CHAPTER 8

CONCLUSION AND FURTHER ENHANCEMENT

8.1 SUMMARY

This study analyses the success and performance of Indian 3PL service providers. This thesis views success and performance of Indian 3PL service providers in two perspectives and they are inter and intra firm perspectives. In inter-firm perspective this study attempts to identify the key success factors which enhance the performance of Indian 3PL service providers based on their relationship with their clients. In the intra-firm context, it tries to identify the effect of important internal resources and capabilities that contribute to the success of firms.

Conceptual model has been developed for both the perspectives by relating key success factors, performance metrics and growth strategies.

In the context of inter-firm analysis, this thesis proposed two models. The first model studied the effect of success factors on financial and operational performance metrics. The second model proposed the study of the effect of success factor on performance metrics and growth strategies. Several hypotheses have been developed and all the hypotheses have been validated with 95 Indian 3PL service providers.

In order to maintain the homogeneity in the data sets, the analysis of two models was repeated for clusters, namely smaller and medium and large firms, which are classified based on total revenue.
Multiple regression analysis is performed in first model of inter-firm analysis under two categories to map financial performance metrics with success factors and operational performance metrics with success factors. In the second model of inter-firm analysis, canonical correlation analysis is performed under two categories to map performance metrics with success factors and growth strategies with success factors.

Under intra-firm, analysis this thesis attempts to evaluate the efficiency of firms in converting their resources and capabilities into business performance. This analysis validates the hypothesis which relates the internal functional capabilities (marketing and operational) and diversification strategies with firm performance.

A methodology has been proposed based on an optimization technique called Data Envelopment Analysis. This methodology helps to classify the firms into efficient and inefficient groups on the basis of their resource, capabilities to financial performance transformation. Multiple regression analysis is performed to map functional capabilities and diversification strategies with business performance. The relationship proposed in hypothesis is evaluated using an empirical analysis carried out in Indian 3PL service providers from all zones of India.

8.2 MAJOR FINDINGS OF THIS RESEARCH WORK

The findings of first model of inter-firm analysis reveal that success factor ‘relationship with 3PLs’ would substantially influence operational performance metric ‘on-time delivery’ and success factor skilled logistics professional improves financial performance metric profit growth. This analysis suggests that soft factors such as relationship building and developing skilled logistics professionals are more important than hard factors such as investment in information systems and supply chain integration.
The results of second model of inter-firm analysis suggest important findings for Indian 3PL service provider’s managers. In context with success factors and performance metrics, it is found that the success factor ‘internationalization of operations’ does not have any relationship with performance metrics. The canonical analysis could not find a suitable metric to capture the success factor ‘internalization of operations’. It is interesting to note that ‘supply chain integration’ does not have any implication towards all respondents and small firms. This statement denotes that medium and large firms really enter into supply chain integration. One more fact states that smaller firms are eagerly trying to invest in information systems to succeed rather than medium and larger firms. The overall analysis also depicts that performance metric ‘revenue growth’ does not have any role in all respondents and smaller firms. ‘Return on asset’ metric has not been taken so seriously by the small firms.

In context with the growth strategies, it is found through the overall analysis that the success factor such as ‘internationalization of operations and industry focus’ does not have meaningful relationship with growth strategies. Furthermore, growth strategies are widely used as a strategic tool by medium and larger Indian 3PL service provider firms where as smaller firms do not bother much about it.

Major finding is that medium and larger firms are interested in internationalizing their operations but the analysis is unable to capture an important indicator for it.

Prioritization of key success factors based on Mean Value of responses are as follows: customer focus, internationalization of operations, 3PL experience, investment in quality assets, breadth of services, skilled logistics professionals, supply chain integration, relationship with 3PLs, industry focus, investment in information systems. The survey also identifies
the significant gaps between the expectations and actual achievements of the firms with respect to the breadth of services and focus on specific industries, which should be seriously looked into by the managers.

In the context of growth strategy prioritization, direct investments and alliances stand out as the most important factors to the success of third party logistics provider. Acquisitions are also found to be important, although somewhat less, determinants of growth strategies as a 3PL service provider. The expansion options such as direct investments, mergers, acquisitions and alliances have to be carefully examined so as to complement and align with firms’ domestic operations.

The results for intra-firm analysis reveal that the marketing capabilities entirely dominate the firm’s the business performance. Major finding is that marketing capability has more impact on business performance for efficient firms. The results show that the 3PL service provider firms have better resource-performance transformation abilities, but the marketing capabilities dominate over operations capabilities. The results also show that overall diversification has a negative impact on the logistics firm’s performance.

8.3 FUTURE RESEARCH DIRECTION

This research can be extended by comparing between 3PL service providers and customers (B2C) in terms of their expectations and fulfilments.

Another possible direction for future research is to focus mainly on the correlation between the key success factors with respect to the performance metrics and the growth strategies for similar service providers.
Furthermore, it is important to investigate and compare the relationship of success factors with performance metrics and growth of 3PL service provider industries in various geographic regions.

In this research work, the relation between diversification and performance is assumed to be linear. This research work can be extended to focus on the curvilinear relation between diversification and performance.

This research can also be focused more on functional capabilities of a firm such as IT, technology and modeling the interactive effects of such capabilities and diversification strategy on firm-performance.

Increased sample size would guide further the practitioners to generalize the findings of Indian 3PL service providers.

Future analysis could study the success of large firms exclusively to understand its performance when compared to global 3PL service providers.

Comparative zonal wise study could be undertaken to strengthen sick 3PL operators in each zone.