



## APPLICATION OF OUTSOURCING OF LOGISTICS SERVICES IN COMMERCIAL ENTERPRISES

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**Abstract:** The aim of the paper is to discuss the outsourcing of logistics services as a component to support effective management in commercial enterprises. The paper presents the fundamentals of management and characteristics of outsourcing with the most important causes of their application. The range of logistics services was discussed and the outsourcing of logistics services and benefits of its application were brought closer to the reader. The analysis of the effect of outsourcing of the logistics services on the activities of commercial enterprises was also presented.

**Keywords:** outsourcing of logistics services, commercial enterprise, management

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### Introduction

The speed of changes in the world economy is proportional to the technological progress (Sadowski 2008, p. 129-132). A dynamic development of new technologies, growing global competition and consolidation of enterprises have been observed in the last years (Sadowski 2015). Management, especially in the area of distribution logistics, represent a challenge for commercial companies, especially in light of increased competition in the market (Skowron-Grabowska, Mesjasz-Lech 2016). Commercial enterprises are forced to search for sources of savings while maintaining the highest quality. Consequently, enterprises see more and more benefits of using external service providers and are more often willing to outsource part or all processes. This allows for focusing of attention on core activities, thus ensuring the specialized services in a specific area.

### Effective management in the enterprise: outsourcing

The progressing globalization processes caused, among other things, by the development of the international logistics (Skowron-Grabowska et al. 2017, p. 89-102), are reflected in the availability and implementation of the most modern technologies, searching for resources or appearance of organizations that allow for global activities (Seroka-Stolka, Nowakowska-Grunt 2012). More and more frequent use of outsourcing is aimed at facilitation of the flow of products and services, thus becoming an indispensable link in the logistics chain (Solakivi et al.

2011, p. 133), created in order to more effectively meet the demand for logistics services. Outsourcing represents the solution which is adjusted to the actual needs and supports efficient management.

Management is a complex concept that has been defined from various standpoints. F.W. Taylor defines management as a “meticulous familiarizing with what is expected from people and then making sure they perform it in the best and cheapest manner” (Griffin 2006, p. 36). According to R. Mantenfifel “the aim of management is to ensure maximal achievement of the objectives set by the enterprise. This is possible only if the enterprise uses the means of production, technologies and labour factors” (Czeczka, Szpitter 2010, p. 41). P. Drucker characterized management as “taking measures aimed at the achievement of goals” (Koźmiński, Piotrowski 2006, p. 62-67). According to E. Lipiński, management is a “key determinant of success or failure of the enterprise” (Brilman 2002, p. 19). For H. Mintzberg “management is not only about the performance of functions but also about what the managers do” (see: Mintzberg 2013, p. 36; Lamond 2004, p. 354). The essence of management is to take decisions on the choice of goals and achievement of these goals in an effective and efficient manner (Griseri 2002, p. 12). This means the activities that result in the achievement of the goals while limiting waste.

Development of enterprises, sectors and markets has driven the necessity to develop the management methods and implementation of new tools to support management (Pettinger 2007, p. 53). This is aimed at adjustment to the needs of commercial enterprises in order for them to function efficiently and effectively (Nowicka-Skowron 2000, p. 136). Therefore, outsourcing can be viewed as a management method used to achieve the previously set goals through effective utilization of the resources.

The term outsourcing stems from English words *outside – resource – using*, (Gołębska 2010, p. 129). Outsourcing means contracting-out certain activities to an external organization (Kopczyński 2010, p. 46). *Wydzielenie (separation)* or *wyodrębnienie (isolation)* are the terms used in Poland to describe outsourcing (Trocki 2001, p. 53). Two components can be distinguished in outsourcing. The first of them is the initiative where a specific area of activities is contracted out to another company. The second component concerns a long-term partnership with the external organization, viewed as a process (Kopczyński 2010, p. 48). E. Gołębska defined outsourcing as “initiatives aimed at separation of the functions performed previously by the enterprises from the organizational structure and performance of these activities in a more effective manner by other enterprises” (Gołębska 2010, p. 129). Analysis of the characteristics features of outsourcing presented in the literature reveals that this is the method of management that consists in the transfer of responsibilities for certain areas of business activity to the specialized external partner. Outsourcing is used to produce both qualitative and quantitative benefits and provide the opportunities for the development of core competencies of the enterprise and adding new value to improve market advantage and help enterprise grow.

The most important reasons for using outsourcing emphasized by the Outsourcing Institute include (Jonkisz, Jaroszyński 2008, p. 7-10):

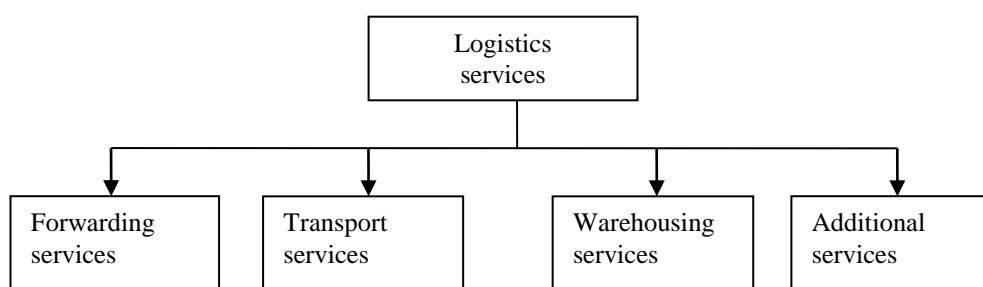
- Control and reduction of operating costs.
- Focus of the enterprise on core activities.
- Access to the best quality of production capabilities.
- Opportunity to use and transfer internal resources for other purposes.
- Access to resources the enterprise does not have.
- Faster benefits of restructuring.
- Coping with the function which is difficult to be performed or impossible to control.
- Acquisition of capital.
- Division of risk.
- Inflow of cash.

Benefits of using outsourcing are mainly focused on the financial aspects, such as limitation of costs by using external resources and acquisition of capital for core activities of the enterprise. In addition to these benefits, the enterprise gains access to resources and technologies of external suppliers, which help company utilize organizational resources to achieve other goals. Outsourcing may concern components, individual activities, functions and processes of business activity. It should be noted that outsourcing represents the philosophy that seeks the best solutions for a specific task to be solved in the cheapest manner possible.

### **Scope of logistics services for commercial enterprises**

Flow of products and information in commercial enterprises is dynamic, thus specialization is needed at any stage of order performance. The solution is to separate logistics functions and contract out the logistics services.

Logistics services include services of freight forwarding, transport, warehousing and related services and those that support the process of flow of goods between the supply chain links. The areas of logistics activities taken by logistics service providers in commercial enterprises include supply and distribution (Jeszka 2009, p. 59). The logistics services are organized and provided by specialized enterprises which manage the logistics system of another enterprise. (Gołemska 2010, p. 268) Logistics services can be grouped according to their characterization into four groups. The tasks and groups of tasks contained in these groups represent comprehensive logistics services which are provided by the specialized entities (*Figure 1*).



**Figure 1. Division of logistics services**

Source: Author's own elaboration based on (Jeszka 2009, p. 59-60)

The array of logistics services is formed by forwarding, transport, warehousing and additional services whose common feature is organization of the flow of goods and information (Gupta et al. 2011, p. 775-776). According to E. Gołemska, development of the form of the logistics service and its scope is determined by the four components presented in *Table 1*.

**Table 1. Scope of logistics services**

LOGISTICS SERVICE			
Warehousing and inventory management	Transportation and cargo services	Market research and creation of the marketing information system	Transaction financing, banking services and insurance

Source: Author's own elaboration based on (Gołemska 2010, p. 271)

These elements refer not only to warehousing and transportation of goods but also to other core areas, such as information management or financial services (Rydzkowski 2011, p. 13). The core for the logistics services is activities such as transport, warehousing, market research and financing of activities (Brzozowska, Senczyna 2017), which determine the level of comprehensive logistics services for commercial enterprises.

### Outsourcing of logistics services

The area of activity of current commercial enterprises is optimization of logistics activities through contracting them out to specialized logistics operators. J. Witkowski characterized logistics outsourcing as “separation of resources and using logistics services offered by previously internal specialized entities” (Witkowski 2010, p. 59). The use of outsourcing gained in popularity very fast due to the growing needs in the markets. The reasons for the development of outsourcing logistics services include (Kozłowski, Sikorski 2009, p. 114):

- focus on core activities to improve efficiency,

- increase in opportunities to respond to changes in the environment,
- improved customer satisfaction,
- enhanced quality and productivity,
- access to competencies and technologies previously unavailable to the organization,
- reduction in investments for the logistics purposes,
- expansion by using partner's potential,
- replacement of fixed costs into variable costs,
- other reasons, such as improvement in credibility through cooperation with prestigious partners.

The use of outsourcing logistics services brings measurable benefits through the proper utilization of the potential of this method. Major benefits for commercial companies offered by the outsourcing of logistics services include in particular (Krzyżaniak, Hentschel 1999, p. 86):

- labour specialization caused by greater confidence in performance of certain functions,
- savings in financial resources through limitation of expenditures on the logistics infrastructure,
- opportunities for redirecting of the released human resources to other functions.

Benefits management opens up opportunities for the commercial enterprise to focus on core activities in order to save time and financial resources.

Other benefits of outsourcing of logistics services include (Kowalczewski, Nazarko 2006, p. 43):

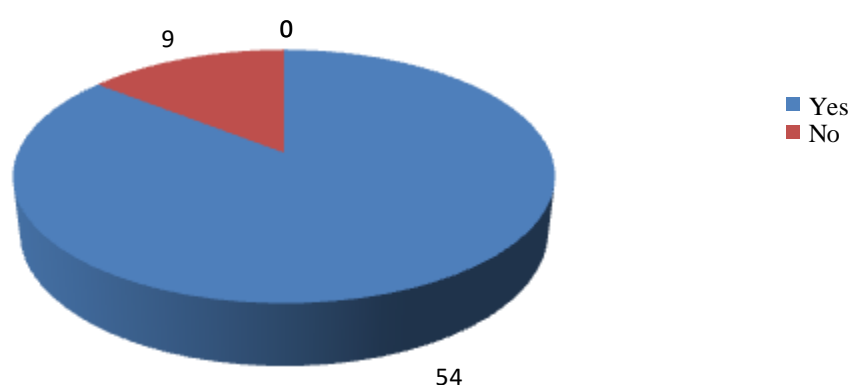
- opportunities for new market entries,
- greater flexibility compared to the conditions of the environment,
- improved competitiveness,
- opportunities to increase the customer service level.

Benefits management opens up opportunities for the commercial enterprise to focus on core activities in order to save time and financial resources (Liu et al. 2015, p. 43-44). Internal benefits obtained by commercial companies through outsourcing of logistics services translate into the external relations with suppliers and customers, leading to the increased range of activities, improved competitive situation and improved quality of services. Using the external logistics services, commercial enterprises are provided with specialized and reliable services without the need for incurring costs which would be generated during organization of logistics activities by the enterprise and costs of maintaining the logistics infrastructure. Consequently, time savings and spared resources can be used to develop core activities thus increasing effectiveness. Undoubtedly, one of the benefits is enhanced satisfaction of partners who cooperate with the commercial enterprise and customers through professional services, which translates into higher level of customer service and achievement of the competitive advantage over competitive commercial companies.

## Effect of outsourcing of logistics services on activities of commercial enterprises

Commercial enterprises are the entities that develop dynamically, with a substantial role played by customer service. Performance of logistics functions by specialized entities is aimed at the improvement in the quality of performed tasks, reduction in financial expenditure and improvement of services in the areas separated within the outsourcing of logistics services. The survey of commercial enterprises was aimed to verify the effect of the outsourcing of logistics services on operation of commercial enterprises. The survey was conducted in a group of 63 commercial enterprises from September to December 2017 using the survey questionnaire. The collected and analysed results are presented below.

Is outsourcing of logistics services used in your enterprise?



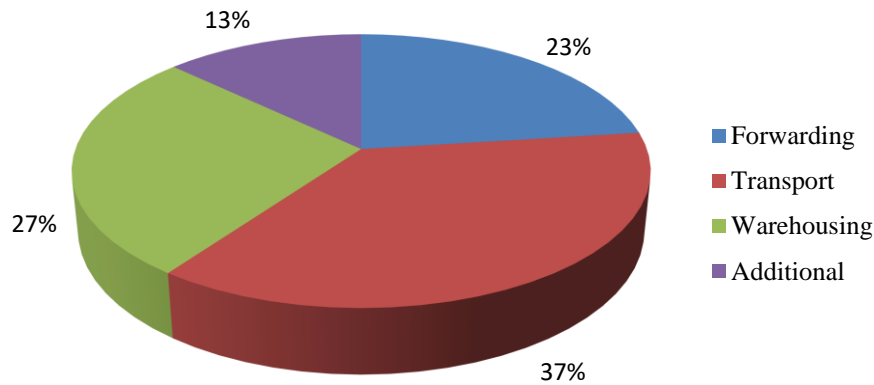
**Figure 2. The use of outsourcing of logistics services in commercial enterprises**

Source: Elaboration based on the author's study

*Figure 2* presents the answers of the respondents concerning the use of the outsourcing of logistics services. Of all the enterprises studied, 54 confirmed the use of outsourcing of logistics services, accounting for 86% of the research sample.

*Figure 3* shows the answers provided by the respondents concerning logistics services which were contracted out.

Which logistics services does your enterprise contract out?

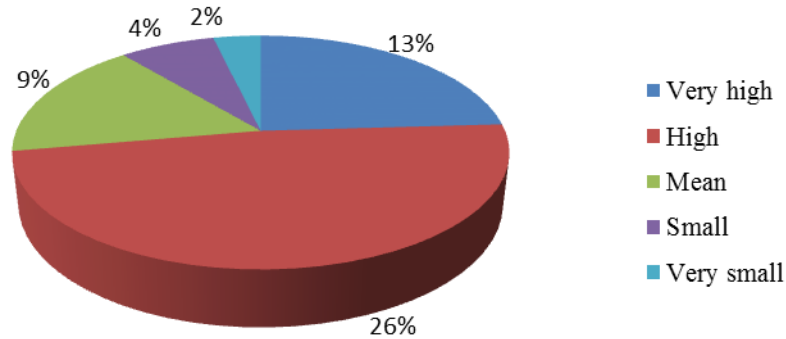


**Figure 3. Logistics services contracted out in commercial enterprises**

Source: Elaboration based on the author's study

As can be seen in *Figure 3*, the services which are mostly contracted out include transport and warehousing and, less frequently, forwarding and additional services. *Figure 4* illustrates the degree of satisfaction of commercial enterprises with logistics services.

To what degree is your enterprise satisfied with logistics services?



**Figure 4. Degree of satisfaction of commercial enterprises with logistics services**

Source: Elaboration based on the author's study

*Figure 4* presents that the enterprises studied considered their satisfaction with logistics services as high. This can mean that the logistics services are adjusted to the needs of commercial enterprises, which results from close cooperation with logistics operators. *Table 2* presents the effect of the use of outsourcing in individual areas on functioning of the enterprise.

**Table 2. Effect of application of the outsourcing of logistics services in individual areas on enterprises functioning**

How do you assess the effect of application of the outsourcing of logistics services in individual areas on enterprises functioning?					
Answers	Answers				
	very high	high	mean	small	very small
Opportunities for new market entries	11	20	10	9	4
Greater flexibility compared to the conditions of the environment	15	18	12	5	4
Improved competitiveness	22	21	8	3	0
Improved customer service level	23	19	7	5	0
Labour specialization caused by greater confidence in performance of certain functions	34	18	2	0	0
Savings in financial resources through limitation of expenditures on the logistics infrastructure	50	4	0	0	0
Redirecting of the released human resources to other functions	44	10	0	0	0

Source: Elaboration based on the author's study

*Table 2* shows that the application of the outsourcing of logistics services had the biggest effect on saving financial resources through limitation of the expenditures on logistics infrastructure, opportunities for redirecting of released human resources to other functions and labour specialization. According to the respondents, outsourcing of logistics services led to the substantial improvement in competitiveness and the level of customer service. Outsourcing of logistics services



had a significant effect on all the indicated areas. This may suggest the importance of the logistics functions in the commercial enterprises and quality of the outsourced logistics services. *Figure 5* presents the evaluation of the effect of the outsourcing of logistics services on the improvement in activities of commercial enterprises.



**Figure 5. Evaluation of the effect of the outsourcing of logistics services on the improvement in operation of commercial enterprises**

Source: Elaboration based on the author's study

*Figure 5* shows that nearly 70% of commercial enterprises indicated that the application of the outsourcing of logistics services had improved their operation. Therefore, the commercial enterprises assessed the outsourcing of logistics services positively due to the achievement of measurable benefits.

## Conclusions

The study showed that commercial enterprises use and notice the benefits of the outsourcing of logistics services. Most of them are satisfied with using the outsourcing of logistics services and positively assess its effect on the activity of the entire enterprise. Commercial enterprises responded that the use of outsourcing of logistics services has the biggest effect on savings of financial resources, opportunities for redirecting of released human resources to other functions and labour specialization. The respondents also showed that the outsourcing of logistics services substantially improves competitiveness and the level of customer service. Through concentration on core competencies, the enterprise can offer higher

flexibility in adjustment of the products and services to the customers' needs. The benefits for external enterprises include the opportunities of using knowledge to cooperate with other entities and increase turnover. This may explain why the use of outsourcing of logistics services is becoming a noticeable trend in modern enterprise management.

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## **ZASTOSOWANIE OUTSOURCINGU USŁUG LOGISTYCZNYCH W PRZEDSIĘBIORSTWACH HANDLOWYCH**

**Streszczenie:** Celem artykułu jest przedstawienie outsourcingu usług logistycznych jako elementu wspomagającego efektywne zarządzanie w przedsiębiorstwach handlowych. W publikacji zaprezentowano podstawy zarządzania oraz cechy outsourcingu wraz z najważniejszymi przyczynami jego stosowania. Przybliżono zakres usług logistycznych, omówiono outsourcing usług logistycznych oraz korzyści płynące z jego zastosowania. Dokonano także analizy wpływu outsourcingu usług logistycznych w przedsiębiorstwach handlowych na ich działalność.

**Słowa kluczowe:** outsourcing usług logistycznych, przedsiębiorstwo handlowe, zarządzanie