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## **Effects of Outsourcing on the Performance of Selected Alcoholic Beverage Producing Companies in Ghana**

**Daniel Opoku-Akyea**

### **Abstract**

*This research will bring to the fore, the main reasons for outsourcing transport logistics. The study will also bring out the challenges associated with outsourcing. The study will contribute to existing literature on outsourcing transport logistics. The study will whip up corporate interest in outsourcing transport logistics. Moreover, the research is an academic requirement for the award of a postgraduate degree. The recommendations will assist policy makers to address the challenges of outsourcing transport logistics in Ghana. This section discussed the research design, population and sampling, the instruments for collecting data, the procedure for gathering data and the method for data analysis. Both primary and secondary data were used for the study. Primary data is usually received from first-hand sources. Primary data is information collected by the researcher purposely for the study. Primary data was collected through the administration of questionnaires. Questionnaires are preprinted forms designed to capture information from respondents. Secondary data refers to data which is collected for other purposes but can be used for the study. Secondary data is used to gain insight into the research problem. It is time-saving and cheaper to collect* **Keywords:** *Outsourcing Transport, Logistics, Organisational Performance*

### **1.0 INTRODUCTION**

According to Moeen et al. (2013), outsourcing transport logistics is an arrangement whereby an entity engages a service provider to perform transport services for a firm. Elements of logistics include transportation, warehousing, inventory management, packaging and information processing. Transport management deals with the modes of transport, transport infrastructure, geographical location, type of delivery, load planning, routing and scheduling. The primary function of transportation is to move goods from one location to another (Rushton and Walker, 2007). Issues to be considered in undertaking warehousing decisions include location, number, size, type of storage and material handling equipment. According to Hosie (2008), inventory management is a method used for organizing, holding and replenishing stock. Hotler et al. (2008) noted that packaging offers protection and value to the products and information management refers to the collection, management of information system from sources of the information to the distribution of the information. The logistics process is comprised of four levels namely 1<sup>st</sup> level; 2<sup>nd</sup> level; 3<sup>rd</sup> level and 4<sup>th</sup> level. According to Vorst et al. (2007), first level process involves the execution or of basic activities. Basic activities include transportation and warehousing. Second level process involves value-added activities. Value added activities include packaging. Third level process involves planning and control. The main activities which are outsourced at the third level include inventory and transportation management. According to Rushton and Walker (2007), the fourth level which is also the top level of logistics activities involve the distribution network design. Factors to consider before outsourcing include: core competencies, critical knowledge, internal human resource, quality, cost and strategic analysis. There are several reasons for outsourcing. By outsourcing certain functions of an organization, there is elimination of certain fixed costs which leads to an enhancement of the organization's efficiency (Hirschheim and George, 2007).

Outsourcing leads to improvement in performance. According to Manono (2012), outsourcing is undertaken with the aim of improving a company's focus. Outsourcing is undertaken where there is world class capability. By outsourcing certain activities to a third party, resources which were used to render the services are freed for other purposes. Outsourcing certain key services to external organizations ensures that risk is shared between the outsourced company and the entity. There are several challenges bedeviling outsourcing certain functions to third parties. For example, outsourcing leads to loss of control over the operation of the organization. Outsourcing also leads to dissatisfaction among clients. According to Sang (2010), outsourcing may lead to leakage of confidential information to competitors. By outsourcing certain business functions to an external service provider, human resource engaged to

undertake that particular business function may be retrenched. Lastly, outsourcing may bring about high switching cost.

## **2.0 THEORETICAL REVIEW**

Theories of outsourcing include resource-based view, transaction cost economies, core competency and contractual theory.

### **2.1 Transaction Cost Economies Theory**

According to Shaharudin et al. (2014) transaction cost economies theory is a decision-making strategy based on specific assets, environmental uncertainty and other factors. Human and physical capitals are conditions which are captured under environmental uncertainty. Asset specificity refers to investment in transactions. According to Reuben et al (2007), the relationship between service receiver and service provider enables economic transaction to take place. Transaction cost include human resource, time, money etc. (Shaharudin et al, 2014)

### **2.2 Core Competency Theory**

Sinchi-Levi et al (2004) revealed that the core competency theory is a collective learning in an institution which involves production skills and technology. According to Reuben et al (2007), a firm's activities can either be performed internally or externally depending upon its core competencies. Under this theory, non-core activities should be outsourced while core activities should be produced internally. Core competency is concerned with the collective knowledge of the production system and ways to integrate and optimize them (Sinchi-Levi et al., 2004). Where the firm has certain core competencies, it may make the product or render the service. However, where the firm lacks the core competencies required to produce the service or product, it may outsource to a third party. Make-or-buy decisions are considered in core competency theory.

### **2.3 Contractual Theory**

According to Luo (2002), to ensure a smooth implementation of outsourcing decisions, there is the need to ensure that legally binding contracts are enforced. Duties, rights, and responsibilities are clearly spelt in contractual obligations. In contractual theory strategies, policies and goals are clearly spelt out in legally enforced contracts. Contractual theory set out conflict resolution measures (Kem and Willcocks, 2000).

### **2.4. Resource-Based Theory**

According to Semchi-Levi et al. (2004), the resource-based view theory considers the internal strengths and weaknesses of the organization before outsourcing certain functions to a third party. According to Luo (2002) the resource-based theory views outsourcing as a strategic decision and it is used to fill the gap in the firm's resource capability deficiencies. A particular area where the organization is weak is outsourced to enable the entity to concentrate on its internal strengths.

### **2.5 Transaction Cost Economic Theory**

According to the transaction cost economic (TCE) theory, the balance of power between transacting parties should not shift (Reuben et al., 2007). Transaction cost economies theory is premised on the fact that decisions are made based on transaction-related factors. Transaction-related factors include asset specificity and environmental uncertainty. Environmental uncertainty includes human and physical capital. Asset specificity refers to investments in transactions. In the transaction cost economies (TCE) theory, the relationship between service receiver and service provider exists basically to ensure that economic transactions take place to the mutual benefit of both parties (Shaharudin et al., 2014). The relationship between service receiver and service provider is integrated with the view to reduce cost which can be classified as time, money and human resource.

### **2.6 Levels of Logistics**

The logistics process is made up of four levels namely 1<sup>st</sup> level; 2<sup>nd</sup> level; 3<sup>rd</sup> level and 4<sup>th</sup> level.

#### **2.6.1 1<sup>st</sup> Level Logistics**

According to Vorst et al. (2007), the first level process involves the execution or implementation of basic activities. Basic activities include transportation and warehousing. Transportation is used to move goods from one location to another (Rushton and Walker, 2007). Organizations with limited need for transport services are required

to outsource their transportation requirements to a third party. Warehousing involves the housing of stock (Shaharudin, 2014). Warehousing decisions include location, number and size.

### **2.6.2 2<sup>nd</sup> Level Logistics**

Second level logistics process involves value-adding activities. Value-adding activities include packaging. The packaging of a product depends greatly on the value of the product. Hotler et al. (2008) noted that packaging adds value to the product. Packaging also offers protection to the products. Good packaging enables the product to get to the customer safely. When packaging of the products is outsourced to a third party, efficiency is enhanced (Odepidan, 2015).

### **2.6.3. 3<sup>rd</sup> Level Logistics**

Third level process involves planning and control. The main activities which are outsourced at the third level include inventory and transport management. Sub-activities at the third level which are outsourced include stock control, sales, forecasting and inventory control. Route planning and scheduling also form part of transport management. According to Odepidan (2015), inventory control refers to the management of inventory already in the warehouse. Inventory management is a method used for organizing, holding and replenishing stock. Inventory management includes the type of inventory, system of ordering and the source of supply (Hosie 2008). In Inventory management, the third party takes decision on what type of stock is desired, the quantity of stock needed at any point in time, and the location of stock. Inventory management includes monitoring the quantity and quality of stock (Panayidis and Meko, 2007). The third party service-provider also monitors the quantity of stock to ensure that records on stock are updated. Stocks are maintained between maximum and re-order to ensure clients' needs are met (Hosie (2008). There is also monitoring and inspection of stock by stocktaking. Third level process involves the housing of stock. According to Shaharudin (2014), warehousing management involves decisions centering on the location of the stock, the number, size, type of storage and material handling equipment. Warehousing is frequently outsourced in view of the fact that huge capital investment is required to build a warehouse and acquire equipment for the management of the warehouse (Rushton and Walker, 2007).

### **2.6.4 4<sup>th</sup> Level Logistics**

According to Rushton and Walker (2007), the fourth level which is also the top level of logistics activities involve the distribution network design. Decisions undertaken at this level involve road carrier, selection, location, site analysis and network management. Transport management includes the modes of transport, transport infrastructure, geographical location, type of delivery, load planning, routing and scheduling (Rushton and Walker, 2007). Organizations with limited need for transport are required to outsource their transportation requirements to an outside organization mainly because transport providers are relatively easier to find. Moreover, the cost involved in transport is quite low (Klein, 2009). Rushton and Walker (2007) established that organizations which require transportation for most of their activities are not required to outsource their transportation to outside organizations.

## **3.0 METHODOLOGY**

This chapter discusses the method adopted for the study. It describes the research method, target population, sample and sampling procedure, data collection instrument and data analysis plan.

### **3.1 Research Design**

The study used the mixed research approach. Quantitative research was mainly used to evaluate the impact of transport logistics on performance of selected alcoholic beverage producing companies in Ghana. Financial data was collected through the administration of a structured survey instrument from selected alcoholic beverage producing companies in Ghana. The study also used the case study approach. Case study involves qualitative research. The researcher used questionnaires to gather primary data for the study.

### **3.2 Population and Sampling Frame for the Study**

The population of the study comprised managers, staff and investors in the alcoholic beverage producing industries in Ghana. According to estock analysis blog (2013), the population of personnel in the alcoholic beverage producing companies in Ghana is estimated to be about 2000 workers. Additionally, the study relied on published financial statements of six alcoholic beverage producing companies in Accra, over a five-year period spanning from 2012 to 2016 through the administration of questionnaires.

### 3.3 Sample and Sampling Procedure

The population of the study was limited to investors, staff and managers of Kasapreko Company Limited, Accra Brewery Limited, Agya Appiah Bitters Limited, GBL Brewery Limited, Heaven Bridge Industries and Macbells Company Limited. In view of the fact that the entire population could not be reached for the study, a sampling technique was used to determine a sample size for the study. The study employed the Devaus (2002) technique to arrive at the sample size. The formula is stated as  $n = \frac{N}{1+N(a)^2}$ : where 'n' is the sample size determined for the study, 'N' is the population, and 'a' is the significant level or the confidence interval.

Based on the formula a sample size of one hundred respondents was used for the study. The respondents comprised one hundred management and staff of the selected alcoholic beverage producing companies in Ghana. Purposive sampling was employed to select all one hundred staff and management of Kasapreko Company Limited, Accra Brewery Limited, Agya Appiah Bitters Limited, GBL Brewery Limited, Heaven Bridge Industries and Macbells Company Limited. Additionally, financial data of 6 selected alcoholic beverages in Ghana spanning from 2012-2016 were used for the study.

### 3.4 Data Collection

Primary and secondary data was relied on for the study. Primary data was collected through the administration of questionnaires. The secondary data was collected from the financial statements of six selected alcoholic beverage producing companies namely: Kasapreko Company Limited, Accra Brewery Limited, Agya Appiah Bitters Limited, GBL Brewery Limited, Heaven Bridge Industries and Macbells Company Limited.

### 3.5 Pre-Test of the Study Instrument

A pilot test was conducted with a small group representative of the population to assess the validity of the data. The data was pretested with ten questionnaires. The reason for the choice of ten questionnaires for pretesting was based on the fact they were the first batch to be collected.

#### 3.5.1 Validity and Reliability

According to Polit & Hungler (1993), validity of an instrument refers to the degree to which an instrument measures what it is designed to measure. Reliability refers to the degree of consistency with which an instrument measures what it is designed to measure. Data collection biases were minimized by the researcher. Reliability paved way for privacy, confidentiality and general physical comfort.

#### 3.5.2 Ethical Considerations

Since divulging information is unethical, respondents in the selected alcoholic beverage producing companies were assured of confidentiality of the information. They were informed that the exercise was for academic purposes and were given the chance to opt out if they were not interested in the survey.

### 3.6 Method of Data Processing and Analysis

The qualitative data was analyzed with the help of statistical package for social science. The data was presented in tabular, graphical and narrative forms. The quantitative data was analyzed using a quantitative approach. Panel regression method was used for the study. Panel data increased efficiency by combining time series and cross-section data. Panel data involved the observation of effects that cannot be detected using purely cross-section analysis or time series data. The Stata Mp was used for the statistical analysis.

### 3.7 Model Specification and Estimation Procedure

To establish the relationship between outsourcing represented by cost and performance of selected alcoholic beverage producing companies in Ghana, the estimation procedure as propounded by Kuznetsov and Muravyev (2001) was adopted and modified as follows:

$$Y_{it} = \alpha_i + \beta_1 X_{it} + e_{it}$$

Where:

- $Y_{it}$  is performance measure (ROE)
- $\alpha_i$  = refers to time-invariant firm-specific effects
- $X_{it}$  are the independent variables
- $\beta_1$  coefficients
- $e_{it}$  is error term.

### 3.8 The General Model

Based on the above general model, the effect of outsourcing on financial performance was evaluated using the model outlined below

$$ROE_{it} = \beta_0 + \beta_1TC_{it} + \beta_2Age_{it} + \beta_3G_{it} + \beta_4AT_{it} + e_{it}$$

Where:

ROE <sub>it</sub>	=	Return on Equity
TC <sub>it</sub>	=	Transport Cost
Age <sub>it</sub>	=	Age of the firm
G <sub>it</sub>	=	Growth
AT <sub>it</sub>	=	Asset tangibility
e <sub>it</sub>	=	Stochastic error term

VARIABLES	DEFINITION	SYMBOL
<b>DEPENDENT ROE</b>	Measures the ability of the company to earn profit from investments in the company, in a period t, it is calculated as <b>ROE = PAT / EQUITY</b>	ROE <sub>it</sub>
<b>INDEPENDENT TC</b>	Measures company's transportation cost. It is calculated as <b>Transport cost as a percentage of the company's revenue</b>	TC <sub>it</sub>
<b>Control variable Age</b>	Measures the period the company has been in operation, i at the end of the time t, it calculated as the <b>sum of years the company has been in operation</b>	AGE <sub>it</sub>
<b>Growth</b>	Measures the change in a company's revenue i at the end of the t, calculated as <b>the log of sales.</b>	G <sub>it</sub>
<b>Asset tangibility</b>	Measures fixed asset in relation to total assets of a company i at the end of time t, calculated as fixed assets/ total assets	AT <sub>it</sub>
<b>Stochastic error term</b>	Measure the stochastic error	E <sub>it</sub>

#### 3.8.1 Dependent Variables

Dependent Variables are variables that can be measured in an experiment (Kenny, 2011). According to Frank and Goyal (2003), dependent variables are affected by independent variables. From the model above the dependent variable is identified as Return on Equity (ROE).

#### 3.8.2 Independent Variable

Independent Variables are variables that affect the dependent variable in a model (Almazari 2012). Independent variables are variables that the researcher wishes to change or manipulate in an experiment. The main independent variable in the model is cost.

#### 3.8.3 Controlled Variable

Controlled Variables are variables that are held constant in an experiment (Abor, 2009) and therefore remain constant throughout an experiment (Almazari, 2012). From the model above controlled variables are identified as age, growth and asset tangibility.

### 4.0 DATA ANALYSIS

This paper describes the analysis of the data and discusses the various research findings. The finding relates to the research questions that guided the study. Data was obtained from hundred respondents. The questionnaires comprised three sections, namely: the demographic characteristics of the respondents, reasons for outsourcing and the

challenges involved in outsourcing. Panel data was used to analyze the impact of outsourcing transport logistics on profitability. The objectives for outsourcing transport logistics were identified as follows: to improve company's focus; to access world class capabilities; to free resource for other purposes; to share and minimize risk; to infuse cash into the organization; and finally to reduce and control the operating cost of the company.

**4.1 Effects of Outsourcing on the Performance of Selected Alcoholic Beverage Producing Companies in Ghana**

Descriptive statistics showing mean, standard deviation, minimum and maximum values of selected alcoholic beverage producing companies in Ghana are listed below. Table 4.9 gives the summary statistics of the main variable that have been included in the model including; minimum, maximum, mean, standard deviation. From Table 4.7, the average value of performance ratio measured by ROE is 26.7% (0.2679597). This implies that selected alcoholic beverage producing companies in Ghana earned a net income of about 27% on equity with a maximum and minimum value of 1.528123 and 0.0185899 respectively. There is a standard deviation of 21.5% percent from the average value which reflects the presence of variation among selected alcoholic beverage producing companies in Ghana.

The main independent variable namely, transportation cost has an average ratio of 21.2%. This implies that selected alcoholic beverage producing companies in Ghana have a transportation cost of about 21% with a maximum value of 2.980298. There is a standard deviation of 46.3% from the average value which reflects the presence of moderate variation among selected alcoholic beverage producing companies in Ghana.

Table 4.7 also shows that the average growth is 56.7%. This implies that the percentage change in revenue is high among selected alcoholic beverage producing companies in Ghana with maximum and minimum values of 11.98496 and -0.1277169 respectively. There is a standard deviation of 167% from the average value which reflects the presence of major variation among selected alcoholic beverage producing companies in Ghana. The average age of selected alcoholic beverage producing companies in Ghana is 10 years which implies that most of the alcoholic beverage producing companies in Ghana have been in operation for the past ten years with maximum and minimum value of 22 years and 1 year respectively. There is a standard deviation of 5.78 years from the average age which shows a moderate dispersion among selected alcoholic beverage producing companies in Ghana. The average asset tangibility of selected alcoholic beverage producing companies in Ghana is 21% with maximum and minimum values of 1.888301 and 0.072444 respectively. There is a standard deviation of 32% from the average value which reflect the presence of moderate variation among selected alcoholic beverage producing companies in Ghana.

**Table 4.7 Descriptive Statistic**

Variable	Obs.	Mean	Stand Deviation	Minimum	Maximum
ROE	30	0.2679597	0.2154924	0.0185899	1.528123
Transport cost	30	0.2124067	0.4626031	0	2.980293
Growth	30	0.567173	1.679184	-0.1277169	11.98496
Age	30	10.12727	5.780089	1	22
Asset. Tang.	30	0.2107367	0.3258207	0.072444	1.888301

Source: Computed from the financial statement of some selected alcoholic beverage producing companies in Ghana.

**4.2 Correlation Matrix**

The coefficient or correlation provides an index of the direction and magnitude of the relationship between two sets of variables, without implying causality. The sign of the coefficient is an indication of the direction of the relationship. A correlation test is carried out in regression-related research to determine whether collinearity exists among the independent variables employed in the work or not, since it is capable of distorting the true relationship of dependent variables and independent variables. Multicollinearity is the situation where some explanatory variables are highly related thus making it difficult to tell which of them is influencing the dependent variable.

The table 4.10 presents the correlation matrix for all variables incorporated in the study. The correlation stable shows the relationship between the independent variables. The correlation coefficient shows value below 0.8 and this is indicative that there is no strong relationship between independent variables, a situation representing multicollinearity.

From table 4.10 transport cost is negatively correlated with asset growth and age with co-efficient estimate of correlation -0.0102, -0.4046. Transport cost is positively correlated with asset tangibility with co-efficient of 0.7354. Growth is negatively correlated with age with co-efficient of correlation of -0.2232. Growth is positively correlated with asset tangibility with co-efficient of correlation of 0.0464. Age is positively correlated with asset tangibility with correlation co-efficient of 0.2415.

**Table 4.2 Correlation Matrix**

	Transport cost	Growth	Age	Asset Tang
Transport cost	1000			
Growth	-0.0102	100		
Age	-0.4046	-0.2232	1000	
Asset tang.	0.7353	0.0464	0.2415	<b>1.000</b>

Source: computed from the financial statement of some selected alcoholic beverages companies in Ghana

### 4.3 Regression Results

Details of the regression results are presented below.

#### 4.3.1 Return on Equity

The regression results proved to be statistically significant at 0.05 for each performance ratio measured by Return on Equity (ROE). From the table 4.11 below, transport cost has a negative coefficient and is statistically significant at 0.05. This implies that the lower the transport cost, the more profitable selected alcoholic beverage producing companies in Ghana become. This means that larger firms can outsource their transportation requirements since outsourcing lowers the transport cost of firms. The lower the transport cost the more profitable companies become.

Growth has positive coefficient and is statistically insignificant to the performance of alcoholic beverage producing companies in Ghana. Age on the other hand, has a negative coefficient and is statistically insignificant to the performance of alcoholic beverage producing companies in Ghana. It is worth noting that asset tangibility has a negative coefficient and is statistically significant. This implies that the lower the asset tangibility the more profitable alcoholic beverage producing companies in Ghana become.

**Table 4.3 Regression results: ROE dependent variable**

	Coefficient	Std. Err	Z	p> z
Transport cost	-0.0931509	0.0489676	-1.90	0.05
Growth	0.0006381	0.0020462	0.31	0.755
Age	-0.0060672	0.0038825	-1.57	0.118
Asset tang.	-0.2447216	0.0868272	-2.82	0.005
Cons	5.663	1.131	1.534	0.02

Source: Computed from financial statement of some selected alcoholic beverage companies in Ghana.

### 4.4 Discussion of the Results

In this section the effect of each variable used in this study is discussed and analyzed based on the theoretical predictions, prior to the empirical studies.

#### 4.4.1 Transport Cost

As presented in table 4.9, panel data results for the analysis using random effects models show a negative and significant impact on profitability of selected alcoholic beverage producing companies in Ghana with a regression coefficient of -0.0931509, P-value of 0.05. This result can be interpreted to mean that the lower the transport cost of alcoholic beverage producing companies in Ghana, the higher the companies' profitability. The result confirms the transaction cost economies theory. According to Reuben et al. (2007), Transaction cost economies theory is premised on the fact that decisions are made based on transaction related factors. Transaction cost economies (TCE) or theory view the relationship between service receiver and service provider are to ensure economic transactions take place (Shaharudin et al., 2014). The relationship between service receiver and service provider is integrated due to cost. The cost includes time, money and human resource. By using Transaction cost economies, companies outsource their transport logistics to third-party service providers who produce at least cost.

#### 4.4.2 Growth Opportunities

As seen from the analysis, this study shows that growth opportunities have positive impact on profitability of selected alcoholic beverage producing companies in Ghana. The panel random effect estimation regression result shows insignificant and positive relationship between growth and profitability of alcoholic beverage producing companies in Ghana with a regression coefficient of 0.0006381 and p-value of 0.755

#### 4.4.3 Asset Tangibility

There is a negative relationship between asset tangibility and performance of selected alcoholic beverage producing companies in Ghana. The panel estimation result in this study, shows a statistical significant negative relationship between tangibility of assets and profitability of selected alcoholic beverage producing companies in Ghana with a regression coefficient of -0.2447216 and p-value of 0.005. This means that selected alcoholic beverage producing companies in Ghana with high ratio of fixed assets to total asset leads to lower profitability of the alcoholic beverage producing companies in Ghana.

#### 4.7.4 Profitability

Profitability is measured by return on equity. Profitability is enhanced when transportation cost of alcoholic beverage producing companies in Ghana is very low. This means that selected alcoholic beverage companies in Ghana can reduce their transport cost by outsourcing and thereby increasing their profitability.

### 5.0 CONCLUSIONS

This chapter presents the summary of the research findings, conclusions and recommendations. The findings have been presented in line with the objectives of the study and recommendations have been made based on the findings.

#### 5.2 Summary of the Findings

Summary of the findings are discussed below. They include:

##### 5.2.1 Reasons for Outsourcing Transport Logistics

*Outsourcing improves company's focus:* The study revealed the reasons for outsourcing transport logistics and concluded that outsourcing improves a company's focus. This was supported by 60% of the respondents.

*Outsourcing aids companies to access world class capabilities:* The study revealed that outsourcing transport logistics help companies to access world class capabilities. In other words, by outsourcing, companies could contract capable institutions to provide the service they intend to outsource.

*Outsourcing helps companies to free resource for other purposes:* The study revealed that one of the reasons for outsourcing transport logistics is to help companies to free resources for other purposes. Invariably, by outsourcing, funds incurred as fixed cost could be freed and reassigned to other sectors of the entity.

*Outsourcing helps companies to share and minimize risk:* The study revealed that outsourcing transport logistics helps companies to share and minimize risk. This was supported by over 80% of the respondents.

*Outsourcing infuses cash into the organization:* The study revealed that outsourcing infuses cash into organizations. By outsourcing certain activities to a third party, cash used to pay certain fixed costs are freed for other purposes in the organization.

*Outsourcing helps to reduce and control operating cost of companies:* The study established that outsourcing helps to reduce and control operating cost of companies. This was supported by over 80% of the respondents. By outsourcing certain functions of an organization there is elimination of certain fixed costs which enhances the organization's efficiency.

##### 5.2.3. The Effects of Outsourcing on the Performance of Selected Alcoholic Beverage Producing Companies in Ghana

The study revealed that transport cost has negative coefficient and is statistically significant at 0.05. This implies that the lower the transport cost, the more profitable selected alcoholic beverage producing companies in Ghana become. This means that larger firms can outsource their transportation since by outsourcing they are able to lower their transport cost and the lower the transport cost the more profitable companies become. Asset tangibility has negative coefficient and is statistically significant. This implies that the lower the asset tangibility the more profitable alcoholic beverage producing companies in Ghana become.

The result confirms the transaction cost economies theory. Transaction cost economies theory is premised on the fact that decisions are made based on transaction related factors. Transaction related factors include asset specificity, environmental uncertainty. Transaction cost economies (TCE) or theory view the relationship between service receiver and service provider are to ensure economic transactions take place. The relationship between service receiver and service provider is integrated due to cost. The cost includes time, money and human resource. By using Transaction cost economies companies outsource their transport logistics to third party service providers who produce at least or lower cost.



### 5.3. Conclusion

The reasons for outsourcing were identified as follows: outsourcing helps to improve a company's focus; outsourcing helps companies to access world class capabilities; outsourcing helps companies to free resource for other purposes; outsourcing helps companies to share and minimize risk; outsourcing infuses cash into organizations; and outsourcing helps to reduce and control operating cost of companies.

Asset tangibility has a negative coefficient and is statistically significant, implying that the lower the asset tangibility the more profitable alcoholic beverage companies in Ghana become. The result confirms the transaction cost economies theory. Based on the above, the study recommended the following:

### 5.4. Recommendations

*Agreeing on certain particular quality standards with third party service providers:* Before organizations outsource to third-party service providers, they should agree on certain particular quality standards with third-party service providers. By agreeing on certain particular quality standards, third-party service provider will be committed to the terms of the agreement or contracts and thereby ensure that quality goods and services are provided.

*Management should not outsource to service providers engaged in multiple contracts:* When organizations outsource to service providers engaged in multiple contracts, it may lead to leakage of confidential information. Since leakage of information leads to loss of business and lack of trust, there is the need for organizations to outsource to service providers who are not engaged in multiple contracts.

*Low switching cost:* Due to high switching associated with outsourcing, organizations are unwilling to outsource to third parties. However, if the cost of switching is low, most organizations would outsource to third parties and reap the full benefit of outsourcing.

*Staff should be reassigned:* By outsourcing certain business functions to external service providers, human resource engaged to undertake those business functions may be retrenched. However instead of cutting back staff, they should be reassigned to other areas in order to help grow the business.

### 5.5. Further Research

Due to financial constraints the sample size used for the study was relatively small and therefore future research could be undertaken using a bigger sample size. Further research could also be undertaken across the ten regions of Ghana to find out whether there are regional differences in assessing the impact of outsourcing transport logistics.

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