource department, particularly highlighted that it managed to avoid the costs of hiring new drivers and training them through outsourcing the company’s transportation activities to third parties. On the other hand, the respondents highlighted that the company managed to avoid investment capital investments into new fleet because it would have financed the investments with a loan, which would have led the company’s into dept. The also respondents highlighted that capital investments in new fleet would have increased the costs like depreciation and maintenance costs in the long run.

According to the Capgemini (2015), companies that outsource part of their logistics activities like transportation gain an average savings of; 9% logistics costs reductions and 15% logistics fixed-asset reductions. This was also highlighted by the study findings as the overall mean score for the effectiveness of transportation outsourcing as a cost cutting strategy was high (4.10). In addition, the accountant cited that, “*ever since we adopted outsourcing strategy in 2018, we managed to reduce our costs by 33%. These costs include the maintenance expenses, salary expanses, recruitment and training expenses, insurance expenses depreciation expenses and capital*

investments new infrastructure. This gave us a huge boost on our profits. So definitely, from a financial perspective, outsourcing our transportation services has helped us to reduce our cost to a great extent.”

On the other hand, the general manager highlighted that, *“outsourcing is important in our department as it has helped us to cut labor costs by 15%. During the Covid 19 pandemic, as many businesses, we struggled to maintain our profits, but due to outsourcing transportation, we managed to survive since we managed to cut our expenditure on hiring new drivers and training the logistics crew. Through efficiently managing our human capital resources, the company as a whole benefits financially through costs reduction.”* When the data from interviews and questionnaires were analyzed, the researcher came to a conclusion that transportation contributes to costs reduction to a large extent, as highlighted by the research findings.

4.6 CHALLENGES OF OUTSOURCING TRANSPORTATION ACTIVITIES AT ALUTECH

This section of the chapter analyses the responses collected through questionnaires and interviews in regards to the challenges of outsourcing to a firm. The respondents highlighted that regardless of the benefits of outsourcing, it reduces company’s control over the way transportation services are delivered. This was emphasized by the general manager, who cites that, *“this strategy is effective as a cost cutting measure in our firm, but it limits our control over the way outsourced transportation services are how transportation services are delivered which is risky as it can lead to company exposure. For instance, our first third party transport service provider was unreliable, they caused delayed deliveries or damages of goods in transit, which negatively affected the overall satisfaction customer, and it hurt us financially. Therefore the management had to reassess the reliability of the supplier and contract a new supplier. So far we have not experienced this challenge yet with our current transport service provider, but we are aware that it can possibly happen again.”*

In addition, the respondents highlighted the third party suppliers may increase the transportation costs if the distance to be travelled increases. However, since the company operates locally in Harare, they highlighted that their transportation costs are stable since their materials are sourced locally and their finished products are sold locally in Harare. They highlighted that they only experienced this challenge during their first days of outsourcing transportation, when they were

sourcing their materials from suppliers outside Harare. However to counter this, they changed their suppliers in order to reduce transportation costs. To sum up, despite many challenges of outsourcing, the respondents highlighted that, they have experienced the above mentioned thus far.

4.7 CHAPTER SUMMARY

To sum up, the researcher managed to analyse and present data in this chapter pertaining to transportation outsourcing at Alutech Investments. The most important findings were presented in regards to the research objectives. The next provides the overall conclusions and recommendations.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter presents the summary of the study, conclusions, recommendations, limitations of the study and suggestions for further study.

5.1 SUMMARY OF FINDINGS

This study was set to identify the impact of outsourcing transport operations to third party transportation service providers on firm's costs, focusing on Alutech Investments. In order to achieve this, the study investigated the drivers of transportation outsourcing, financial benefits of the strategy as well as the potential costs or challenges that comes along with the strategy. The study targeted SMEs in Zimbabwe, therefore, a case study of Alutech Investments was chosen as a representation of the entire population of outsourcing SME firms in Zimbabwe. A descriptive research design and exploratory research design were adopted because they made it possible for the researcher to thoroughly explore the phenomena under study and collect detailed information through interviews and semi structured questionnaires, which was important in addressing the research objectives. Data collected was then analyzed using descriptive and regression analysis with the help of SPSS version 22. This section presents the results based on every objective set for the study.

5.2 DRIVERS OF OUTSOURCING AT ALUTECH INVESTMENTS

In order to fulfil the first objective of this study, the researcher investigated the drivers of transportation outsourcing at Alutech. The responses from the data collected included; agility-faster response to changes, efficiency in providing services, and elimination of inefficiencies, orders and deliveries are easily processed to avoid delays, reduction in logistics costs, improved financial performance and timely delivery of services to clients. However, the main motive for outsourcing transportation services at Alutech was to cut costs. This was indicated by the majority of the respondents, as represented by the highest mean score of 4.63. The respondents also highlighted other factors as key contributors to the firm's outsourcing decision, which include, gaining a competitive advantage, focus on core activities, gaining new technical opportunities, lack of facilities, alternative source of services and lack of money resource. Basing on the study

findings, the company managed to cut costs of recruiting and training employees, fuel expenses, investing in new vehicles and fleet maintenance, among others. The company owns a fleet of vehicles, but they were not able to meet cope with the size of the company's growing operations, hence they decided to outsource, in order to avoid exhausting their financial resources on acquiring new vehicles. From the findings, it can be noted that the main drivers to outsourcing transportation at the firm were financial.

In the findings, it was highlighted that the company started outsourcing transportation services as a measure of dealing with fuel shortages and inflated fuel prices. In addition, due to the increasing size of the company, they needed new transportation infrastructure, hence they considered outsourcing in order to avoid the capital huge capital investments too high. Therefore, basing on the findings, in 2018, the company decided to outsource approximately 65% of our transportation activities.

5.3 IMPACT OF OUTSOURCING TRANSPORT OPERATIONS ON TRANSPORTATION COSTS

From the results obtained on the research done on the effect of outsourcing transport operations on Alutech's Costs, this study found out that indeed firm's costs are positively affected when a company outsources its transport operations. This claim is backed by the respondents who took part in the study as they agreed to various questions posed to them about the cost benefits of outsourcing transport operations at Alutech. Descriptive analysis results indicated an average mean score of 4.10, which indicates that the respondents agreed that outsourcing transportation activities affects firm's costs. This is because they agreed to questions that needed them to respond to how outsourcing transportation activities had affected specific costs in the organisation. The responses highlighted that outsourcing transportation activities helped the firm and especially the logistics department to;

- ❖ Avoid capital investments,
- ❖ Reduces Transportation Management Systems (TMS) Investments,
- ❖ Avoid fleet maintenance,
- ❖ Reduces fuel costs,
- ❖ Reduces driver costs,
- ❖ Reduces recruitment and training costs,

- ❖ Insurance Expenses
- ❖ And reduces internal administration costs,

According to the Capgemini (2015), companies that outsource part of their logistics activities like transportation gain an average savings of; 9% logistics costs reductions and 15% logistics fixed-asset reductions. The findings from the interviews with the representatives from the accounting department highlighted that the firm's costs were reduced by 33% since they adopted the outsourcing strategy in 2018. On the other hand, the interviewee from the human resources department highlighted that they managed to cut the labor costs by 15% due to outsourcing transportation services. When the data from interviews and questionnaires were analyzed, the researcher came to a conclusion that transportation contributes to costs reduction to a large extent, as highlighted by the research findings. Based on this study's findings, such advantages can be replicated to many SMEs in Zimbabwe who outsource their transportation operations.

5.4 CHALLENGES OF OUTSOURCING TRANSPORTATION OPERATIONS AT ALUTECH

The researcher also analyzed the findings from the data collected at Alutech regarding the challenges they face as a result of outsourcing. Based on the findings, the respondents highlighted that they had only faced two major challenges due to transportation outsourcing. They highlighted that outsourcing reduces company's control over the way transportation services are delivered. This was emphasized by one of the interviewees, who cites that their previous transport service provider was unreliable, as they caused delayed deliveries or damages of goods in transit, which negatively affected the overall satisfaction the company's customers, and hurts the firm financially. In addition, the findings highlighted the third party suppliers may increase the transportation costs if the distance to be travelled increases.

5.5 CONCLUSION

The results obtained from the research, were used to make the key conclusions of this research. The study highlighted the drivers of outsourcing at Alutech Investments. The study concludes that, the adoption of transportation outsourcing strategy at Alutech Investments was financially motivated. The study went on to investigate the impact of outsourcing transportation activities on transport costs, which was the main objective of this research. The study concludes that

outsourcing transportation services from Third Party Companies has a positive effect on the reduction of Alutech's logistics costs. As indicated by the results, all the components of the firm's costs were reduced due to the use of outsourcing strategy. These include;

- ❖ Avoid capital investments,
- ❖ Reduces Transportation Management Systems (TMS) Investments,
- ❖ Avoid fleet maintenance,
- ❖ Reduces fuel costs,
- ❖ Reduces driver costs,
- ❖ Reduces recruitment and training costs,
- ❖ Insurance Expenses.
- ❖ And reduces internal administration costs.

As such, this study concludes that outsourcing transportation activities will serve to increase firm financial performance through reducing the logistics costs. Lastly, the study highlighted that the company had only faced two major challenges due to outsourcing, which are;

- ❖ Reduction of company's control over the way transportation services are delivered
- ❖ Increase of the transportation costs if the distance to be travelled increases

To conclude, the study is more relevant to a wider scope of SMEs looking to identify the effect transportation activities would have on their firm performance. This will also help them decide on the level of outsourcing they would be more likely to adopt in their logistics department.

5.6 RECOMMENDATIONS.

Based on the conclusion, this study therefore makes the following recommendations;

- ❖ SMEs in Zimbabwe firms should integrate their operations with third party logistics companies. This is because by doing so, they will be able to improve firm revenue, boost their supply chain sustainability and increase the demand of their products while at the same time eliminating waste in their operations which in turn leads to higher profit margins and increase in flexibility of their operations.
- ❖ The study recommends SMEs to also outsource Transportation services from Third Party logistics providers. This is because 3PLs providers offer the company the comfort that transportation operations never fall victim to the constantly changing supply chain

environment, reduce both fixed and variable costs, and also enables them to focus on their key responsibilities.

- ❖ The research also recommends the managers of SMEs to understand the consequences of outsourcing and how to handle them. This can be done through thoroughly analysing their suppliers' reliability before engaging in any business relationships with them.

5.7 LIMITATIONS OF THE STUDY

This section presents the limitations of the study as identified by the researcher. First, it is important to point out that this study considered a qualitative measure of transportation costs, where respondents were asked to fill in questionnaires and respond to the interview questions. Therefore, the study did not highlight the actual costs structure of the company, since the company was reluctant to sharing its internal financial documents, citing confidentiality as a concern. However, the researcher managed to analyse their opinions of the outsourcing strategy, basing on their experience the strategy. The accounting department managed to provide the estimates of the cost reduction trends during the interviews.

The researcher, who is a student, had limited time to collect data as she had to balance the research and other school modules. However, in order to manage time, the researcher used a case study research design which require less time for data collection as she focused on Alutech Investments only.

5.8 AREA FOR FURTHER RESEARCH

It is important to point out that this study considered a qualitative measure of the impact of outsourcing transportation activities on transportation costs, where respondents were asked to answer questions regarding the relationship between outsourcing transportation and transportation costs. However, this can also be done through the quantitative analysis of the firm's financials over a period of time.

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APPENDIX I: QUESTIONNAIRE

My name is Natasha Dirwai, a fourth year student at Bindura University of Science Education majoring in a Bachelor of Commerce Honours Degree in Purchasing and Supply. Your full corporation and participation in filling this questionnaire is greatly appreciated as this will help me to investigate how transport outsourcing affects SMEs' costs and ultimately yielding some recommendations which are of significant importance to SMEs in Zimbabwe.

SECTION A: DEMOGRAPHIC INFORMATION

Instruction: Please tick in the appropriate boxes.

i. Gender

Male []

Female []

ii. Age Bracket in years

20-25 []

26-30 []

31-35 []

36-40 []

41 -50 []

51 and Above []

iii. Highest level of education

a) Undergraduate Level [] b) Post-Graduate Level []

c) Post Graduate Level [] d) Any other (Specify).....

.....

iv. Job Position

a) Logistics Officer []

b) Fleet Management Manager []

c) Procurement officer []

d) Other.....
.....

SECTION B: TRANSPORTATION OUTSOURCING

1. In your own words, what do you understand by the word outsourcing?.....
.....
.....
.....
.....
.....
.....

2. Do you have your own transportation?

Yes [] No []

3. Do you outsource transportation in any of your operations?

Yes [] No []

How long have you been outsourcing transportation in your organisation?.....
.....
.....
.....

1. What are the main motives for outsourcing transportation in your department?.....
.....
.....
.....
.....
.....

2. How often do you outsource transportation services to third parties?

- a) 1 Never
- b) 2 Rarely
- c) 3 Sometimes
- d) 4 Often
- e) 5 Always

3. Kindly indicate the extent to which the following factors have influenced you to outsource transportation in your firm. Indicate based on the scale below;

1-Very Low Extent, 2-low extent, 3-moderate extent, 4-large extent, 5-very large extent

Outsourcing Drivers	1	2	3	4	5
Focus on core activities					
Cost Savings					
Gaining new technical opportunities					
Lack of facilities					
Alternative source of services					
Lack of money resources					
Gaining competitive advantage					

4. Kindly indicate the extent to which the following components of outsourcing transportation are implemented in your firm. Indicate based on the scale below;

1-Very Low Extent, 2-low extent, 3-moderate extent, 4-large extent, 5-very large extent

Transportation outsourcing	1	2	3	4	5
Inbound Logistics					
Transporting raw materials from suppliers					
Transporting supplies from suppliers					
Transporting finished good from manufacturers					
Outbound Logistics					

Transportation of finished products to end users					
Reverse logistics					
Transportation of customer returns					
Others					
Picking up employees to and from work					

SECTION C: IMPACT OF OUTSOURCING ON COSTS

5. What is your view on the statement that, “outsourcing transportation services helps to lower costs in your organisation?”

- a) 1-Agree
- b) 2-Neutral
- c) 3-Disagree

Please explain your answer on the previous question.....

.....

.....

.....

.....

.....

.....

6. Kindly indicate the extent to which the following costs of operating transportation in-house have been reduced in your firm. Indicate based on the scale below;

1-Very Low Extent, 2-low extent, 3-moderate extent, 4-large extent, 5-very large extent

Transportation Costs	1	2	3	4	5
Avoid infrastructure investments					
Reduces Transportation Management Systems (TMS) Investments.					
Avoid fleet investments and maintenance.					

Reduces fuel costs					
Reduces driver costs					
Reduces recruitment and training costs					
Reduces internal administration costs					
Others, specify					

7. What are the other benefits have you experienced over the past years due to outsourcing transportation services?.....
.....
.....
.....
.....

8. Kindly indicate the extent to which you are satisfied with the effectiveness of outsourcing as a cost cutting strategy in your firm. Indicate based on the scale below;
- a) 1-Very Low Extent,
 - b) 2-low extent,
 - c) 3-moderate extent,
 - d) 4-large extent,
 - e) 5-very large extent

SECTION D: CHALLENGES AND HIDDEN COSTS OF OUTSOURCING TRANSPORTATION

9. Ever since you adopted outsourcing of transportation in your organisation, have you faced any challenges or hidden costs, in relation to outsourcing?

Yes [] No []

10. If yes, can you please highlight these challenges?.....
.....
.....
.....
.....

11. Do you have any other comments you would like to make that have not been raised by the preceding questions that may give the researcher a better outsourcing as a cost cutting strategy in your organisation?.....
.....
.....
.....
.....
.....

THANK YOU

APPENDIX 2: INTERVIEW QUESTIONS

- 1) Can you tell me a little bit about yourself?
- 2) In your own words, what do you understand by the word outsourcing?
- 3) Do you have your own transportation at this company?
- 4) Do you outsource transportation in any of your operations?
- 5) How long have you been outsourcing transportation at Alutech?
- 6) What are the main motives for outsourcing transportation in your department?
- 7) How often do you outsource transportation services to third parties?
- 8) What influenced your decision to adopt outsourcing strategy at Alutech?
- 9) What is your view on the statement that, “outsourcing transportation services helps to lower costs in your organisation?”
- 10) To what extent are you satisfied with the effectiveness of outsourcing as a cost cutting strategy in your firm?
- 11) Ever since you adopted outsourcing of transportation in your organisation, have you faced any challenges, in relation to outsourcing? Please highlight some of the challenges you faced as a result of outsourcing transportation activities?
- 12) Do you have any other comments you would like to make that have not been raised by the preceding questions that may give the researcher a better outsourcing as a cost cutting strategy in your organisation?