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20th EBES Conference – Vienna
Real Estate and Facility Management at University of Wien

Logistics Outsourcing.

Why do not any Italian SMEs adopt the externalization?

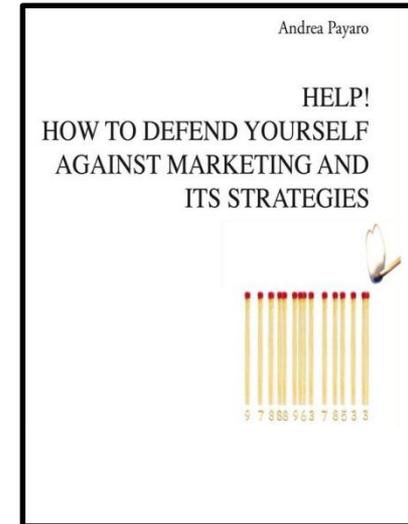
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- 1999: Degree in Management Information System at University of Padua
- 2002: Ph.D. in Business Management at University of Padua
- 2004: Post Doc. in Business Management at University of Padua
- 2004-2011: Visiting Professor at University of Padua
- Today:
 - Vice President of **SCM Academy (Supply Chain Management Academy)**, Italian association of logistics and supply chain management
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 - Marketing Researcher at *Largo Consumo*, Italian magazine of marketing and economics
- Author: Payaro, 2014. *Help! How defend yourself from marketing and its strategies*. Aras Ed.

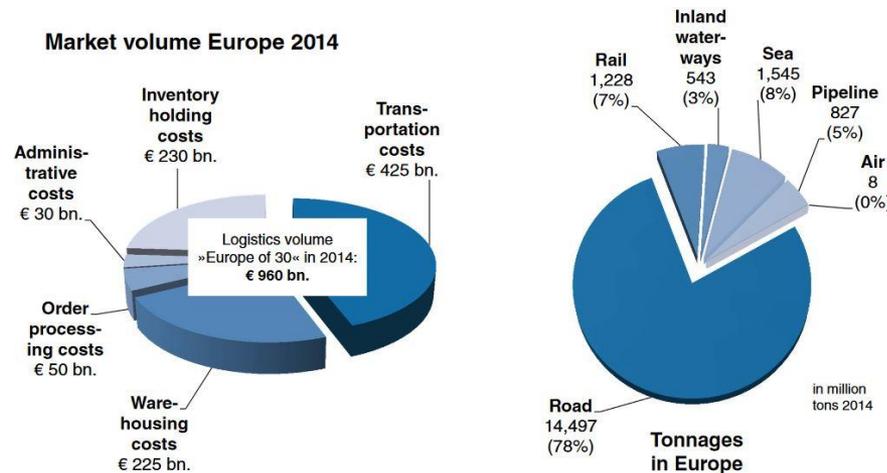


Agenda

- Logistics
- Outsourcing
- 3PL
- Pros & Cons
- SMEs
- The research
- Methodology
- Conclusions

Logistics

- Logistics encompasses all of the information and material flows throughout an organization (Pollitt, 1998).
- The scope of logistics has changed since the emergence of new technologies and strategic alliances in order to compete on flexibility and responsiveness. The growing importance of logistics arises from companies becoming globalized to gain access to new markets, realize greater production efficiencies, and tap technological competencies beyond their own geographical borders (McFarlan, 1984; Bovet, 1991; Cooper, 1993; Fawcett et al., 1993).



Source: *Top 100 in European Transport and Logistics Services 2015/2016*
 Fraunhofer Center for Applied Research on Supply Chain Services SCS

Outsourcing

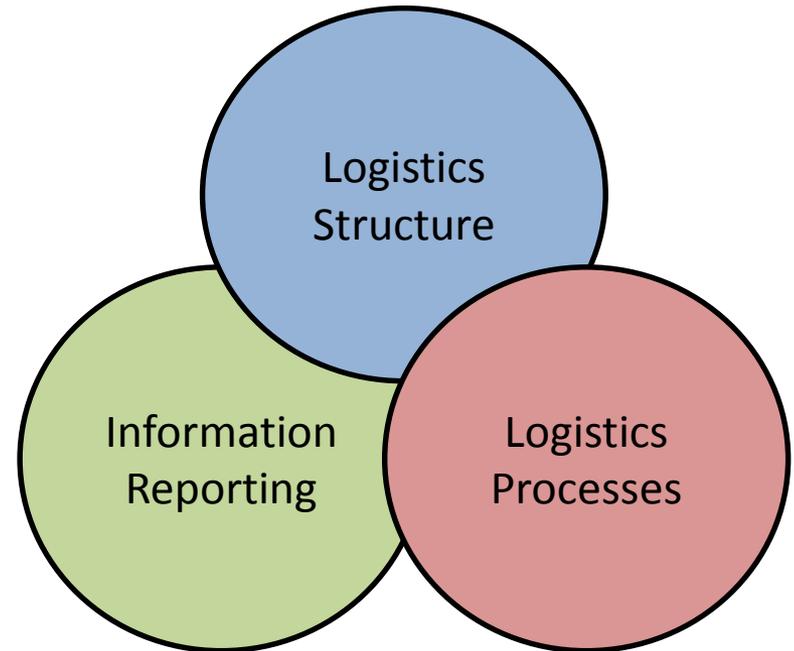
- Logistics is a one of the common functions that companies usually outsourced
- The most often activities outsourced are (Hrušecká et al.,2015):
 - Transport and shipment
 - Warehousing and inventory
 - Information systems
 - Other, related to value added services (Product returns, Product assembly & installation, Labelling, Customisation, Assembly, Packaging)



Source: Krarup F., Bailey P., 2016. *Outsourcing in Europe. An in-depth review of drivers, risks and trends in the European outsourcing market*, EYGM Limited

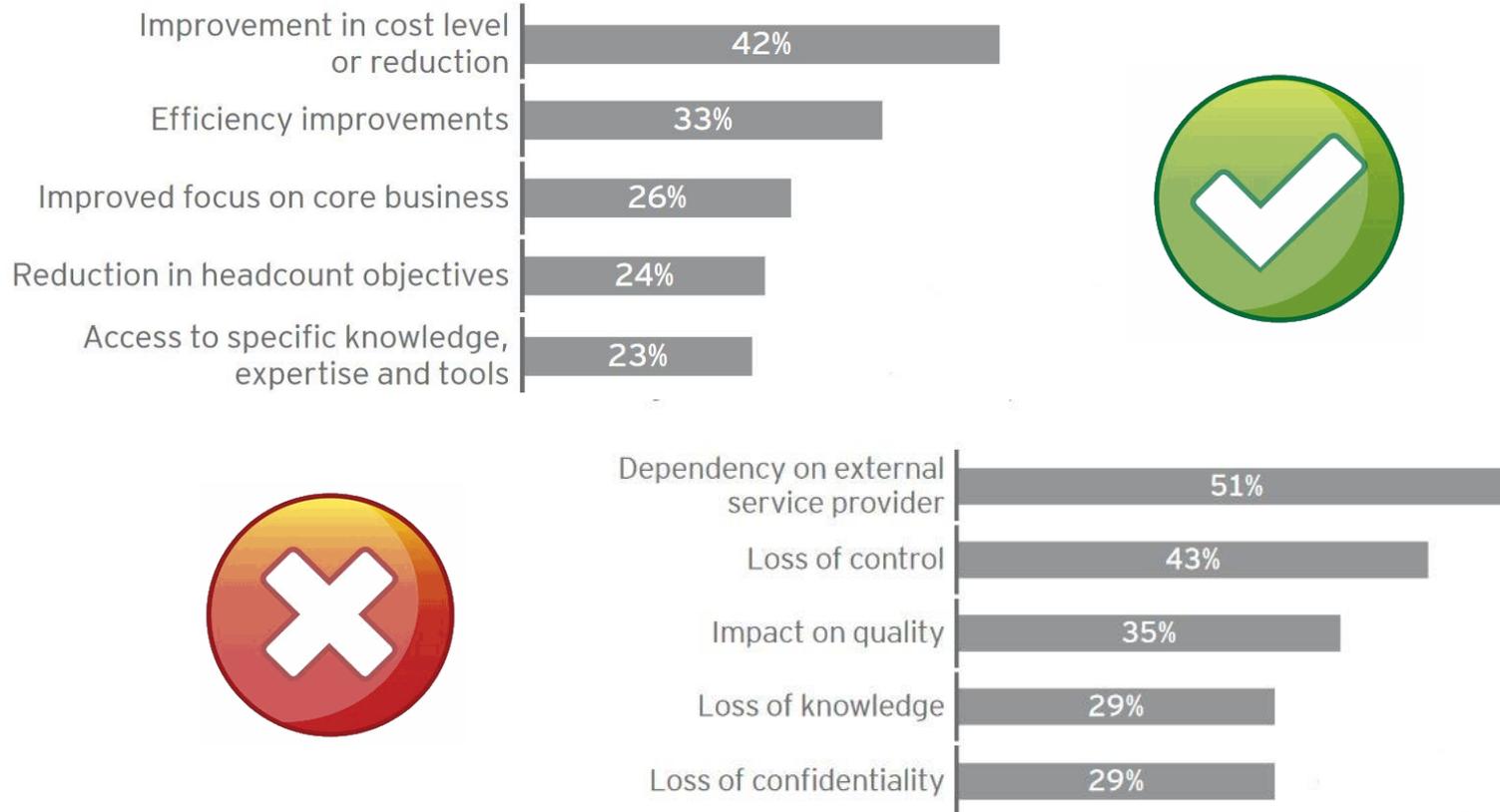
3PL

- Third-party logistics (3PL) are activities carried out by an external company on behalf of a shipper and consisting of at least provision of management of multiple logistics services (Andersson, 2003).
- 3PL is the use of external companies to perform logistics functions that have traditionally been performed within an organization. The functions performed by the third party can encompass the entire logistics process or selected activities within that process. (Lieb, 1992)



Source: Aldin and Stahre (2003)

Pros and cons of Outsourcing



Source: Outsourcing in Europe. An un-depth review of drivers, risks and trends in the European outsourcing market, EY

SMEs

- There are many researches about logistics and large enterprises.
- There are less studies about Small and medium-sized enterprises (SMEs) and logistics outsourcing
- Italian National Institute of Statistics (ISTAT) affirms SMEs represent 99% of national enterprises.
- SMEs continue to increase their importance as a force for national economic resilience in terms of their contribution towards growth (United Nations Development Programme, 2007).

SMEs and Outsourcing

- The technical literature on the logistics of small and medium-sized enterprises is not particularly extensive.
- The bulk of logistics research still focuses on the logistics of large companies. Probably, this is due to the fact that the logistics functions of large companies are sounder and easier to research (Pearson and Semeijn, 1999).
- Unfortunately, SMEs have different organizational settings and are not miniature-versions of large enterprises (Hagelaar et al., 2014).

The research

- The research has been conducted through an empirical analysis of exploratory multiple case study.
- The results are based on interviews both with owner and with employees.
- The sample is composed of 30 SMEs belong to different industries situated in the North East of Italy.
- The choice of 30 firms is supported by the Eisenhardt's approach to case study research which argues for the use of more than a single case. She concludes that "between 4 and 10 cases usually works well" (Eisenhardt, 1989).
- All firms belong to Confindustria, the General Confederation of Italian Industry. Confindustria of Padua, with almost 1,600 associated companies, involves over 64,000 people.



Objectives

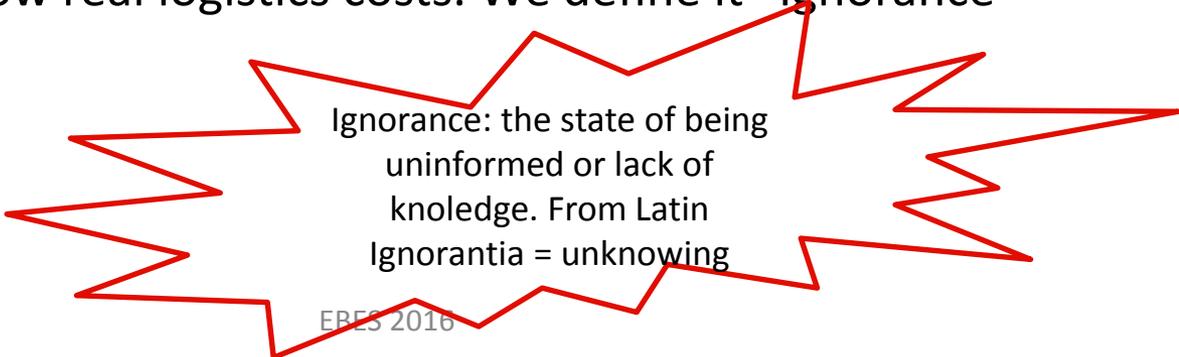
- The main objectives of our study are:
 - determine if SMEs know the services provided by 3PL.
 - investigate the reasons why SMEs adopt or do not adopt outsourcing
 - Verify the knowledge of some internal logistics costs

Main questions and results

Questions	Yes	No
Do you outsource transport?	28	2
Do you outsource the warehouse of finished goods	3	27
Are you aware of logistics services provided by 3PL: Information Systems, Shipment Planning, Packaging, Product Returns?	1	29
Are you aware of logistics services provided by 3PL: Transport, Fleet Management?	25	5
Are you afraid about the loss of control of logistics processes after outsourcing?	8	22
Are the outsourcing services only for Large Enterprises?	22	8
Are you aware of yours logistics costs	5	25
How are your costs for unload and storage activities (cost/pallet)? (the answers reflect the exact costs calculation of logistics activities)	1	29

Conclusions

- Our paper confirms conclusions found in literature
- SMEs do not outsource because
 - they don't want lose control of inventory;
 - they are afraid of the flexibility reduction;
- Our paper adds two other motivations
- SMEs do not outsource because
 - they don't know all the services provided by a 3PL, they know only transportation;
 - they don't know real logistics costs. We define it "Ignorance"

A red jagged starburst graphic surrounds the definition of Ignorance.

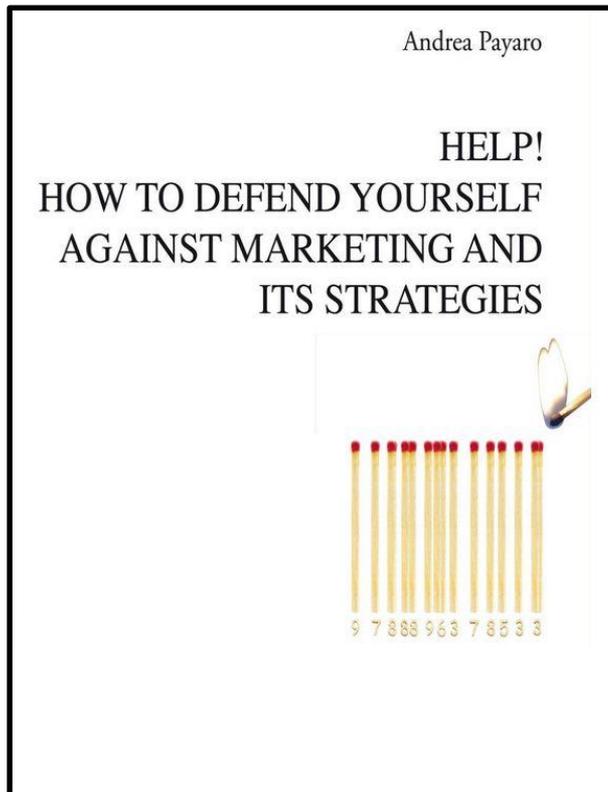
Ignorance: the state of being
uninformed or lack of
knowledge. From Latin
Ignorantia = unknowing

Further researches

- This research presents some limits:
 - the analysis was conducted using qualitative data which can be affected by subjectivity;
 - the number of firms is limited;
 - the study considers only SMEs concentrated in a limited territory;
 - we consider only few processes to determine the costs.

Thanks for your attention!

*Today we live the choices made in the past.
Now we can choose how to live in the future.*



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E-book available on line in Amazon