What is the impact of relationship learning on logistics service effectiveness of Third-Party Logistics Providers in collaborative relationship?

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Management Summary

Nowadays, as the business processes become more specialized, organizations strive to focus on their core competencies. Consequently, outsourcing the logistics activities become common and many companies leave these tasks to those who specialize in logistics activities, namely, Third party logistics provider (3PLs). Typical services sourced to 3PLs which include transportation, inventory, order processing, purchasing, warehousing, materials handling, packaging, and so on, must continuously meet and satisfy the customer demand. This calls for a considerable effort and significant capital.

The objective of this study is to introduce and describe collaborative logistics management and investigate its ability of relationship learning in collaborative know-how. This purpose necessitates a model of the process of relationship learning for 3PLs. Besides, the potential benefits (in terms of operational measure of competitive success factors, namely quality, timeliness and customer service) in logistics collaboration are supported by literatures. Despite the identified potential benefits, there are several relevant key factors, including trust, communication, adaption, commitment to learning as well as shared vision within the organization that positively influence the degree of relationship learning in collaborative relationship. Therefore, the relationship between relationship learning and logistics service effectiveness must be identified. Specially, positive relationship should be reported to attain desired benefits of learning. This has been done through a literature review.
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CHAPTER 1 Introduction

1.1 Background

The fierce competitive business environment, rapid changes in technology, increased customer demand as well as globalization of products and services have greatly impacted logistics and supply chain management. Especially, integration of the supply chain has become an important way for industry to gain competitive advantage (Bowersox et al., 1989). Highly competitive market environment calls for firms to be able to handle the dynamics of its entire supply chain. In this context, the third party logistics providers (3PLs) play an important role in supporting such a dynamic supply chain system (Bolumole, 2003), and their business is developing as a result of the increasing demand of advanced logistics services. The ways 3PLs manage the relationship to its customers and handle effects on their network of relationships fulfill the basic importance for their strategic development (Hertz & Alfredsson, 2003). Besides, the relationship between 3PL provider and its customers has changed over time from a focus on the contract to partnership and agreement in order to achieve a mutual beneficial and continuous relationship (Hertz & Alfredsson, 2003).

Further, changes take place within and between relationships, bonds and links involving actors, resources and activities (Johanson & Mattsson, 1992; Håkansson & Snehota, 1995). Cheung et al., (2010) pointed out that supply chains reply on collaborative efforts for varying types of resource exchanges to might enhance their competitiveness. Bowersox (1996) also claimed that the overall performance will be improved by supply chain collaboration since it facilitates the cooperation of participating members along the supply chain. Such growing trend toward collaborative relationship gives very good reason for why we should focus on logistics services developed by 3PL providers and their influence on collaboration. Although, certain studies have addressed how inter-organizational communication and collaborative relationship enhance exchange partners’ performance (e.g., Carr & Pearson, 1999; Claycomb & Frankwich, 2004; Prahinksi & Benton, 2004; Cousins & Menguc, 2006), but it is only described from buying firm’s perspective. All these factors leads to an increasing need to examine the role of collaborative logistics and what is the consequence that enhances the development of relationship learning among global supply chain partners since 3PL provider also plays a significant role in affecting the quality of SC relationship and the development of relationship learning (Cheung et al., 2010). Furthermore, the fact that 3PLs are more likely to seek more than just economic value in an exchange relationship (Walter et al., 2001). Hence, it is important to explore collaborative relationship of 3PLs and to what extent relationship learning promote performance of 3PLs.
1.2 Problem statement

Considering the discussion above, a comprehensive study within the area of collaboration is required. The role of collaborative logistics and its central attributes might contribute to relationship learning. More importantly, in the long run, relationship learning is likely to foster products and services that provide more value and are superior in solving problems for their users (Slater & Narver, 2000). Thus, we propose that relationship learning is helping 3PLs gain better understanding about the value desired by the exchange partners, capturing knowledge-based resource.

In light of this, the design of this study aims to address the following question:

What is the impact of relationship learning on logistics service effectiveness of Third-Party Logistics Providers in collaborative relationship?

1.3 Purpose of the thesis & Research Questions

1.3.1 Purpose of the thesis

In the context of international supply chain management, the study claimed to focus on the 3PL- outsourcer relationship. The purpose of the thesis is to describe the importance of relationship learning and what is the consequence that enhances the service effectiveness of 3PL and its performance.

1.3.2 Research Questions

There are three questions tied to the understanding of the network development of relationship learning within the collaborative logistics of Third-Party Logistics Providers.

1): What is the role of ‘collaborative logistics’ in outsourcing?

2): What are the key factors of logistics collaboration that influence the degree of relationship learning?

3): To what extent relationship learning promotes logistics service effectiveness of Third-Party Logistics Providers?

1.4 Relevance

The aim of this research is to explain the findings, providing a further insight of the significant of relationship learning of 3PLs in collaboration. Additionally, the relationship between relationship learning and logistics service effectiveness is
important as there is an increasing tendency toward outsourcing and globalization of different types of operations.

1.5 Research Design

1.5.1 Type of research

The type of research in this thesis can be identified as descriptive. The main approach in the thesis is literature reviews, and qualitative research will be made continuously during the whole report.

1.5.2 Method of data collection

In order to answer the research questions of the thesis, literature review is used as a primary approach. The finding of this thesis are collected from published literature, such as books, academic journals (such as International Journal of Physical Distribution and Logistics Management, Strategic Management Journal, Supply Chain Management: An International Journal etc.). We used some well-known databases to search related articles in the topic, such as ScienceDirect, ABI/Inform Global (ProQuest interface).

We searched different terms in the area of Collaborative logistics, including ‘Third-party logistics providers (3PLs)’, ‘Collaborative relationship’, ‘Collaborative know-how’. Then logistics service effectiveness and performance will be discussed as well. It might be necessary to address that the terms ‘relationship learning’, ‘inter-organizational learning’ would be used interchangeably in this study.

1.5.3 Validity & Reliability

As it was mentioned above, the research carried out in this thesis can be characterized as descriptive. Therefore, internal validity is not of immediate interest in this thesis. Only external validity will be secured through the research questions being answered by academic literature reviews. Since most of the literatures used for this study were published in the well known journals in area of the study, therefore an acceptable level of reliability could be verified.
1.6 Overview of thesis

Below an outline of the thesis will be described which clarifies a connection between the research questions and the following five chapters. This thesis consists of seven chapters which are summarized as follows:

Chapter 1 describes the problem and the background of the research. The objective of the research and the research questions are presented here. It also presents the methodology for this study. Methods in general, and then the chosen research methodology is presented and motivated. A discussion about validity and reliability is found in this chapter.

Chapter 2 presents certain definitions of the 3PLs collaboration concept (‘collaborative logistics’ and ‘collaborative know how’. Likewise, relationship learning will also be considered in this chapter. The purpose is to acquaint the reader with the research field; some relevant fields and notions are discussed here. This chapter will cover research question 1.

Chapter 3 introduces the terms ‘relationship learning. The main task of this chapter is to identify the main factors in relationship learning. The research question 2 will be answered.

Chapter 4 presents an in further investigation in the linkage between relationship learning and logistics service effectiveness and performance of 3PLs. Therefore this chapter will consider research question 3, considering the important fact that the demand of relationship learning matching development of logistics service.

Chapter 5 consists of a conclusion and Managerial implication. The discussions and conclusions would be summarized from the literature finding.
CHAPTER2 Collaboration

2.1 Third-party logistics providers (3PLs)

The trend towards the outsourcing of the logistics activities has given prominence to the concept of third party logistics service providers (3PLs) (Panayides & So, 2005). Terms such as “logistics outsourcing”, “third party logistics”, “contract logistics” and “contract distribution” have been used interchangeably to describe the organizational practice of all logistics activities (Bowersox, 1990; Lieb, 1992; Sink et al., 1997). Different definitions tend to emphasize different aspects of outsourcing arrangements such as the service offering, nature of relationships, performance outcomes and their role in the supply chain (Bagchi & Viruml, 1998; Berglund, 1997; Christopher, 1998; Lieb & Randall, 1996).

According to the literature a 3PL is defined as a provider of logistics services that performs the logistics functions on behalf of their clients (Coyle et al., 1996). 3PLs undertake management, analytical and design activities associated with transport and warehousing such as inventory management, information related activities, including tracking and tracing, as well as the value-added activities of secondary assembly of products and supply chain management (Laarhoven et al., 2000). Those 3PL arrangements are based on formal (both short and/or long-term) contractual relations as opposed to spot purchases of logistics services (Murphy & Poist, 1998). Moreover, a 3PL usually provides process-based services rather than function-based logistics services aimed at the integration or the whole process of the logistics network for the client (Carbone & Stone, 2005).

2.2 Agency Theory

Shapiro and Heskett (1985) defined the role of 3PL as an agent middleman in the logistics channel who enters into a temporary or longer term relationship with some other entity in the logistics channel. This implies that one party, the principal (the client) delegate work to another, the agent [3PL] performs the work. Fama and Jensen (1983) further pointed out that agent and principal entered into such relationship because of the benefits of specialization and because of the ability to control agency problems by separation of decision making and risk bearing parties. However, the agency problem often arises when the agent and principal have different goals, and when it is difficult or expensive for the principal to measure to what the agent is actually doing (Eisenhardt & Kathleen, 1989). Hence, the focus of agency theory should be on developing the most efficient contract governing the principal-agent relationship where the agent has to know more than the principal (Poppo & Zenger, 1998). On this basis, timely and accurate information flow between two parties involved not only seems to be a motive for smooth and continual material flow matched to demand, but could also be utilized as a competitive advantage to
them. In fact in order to handle such 3PL-client relationship effectively and efficiently, a 3PL might need to deeply understand the importance of collaboration and why collaborative relationship is needed.

2.3 Collaborative relationship

Every successful supply chain strategy requires collaboration, which in turn demands the need for open communication, sharing of resources, risk and rewards (Soosay et al., 2008). In order to have an effective and resistant supply chain, all the entity should perform a least level of collaboration with other parties in the chain. Collaboration is recognized as a means by which all parties in the supply chain are actively working together towards a common set of goals that bring mutual benefits to partnership relationship (Min et al., 2005). Further, Barratt (2004) argued that collaboration is mutual goal setting that goes beyond a normal written contract or partnership. In fact, there are numerous studies which have already confirmed that collaboration between companies participating in supply chain setups could increase efficiency and decrease costs (Gadman, 2004; Stefansson, 2005; Langley, 2000; Harrison et al., 2008; Lynch, 2001; Mentaer et al., 2000). Due to this, collaboration in logistics area is seen to more logical and reasonable.

2.4 Collaborative logistics

Based on Lynch (2001), collaborative logistics is driven by a changing corporate vision that views competition and suppliers as potential collaborative partners in logistics. Furthermore, Logistics collaboration is a result of a logistics outsourcing decisions and collaboration occurs when companies work together for mutual benefit (Langley, 2000). According to Czaplewski and Soin (2002), collaborative logistics is defined as mutually beneficial cooperative problem solving and opportunity exploitation beyond traditional, predefined trading partners, to encourage new different and innovative ways to solve business problems and capture new business. To do this companies involved should share information, knowledge, risk or profits. Sharing entails understanding how other companies operate and make decisions, and goes much deeper than cooperation (Barratt, 2004). In addition to this, Vargo and Lusch (2004) also suggested that collaboration often demonstrates in the form of knowledge sharing. Such knowledge can be classified as two main categories: 1) explicit knowledge or information; 2) tacit knowledge or know-how (Kogut & Zander, 1992). Actually, compared to information, know-how is more likely to result in advantages that are more sustainable (Nonaka, 1994). This collaborative know-how in turn allows firms to achieve greater benefits from collaborations (Senge, 1990; Stata, 1989)
2.5 Collaborative know-how

Collaborative know-how indicate that firms do learn from collaborations by developing skills in identifying potential collaborators, negotiating the form and specifics of collaborative agreements, managing and monitoring the arrangements, knowing when to terminate them, and transferring knowledge (Simonin, 1997). Following the literature suggestion, it is useful to understand collaborative know-how along the following four fundamental phases: 1) Identifying and selecting potential collaborators (Geringer, 1991); (2) Negotiating the terms and structure of a collaborative agreement (Lorange & Roos, 1990); (3) Monitoring and managing an ongoing collaboration (Ganitsky & Watzke, 1990; Hladik, 1985); (4) Terminating collaboration (Serapio & Cascio, 1996).

Generally, the development of both skills and knowledge in a corporation has clear, positive effects on performance (Nass, 1994). Miller and Shamsie (1996) addressed that the knowledge-based resources often take the form of particular skills (know-how), including collaborative ones that help experts work and learn together effectively. Likewise, Prahalad and Hamel (1990) recognized firm’s competency in managing inter-firm collaborations as an important determinant in firm’s ability to access and internalize new strategic assets from its alliance partners. Furthermore, firms with greater collaborative know-how are more likely to develop trust and reputation through repeated ties with other firms (Gulati, 1995). All these further stress a good reason for 3PLs to move into the category of relationship learning, understanding its effects on collaborative relationship.
CHAPTER 3 Learning as a key component

3.1 Construct definitions

As 3PLs expanding, there has been some demands for the global strategic objectives of innovation, learning, and adaptation (Ghoshal, 1987). A number of researches have already addressed the importance of examining relationship learning as an influence of behavior change and performance improvement (Hult, Ferrell, & Hurley, 2002; Hult, Hurley et al., 2000; Hult, Nichols et al., 2000; Slater & Narver, 1995). That is because relationship learning has the ability to influence Behavior (Huber, 1991) and will enhance the capacity of understanding (Damanpour, 1991), cross-functional coordination (Aiken & Hage, 1971), creativity and, problem solving (Senge, 1990). Further, some hold that behavioral change is required for learning (Fiol & Lyles, 1985); others insist that new ways of thinking are enough (Huber, 1991). In spite of the above mentioned reasons, relationship learning is recognized as an important strategy for a firm achieving its competitive advantage (Baker & Sinkula, 1999; Hult, Hurley et al., 2000; Hult, Nichols et al., 2000).

However, globalization has shifted comparative advantage from the traditional inputs of product (such as land, labor, and capital) to knowledge (Audretsch, 2003). As a result of this, the ability of a firm to recognize a partner’s capabilities and to take into account employee know-how, reputation and firm culture became another key issue in supply chain relationship (Robert et al., 2002). Next, learning seems to be a function of the interaction among channel partners (Lukas, Hult, & Ferrell, 1996). As such, relationship learning in this paper might be conceptualized as a collaborative activity between a 3PL and its client in which the two parties share information, which is then mutually interpreted and integrated into a shared relationship memory that changes the range or likelihood of potential behavior (Selnes & Sallis, 2003). It is a process to improve future behavior in a collaborative relationship in which 3PL and the outsourcer strive to create more value together than they would create individually, and how this extends the understanding of such collaborative relationship and inter-firm activities (Cheung et al., 2010). This includes obtaining and sharing information about customer needs, market changes and the outsourcer’s competitors actions (Hurley & Hult, 1998; Moorman & Miner, 1998).

3.2 The process of learning

The above definition of relationship learning suggests that learning is affected by the capacity of a partner, namely absorptive capacity (Robert et al., 2002). This character relates to willingness and ability to absorb knowledge from partners, including the identification of information needs, the acquisition of collaborative know-how and how it is translated (Simonin, 1997). Another characterizes relationship learning as the process through which individual knowledge is transferred to the organization so that
it can be used by individuals (e.g. the manager of a 3PL firm) (Sinkula, 1994). Managers who want to enhance relationship learning needs to understand the content of know-how in collaborative relationship that can efficiently engage in market information-processing activities (Slater & Narver, 1995). Therefore, relationship learning seems to be an internal process that encourages collaborative know-how in order for logistic service effectiveness to perform as well as possible (See Fig.1).

![Fig.1 The process of relationship learning of a 3PL (source: adapted from Panayides, P.M, 2007)](image)

The relationships modeled within the process displayed in Figure 2 depict that relationship learning within the 3PL’s firm relates directly to the content of collaborative know-how in the 3PL–client exchange that will have a positive impact on the 3PL’s ability to deliver the logistics service effectively and as a consequence firm performance of a 3PL (Panayides, 2007; Nass, 1944).

3.3 Learning outcome: collaborative know-how

Under the Section 2.5, we have discussed the concept of collaborative know-how that measures the extent to which firms have skill in identifying, negotiating, managing, monitoring, and terminating collaborations, which is a key asset in shaping performance (Nass, 1944; Pennings et al., 1994). In the context of logistics collaboration, such know-how that determines how effectively new collaborations are entered and managed (Simonin, 1997). There are four main categories based on Section 2.5:

1. Identifying and selecting potential collaborators (or outsourcers)(Geringer, 1991). This area calls for the ability to determine which outsourcer can offer mostly necessitates co-utilization of knowledge-based resources, to understand the risks and benefits of choosing one firm over another, as well as to evaluate the likely responses of involved outsourcers. The specific partner chosen can influence the availability of skills and resources in short term or long term according to Geringer (1991) and Simonin (1997).
(2) Negotiating the terms and structure of a collaborative agreement (Lorange & Roos, 1990). Success in this area of a 3PL requires the ability to evaluate different collaborative forms on the basic of contract, and to better understand its own position in collaborative relationship. Like many other kind of relationship, collaboration between a 3PL and the outsourcer starts with contract (Hertz & Alfredsson, 2003; Bask, 2001). Without a properly described contract, it may arise as a result of failure to reach a collaborative relationship.

(3) Monitoring and managing an ongoing collaboration (Ganitsky & Watzke, 1990; Hladik, 1985). Doing this calls for a variety of different skills directing, evaluating, and enforcing the actions of the outsourcers (Minkler, 1993), including trust building, resolving conflicts, transferring knowledge-based resources, renegotiating agreements as well as staffing and training. However, those activities that require more advance communication mean (such as EDI or internet base program), which are very costly in most case (Simonin, 1997; Panayides, 2007).

(4) Terminating a collaboration (Serapio & Cascio, 1996). For many organizations, knowing when and how to exit can be critical to achieving its strategic objectives. (Serapio & Cascio, 1996). If they do not learn how or when to exit, they may fall into competency traps (Levitt & March, 1988). In fact, a 3PL is different from this perspective. According to the agency theory, being an intermediary between buyer and sellers makes 3PL necessary to depend on the service outsourced. The important issue is about the bargaining power of 3PL. In general, the outsourcers like many multinational enterprises (MNEs) are often dominant in most negotiations since they are better informed, having greater access to wider choice of services (Cheung et al., 2010; Bolumole, 2003).

3.4 Effects of relevant factors on learning

Wilson and Moller (1991) addressed six dimensions on the impact of supply chain relationship quality. These dimensions include trust, commitment, communication, power/dependence, adaptation and collaboration. It is also suggested that in an existing relationship, by the implementation of learning, trust communication, commitment and cooperation will all be high or low (Monczka et al., 1995). This indicates that these dimensions may be the indicators of some higher level of relationship learning. (Anderson & Narus, 1990). In addition, when relationship learning position at the heart of organizational change, learning behavior of a firm influences what kind of information is gathered and how it is interpreted, evaluated and shared (Moorman & Miner, 1998; Sinkula et al., 1997). According the literature the scale includes the four central attributes of relationship learning: commitment to learning (Sinkula et al., 1997), open-mindedness (Sinkula, 1994), shared vision (Verona, 1999) and inter-organizational knowledge sharing (Moorman & Miner, 1998). On this basis, we might conclude five key factors that contribute to the level of relationship learning within collaborative relationship in this study.
3.2.1 Communication

Communications is an essential part of information transfer. Successful SCM has been linked to communications frequency (Robert et al., 2002). Communication refers to the formal and informal sharing of meaningful and timely information between firms (Anderson & Narus, 1990; Fynes et al., 2005). There are three important aspects of communication behavior that are critical to collaboration relationship (Mohr and Spekman, 1994). They are the quality of the communication, the form of information sharing and participation. These elements are all key predictors of successful supply chain relationships (Mohr & Spekman, 1994; Fynes et al., 2005). Therefore, effective communication is essential for 3PL to achieve successful collaboration.

3.2.2 Adaptation

Adaptation often occurs when investing in transaction specific assets such as product, process technology or human resources (Hakansson, 1982). Such investments like innovation push firms to the exchange relationship, motivating relationship learning in order to improve the return on investments (Cheung et al., 2010). Accordingly, the more change in the technology of services and operations offered by 3PL, the more change in knowledge and skills of them will be required to successfully capture the potential benefits (Ettile, 2006). Concerning what is mentioned above 3PLs are specialists in the operation of logistics. They often have valuable knowledge of logistics and fulfillment processes that influence outsourcer’s performance. Try the new ways of performing the job ‘product or service’ with innovative solutions makes them necessary to focus on the continuous process of technology development (Ettile, 2006; Soosay et al., 2008).

Furthermore, since the importance of R&D cannot be ignored today, the presence of advanced technology and its contribution are not only close to 3PL. The outsourcer may contribute to 3PL’s innovation and thus absorbing some of R&D cost (Levi et al., 2003; Ettile, 2006). For example, DHL is serving the computer transportation of HP for a large part of Europe. EDS, an HP company set up a data warehouse to provide management with powerful data analysis, introducing the Business Area Review (BAR) program to support the service outsourced to DHL (Hertz & Alfredsson, 2003), the goal of which is to reducing costs, streamlining operations and improving the transportation.

3.2.3 Trust

Trust can be seen as the most frequently cited dimensions of Supply chain relationships in the literature and has been defined as the firm’s belief in the reliability and integrity of the other party, and the ability to predict the actions of the other party in the relationship and (Cheung et al., 2010; Anderson & Narus, 1990; Zaher et al., 1998). In addition, trust is related to networks, and is associated with the strength of a
relationship (Burt & Knez, 1995). There are different types of trust: contractual trust (expectation that promises is kept), competence trust (confidence in a trading partner’s competence to carry out a specific task) and good will trust (the sure feeling that trading partners possess a moral commitment to maintaining a trading relationship (Fynes et al., 2005; Anderson & Narus, 1990). According to Sako (1992), it is good will trust which is a key to a true partnership form of relationship like collaborative relationship of 3PLs.

3.2.4 Commitment to learning

Related to trust is the notion of commitment. This factor is related to the value influences whether an organization is likely to promote a learning culture, and to place value on learning (Norman, 1985; Sackmann, 1991). It is confirm that there is a positive correlation between commitment and relationship success according to Mohr and Spekman (1994). When 3PLs are willing to devote resources to ensure longer-term interaction, a higher probability of success collaborative relationship ensues (Robert et al., 2002).

3.2.5 Shared vision

Shared vision is different from commitment to learning that it influences the direction of learning - a focus for learning that fosters commitment and purpose among organizational members (Day, 1994), whereas commitment to learning influences the intensity of learning (Fynes et al., 2005). In many organizations, without a shared vision, employees or managers are less motivation to learn, and less likely to know what organizational expectations exist, what outcomes to measure, or what theories in use are in operation (McKee 1992; Norman, 1985; Senge, 1990). Within a 3PL firm, even if one is motivated to learn, it is difficult to know what to learn because of the ambiguous environment and uncertainty of relationship between the firm and outsourcer (Day, 1991; Tobin, 1993).

To summarize our discussion, we contend that relevant factors of learning such as trust, adaptation, communication, commitment to learning as well as shared vision and reinforce each other in terms of enhanced relationship learning. According to the finding, the empirical studie by Mohr and Spekman (1994), Monczka et al. (1995), Sako (1992) and Ellram and Krause (1994) also support our argument that in relationship learning of 3PL in collaborative relationship is a dynamic process that covers these factors. Managers of 3PLs seeking to increase the degree of relationship learning not only need to know how to develop efficient market information-processing activities, but they must also understand how to foster an organizational environment that will breed the desire to use this knowledge (Slater & Narver, 1995).
CHAPTER 4 Linking learning to logistics service effectiveness

4.1 Logistics service effectiveness

Logistics service effectiveness for a 3PL is defined as the extent to which the goals of the 3PL in delivering the logistics service are accomplished (Panayides, 2007; Mentzer et al., 2001). The goals of a 3PL includes on-time delivery, timely response to requests, accurate information storage and delivery, ability to solve problems, fulfillment of promises and assisting the outsourcer in accomplishing their own objectives (Bienstock et al., 1997; Mentzer et al., 2001; Mentzer et al., 1989). Delivering the logistics service effectively will also have an influence on the performance of an organization. This is because a 3PL keeping its clients satisfied with its ability to solve problems, keeping accurate records, delivering services on time as well as communicating effectively can increase customer satisfaction (Leuthesser & Kohli, 1995). The items related to effectiveness include accuracy in information exchange, promptness and timeliness, responsiveness to problems and problem-solving ability (Mentzer et al., 2001; Panayides, 2007).

4.2 Relationship learning and logistics service effectiveness

According to Hertz and Alfredsson (2003), there is a natural tendency on behalf of 3PLs to increase the degree of collaboration. A closer working relationship will improve customer responsiveness (Martin & Grbac, 2003) and contribute towards the reduction of transaction costs (Dyer, 1997). In this view, applying the relationship learning for a 3PL will have a positive impact on relationship development in the 3PL–client exchange that will improve effectiveness in the delivery of the logistics service (Panayides, 2007). Specifically, 3PLs can do that effectively through collaboration with the outsourcers, learning their business practices, introducing innovations, and in turn improving the performance of the supply chain (Panayides & So, 2005).

We also found that relationships are important in marketing channels as they may contribute to performance improvements (Jap et al., 1999). Further, performance improvement stands at the heart of supplier development programs (Krause et al., 2000) and thus effectiveness is the extent to which goals are achieved (Panayides & So, 2005). If parties in a supply chain work together in a collaborative relationship with a willingness to share and receive information or knowledge, efficiency and effectiveness might be accomplished (Hult & Nichols, 1996; Mentzer et al., 2000; Mentzer et al., 2001). Since the degree of relationship learning was found to influence firm innovativeness, particularly in terms of adopting innovative technologies and processes (Galantone et al., 2002), learning behavior of 3PLs and the effects of relationship learning on organizational capabilities are essential for effective information systems development as stated by Celuch, Kasouf, and Peruvemba (2002).
4.3 Types of logistics services

Numerous of studies have investigated the contents of logistics services and how 3PLs operate (Bagchi & Virum, 1998; Berglund, 1997; Christopher, 1998; Lieb & Randall (1996). Typical services outsourced to 3PLs are transport, warehousing, inventory, value-added services, information service and design, and reengineering of the chain (Hertz & Alfredsson, 2003). These service developed by 3PLs depend on how they balance the degree of adaptation to customer with their general problem-solving ability (Hertz, 1993; Hertz & Alfredsson, 2003). Thereby, the need for the understanding of the different types of 3PLs would be necessary.

Fig. 2 3PLs classified on the basis of problem solving general ability and customer adaptation ability (source: adapted from Hertz & Alfredsson, 2003)

- **a)** The standard TPL provider (Block 3 in figure) is the most basic form of a TPL provider. It performs the most basic functions of logistics (such as picking, packing and distribution);

- **b)** The 3PL as a service developer (Block 1) is seen as offering advanced value-added services (such as tracking & tracing, cross docking, or specific packaging);

- **c)** The customer adapter (Block 4) can be described as the 3PL firm taking over clients’ existing logistics activities. It aspires to improve these activities, without making much development of services;

- **d)** The customer developer (Block 2) can be seen as the most advanced 3PL provider since it integrates itself with its customer and takes over its entire logistics function on the basis of enhanced knowledge, and it involves a high collaboration with the outsourcer. These providers will have few customers, but will work extensively with them.

To develop more advanced activities and services seems to be used a way to increase customer adaption for 3PLs and also to create the specific knowledge
needed. It seems natural to assume that relationship learning will lead to a greater commitment towards the development to inter-firm relationships (Johnson & Sohi, 2003). By applying relationship learning, the development of 3PLs would seem to develop towards a customer developer in order to keep a high quality in their logistics services (Alfredsson & Hertz, 2001; Hertz & Alfredsson, 2003).

4.4 Logistics service effectiveness and firm performance

As stated by Choi and Hartley (1996) effective supply chains contribute directly or indirectly to an increase in various performance measures. This is because learning will generate positive outcomes for the firm in the form of improved performance (efficiency and effectiveness) (Johnson & Sohi, 2003). Another reason is adopting a higher degree of relationship learning gives a high yield of stronger order fulfillment, stronger service, stronger upper management competencies and external partnering capabilities (Panayides & So, 2005; Panayides, 2007). Following this, it seems that the delivery of the logistics service effectively entails improvements across the supply chain. By increasing efficiency in handling, knowledge in how to manage the collaborative relationship through learning of a 3PL is developed gradually. Finally, customer satisfaction will be linked to improvements in a firm’s economic returns, for instance market share or profitability (Anderson et al., 1994; Crosby et al., 1990).

The question is, however, how we should identify the measurement of 3PLs performance. It was suggested that performance measures can be classified either as financial or operational (Venkatraman & Ramanujam, 1986). And operational measures included key competitive success factors (such as quality, delivery, service, flexibility) and internal indicators (such as defects, schedule realization) (Panayides & So, 2005; Panayides, 2007). Back to the Section 4.1, in the current study 3PLs’ effectiveness is regarded as an operational measure of competitive success factors, namely quality, timeliness and customer service. Since studies have confirmed the linkages between channel relationship management and firm performance (Bello & Gilliland, 1997; Cavusgil & Zou, 1994), the findings come to support our previous discussion stating that logistics service effectiveness corresponds to the measurement of operational performance that ultimately drives 3PL firm’s performance.
CHAPTER 5 Conclusion and implications

5.1 Conclusion

This thesis responds to the call for research on certain supply chain issues in relationship learning. The findings of this study indicate that 3PLs do learn from collaborative relationship by developing skill in identifying potential collaborators, negotiating the form and specifics of collaborative agreements, managing and monitoring the arrangements, knowing when to terminate them, and transferring knowledge. This collaborative know-how in turn allows firms to achieve effectiveness and improved performance from collaboration. The key to build effective collaboration involves certain key factors, including trust, communication, adaption, shared vision within the firm as well as commitment to learning. The level of each directly influences the degree of learning. Knowledge-based information is regarded as valuable resource, such as promotional plans, historical shipping data, as well as real time load data, firms can significantly enhance collaboration in terms of logistics activities and therefore contribute to more efficient collaborative logistics management. Although, in some cases, 3PLs are willing to learn but the outsourcer is not, which might be due to the uncertainty of collaborative agreement. The reason why collaborative relationship does not push the outsourcer to invest more in relationship learning still needs to be investigated by a further study.

By modeling the process of relationship learning, we found that the importance of learning in 3PL-client relationship. The finding are supporting the relationship between collaboration and know-how, addressing the positive influence of relationship learning in developing logistics service effectiveness. Positive relationships are reported, which suggest that logistics service effectiveness is an outcome of relationship learning. It is also found that logistics service effectiveness of 3PLs is an operational measure of competitive success factors,

Furthermore, the discussion given about the importance of factors of collaborative logistics also implied that in order to take the advantages of collaborative logistics management and achieving positive gains in efficiency and cost reduction across the entire supply chain. The following approaches are needed:

- real time customer-based information (via relationship learning)
- real time supplier-based information (via relationship learning)
- focused investment in web-enabled technology (by adaption, mainly innovation)

Finally, the description of logistics collaboration given in this paper proves that 3PLs involved in collaboration are performing on operational level. Since we defined collaborative logistics as a part of supply chain, relationship learning is also understood to be matched for the logistics system. It seemed that the most important
reason for companies to enter a mutual beneficial partnership like collaboration is to find the way to manage the relationships through the relationship learning. However, this study presents an overall understanding based on the literatures study presents the results will not be applicable for all players in the logistics and supply chain because the objective of this paper was to provide a strategic perspective for third-party logistics providers to have a deepening understanding of relationship learning in collaborative logistics.

5.2 Managerial implications

The findings of this study are important for 3PLs as the sector is facing with increasing competitive pressure in business market. Strong and enduring relationship between 3PL and the outsourcer can play a critical role in forming its competitive position. That is because they, by adopting high lever of relationship learning, can immediately response to the change of the outsourced service, and can operate more effectively. The key managerial implication of this study is that managers of 3PLs should not only focus on operation capabilities, but also concentrate the development of collaborative relationship and the capabilities of learning.

From a management perspective, mutual trust and commitment are central to a more enlightened approach to managing supply chain relationships. This requires frequent communication and collaboration on issues or tasks such as product and process design, quality and scheduling, all of which is evidenced by increased adaptation on the part of 3PLs and clients. Specifically, the form of personal visit, telephone or e-mail communication with clients should be encouraged. Fully utilizing formal or informal meeting within organization in order to discover the improvement area and introduce the advanced technology that enhance performance and efficient information or knowledge exchange.
Reference:


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