The PILOOR Model: a guideline to mutually improve logistics performance within shipper-TPL provider relationships

Amer Jazayrli
Johannes Lenhardt

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Abstract

Purpose: This master thesis attempts to propose a guideline for improving logistics performance in terms of cost efficiency and on-time delivery in shipper-TPL provider relationships within offshore outsourcing businesses.

Methodology: As a first step, the authors construct a conceptual model based on a thorough literature review. In a second step, empirical data is collected through semi-structured interviews within a single-case study with dyadic perspectives examining the shipper-TPL provider relationship of Ericsson, Sweden and Aramex, Saudi Arabia. Lastly, the authors are able to develop a final detailed model through merging the discovered theoretical and empirical findings.

Findings: The findings of this thesis highlight the impact on performance of the factors of communication, culture, work agreements, standardization, system compliance and trust. Based on these factors, the PILOOR Model is developed that illustrates a sequential order of these factors to improve performance. In detail, the findings suggest to start off with communication and culture in order to foster a mutual understanding. Afterwards, work agreements and standardization within processes and communication channels should be established. Thus, considerable efforts are required within the build-up stage of shipper-TPL provider relationships. Within the execution stage, system compliance is found to enhance performance, in which formal and informal communication tools support performance improvements. Finally, this research highlights that trust develops over time by successfully working on the other factors. In addition, it has an overall positive effect on performance once a sufficient level is achieved.

Research Implications: This research is the first to propose a guideline for performance improvements within offshore outsourcing of TPL services through the presented PILOOR Model. Thus, this research fills a significant gap within the body of the TPL literature. Furthermore, the PILOOR Model is believed to support practitioners in successfully building-up and executing their offshore outsourcing shipper-TPL provider relationships.

Limitations & Further Research: Due to the choice of methodology, this study is limited in terms of generalizability. Therefore, the authors suggest replicating this study within other offshore outsourcing shipper-TPL relationships. Ideally, the developed PILOOR Model should be tested empirically.

Keywords: third-party logistics, offshore outsourcing, logistics performance improvement, the PILOOR Model.
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We hope our piece of work would provide the readers with informative knowledge regarding the topic.

Kind regards,
Amer & Johannes
# Contents

Abstract................................................................................................................................................. I  
Acknowledgements................................................................................................................................. II  
Contents .................................................................................................................................................. III  
Figures .................................................................................................................................................... IV  
Tables....................................................................................................................................................... IV  
Abbreviations.......................................................................................................................................... IV  
1 Introduction ........................................................................................................................................... 1  
2 Methodology ........................................................................................................................................ 3  
  2.1 Applied method .................................................................................................................................. 3  
  2.1.1 Building a theoretical foundation .................................................................................................... 4  
  2.1.2 Data collection ................................................................................................................................ 5  
  2.1.3 Data analysis ................................................................................................................................... 6  
  2.2 Quality assessment .............................................................................................................................. 6  
  2.2.1 Construct validity .............................................................................................................................. 6  
  2.2.2 Internal validity ................................................................................................................................. 7  
  2.2.3 External validity ................................................................................................................................. 7  
  2.2.4 Reliability ....................................................................................................................................... 8  
  2.2.5 Ethical research ............................................................................................................................... 8  
  2.3 Case companies .................................................................................................................................. 8  
  2.3.1 The shipper: Ericsson ........................................................................................................................ 8  
  2.3.2 The TPL provider: Aramex ............................................................................................................... 9  
3 Literature review ..................................................................................................................................... 9  
  3.1 Third-party logistics ............................................................................................................................ 10  
  3.1.1 Definition ....................................................................................................................................... 10  
  3.1.2 TPL in offshore outsourcing ........................................................................................................... 11  
  3.2 Performance in shipper-TPL provider relationships ........................................................................ 12  
  3.2.1 Overview of performance indicators within shipper-TPL provider relationships ...................... 12  
  3.2.2 Applied performance indicators ...................................................................................................... 13  
  3.3 Shipper-TPL provider relationship stages ....................................................................................... 14  
  3.4 Potential factors affecting performance within TPL offshore outsourcing ..................................... 15  
  3.4.1 Standardization ............................................................................................................................... 17  
  3.4.2 Work agreements ............................................................................................................................ 17  
  3.4.3 System compliance ......................................................................................................................... 18  
  3.4.4 Communication .............................................................................................................................. 19  
  3.4.5 Trust .............................................................................................................................................. 20  
  3.4.6 Culture ......................................................................................................................................... 20  
  3.5 Development of the conceptual model ............................................................................................. 21  
  3.5.1 Factors linkage matrix .................................................................................................................... 21  
  3.5.2 Conceptual model ........................................................................................................................... 23  
4 Results .................................................................................................................................................... 24  
  4.1 Communication .................................................................................................................................. 25  
  4.1.1 Communication in the build-up stage .............................................................................................. 25  
  4.1.2 Communication in the execution stage ........................................................................................... 26  
  4.2 Culture .............................................................................................................................................. 27  
  4.2.1 Organizational culture .................................................................................................................... 27  
  4.2.2 National culture ............................................................................................................................... 28  
  4.2.3 Impact on performance .................................................................................................................... 28  
  4.3 Trust .................................................................................................................................................. 29  
  4.4 Work agreements .............................................................................................................................. 30  
  4.5 System compliance ............................................................................................................................. 31  
  4.6 Standardization ................................................................................................................................. 33  
  4.7 Sequential order of factors ............................................................................................................... 34  
5 Discussion ............................................................................................................................................ 35
5.1 Communication
5.2 Culture
5.3 Trust
5.4 Work agreements
5.5 System compliance
5.6 Standardization
5.7 The development of the PILOOR Model

6 Conclusion

6.1 Academic contribution
6.2 Practical implications
6.3 Research limitations and further research suggestions

Appendix

Interview protocols
‘Focused’ interviews
‘In-depth’ interviews
Conducted interviews

References

Figures

Figure 1: methodological path
Figure 2: flow of goods within the shipper-TPL provider relationship
Figure 3: shipper-TPL provider relationship stages model (Marasco, 2008)
Figure 4: conceptual model
Figure 5: system compliance cost model for multiple TPL providers
Figure 6: the PILOOR Model

Tables

Table 1: factors linkage matrix
Table 2: main communication levels between Ericsson and Aramex
Table 3: characteristics of interviewees and interviews

Abbreviations

EDI – Electronic Data Interchange
ERP – enterprise resource planning
IT – information technology
KPIs – key performance indicators
LSP – logistics service provider
RBV – resource-based view
RFP – request for proposal
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>RMEA</td>
<td>region Middle East and Africa</td>
</tr>
<tr>
<td>SAP</td>
<td>Systems, Applications &amp; Products in Data Processing</td>
</tr>
<tr>
<td>TPL</td>
<td>third party logistics</td>
</tr>
<tr>
<td>SAU</td>
<td>Saudi Arabia</td>
</tr>
<tr>
<td>SWE</td>
<td>Sweden</td>
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<tr>
<td>UAE</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>VRIN</td>
<td>valuable, rare, inimitable and non-substitutable</td>
</tr>
<tr>
<td>WMS</td>
<td>warehouse management system</td>
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1 Introduction
Today, organizations strive for success in the highly competitive work environment, in which the demand for timeliness and flexibility of deliveries drives them to seek ways to increase their competitiveness (Skjøtt-Larsen, 2000). Therefore, companies tend to outsource their logistics activities to third party logistics (TPL) providers while maintaining their focus on their core competencies, as TPLs play a main role in promoting the overall performance within different supply chains (Power et al., 2007; Gadde & Hulthén, 2009; Evangelista et al., 2012). The concept of TPL has been receiving significant attention in the literature in the recent years, and this can be attributed to the observed trend of outsourcing logistics activities within diversified businesses and industrial sectors (Transport Intelligence, 2004; Marasco, 2008). Consequently, companies seem to collaborate and build relationships with their logistics partners within different relationship stages (Halldórsson and Skjøtt-Larsen, 2004), where Gadde and Hulthén (2009) attribute the leverage of outsourcing outcomes to the increased synergy between companies that outsource logistics (shippers) and their logistics supply partners (LSPs). In the context, plentiful advantages for outsourcing logistics activities from the shipper’s point of view have been highlighted by several academics, where these advantages include focusing on the company’s core competency, reducing cost, improving operational efficiency and benefiting from the provider’s advanced experience in the field (Aghazadeh, 2003; Jharkharia & Shankar, 2007; Kotabe et al., 2008; Aguezzoul, 2014).

Outsourcing logistics activities is crossing national boundaries and expanding towards a worldwide extent as a result of the global growth in communication and technology sectors (Clott, 2007; Tate & Ellram, 2009). Such facilitation has attracted companies to outsource different types of businesses to suppliers located outside their home country through offshore outsourcing (Erber & Sayed-Ahmed, 2005). However, Tate and Ellram (2009) explain how involving suppliers within offshore outsourcing represents a sensitive strategic matter, especially in the business kick-off phase, by which Selviaridis and Spring (2007) describe such associations as ‘problematic’. Accordingly, Clott (2007) argues that managers assigned with complex offshoring arrangements tend to follow an uncertain ‘learn by doing’ approach due to the lack of top management guidance. Subsequently, this uncertainty implies a number of potential external challenges that might lead such relationships to fail, as these challenges include cost constraints, increased distances, and cultural and communicational obstacles (Mentzer et al., 2004; Wilding & Juriado, 2004). According to Sangam (2005), more than half of logistics partnerships tend to be terminated within three to five years of encounters.

Consequently, performance should be continuously monitored in order to avoid failure within shipper-TPL provider relationships, as Caplice and Sheffi (1995) explain that the logistics sector encompasses a complex set of activities that demands a group of metrics to measure performance. However, different shipper-TPL provider settings apply different metrics to track performance by combining multiple performance measures (Caplice & Sheffi, 1995; Lai et al., 2004; Panayides, 2007). Whereby, Caplice and Sheffi (1995) emphasize that these performance measures should be carefully chosen and interconnected in a systematic approach in order to enable decision makers to view a balanced picture of the logistics processes. Therefore, this study considers cost efficiency and on-time delivery as performance indicators, as they have been revealed to be the most prominent measurements in the literature (Wilding & Juriado, 2004; Liu & Lyons, 2011; Kumar & Singh, 2012). Also, this study focuses on improving these performance measures in the fastest way possible within the early stage of the relationship.

However, Selviaridis and Spring (2007) propose further research in TPL relationships design and implementation. Whereby, and after conducting an extensive research across several sci-
cientific journals and databases by the authors, no study was found to focus on providing a
guideline to promote logistics performance within shipper-TPL provider relationships among
offshoring encounters. Starting with performance, Jayaram and Tan (2010) remark several
studies linking TPL to enhanced firm performance, where definitions of firm performance are
often vague. Also, these studies investigate specific factors and their influence on various firm
performance aspects. Thus, there is an absence of studies focusing on a certain type of per-
formance and examining the influence of various factors on this specific performance type.
Also, Jayaram and Tan (2010) question whether companies have found the right way to opti-
mize their firm performance with the use of TPLs. Taking a glance from an offshoring view,
Mitra and Bagchi (2008) provide a guideline for managers to allocate resources within off-
shoring businesses. However, they only link performance drivers with performance measure-
ments without providing an in-depth insight, in which this can be attributed to their choice of
conducting a quantitative study in their research. Additionally, their guideline is conceived as
ambiguous rather than straightforward. Similarly, most of the studies about logistics per-
formance within shipper-TPL provider relationships tend to be quantitative, while on the other
hand, conducting a qualitative study would assist in providing a deep insight to understand
how performance can be improved within such relationships. Moreover, according to the au-
thors’ knowledge, no detailed guideline has been provided by the literature for successful
kick-offs of shipper-TPL provider relationships that considers the initial stages of the relation-
ships. Therefore, the following research question has emerged:

RQ: How can logistics performance be improved in shipper-TPL provider rela-
tionships within offshore outsourcing businesses in the early stages of the relationship?

In order to outline the relevance of the demonstrated gap, the literature highlights that there is
an increasing trend for companies to outsource their logistics activities across borders, where
a significant proportion of these endeavors seem to fail due to several factors that encompass
managerial, cost, communication and cultural aspects (Erber & Sayed-Ahmed, 2005; Clott,
2007; Tate & Ellram, 2009). These factors expose managers to a risk of uncertainty while
conducting offshoring businesses, which forces them to implement a ‘learn by doing’ ap-
proach instead of having a clear and detailed roadmap to assist them in their encounters,
which could also increases the risk of failure (Mentzer et al., 2004; Wilding & Juriado, 2004;
Clott, 2007). Therefore, providing a clear guideline for offshore outsourcing within shipper-
TPL provider relationships is believed to be of a high necessity, as logistics is a crucial part of
business and maintaining a healthy relationship with TPL providers is vital for business suc-

cess.

In order to fill the observed gap, a case study considering dyadic perspectives will be con-
ducted to thoroughly and comprehensively examine the relationship between Ericsson, Swe-
den, and its TPL provider in Saudi Arabia, Aramex. This relationship has been selected as a
suitable case for two major reasons. Firstly, this study aims to cover the early stages of ship-
per-TPL provider relationships, by which the examined case represents an infant relationship
that was initiated in the beginning of 2014. Thus, it is believed that the interviewees are still
able to provide sufficient information regarding the relevant time period. Secondly, shortcom-
ings are acknowledged within the beginning of the selected relationship, where solutions have
been implemented to overcome the encountered obstacles and improve performance. There-
fore, the case is considered to provide relevant information to answer the research question.

Consequently, the purpose of this research is to propose a guideline for improving logistics
performance in terms of cost efficiency and on-time delivery in shipper-TPL provider rela-
tionships within offshore outsourcing businesses. This will be carried forward by establishing a conceptual model based on an extensive literature review, whereby this model will demonstrate a performance-time correlation while sequentially and logically interrelating it with the main factors influencing performance: communication, culture, trust, work agreements, system compliance, and standardization. Afterwards, the conceptual model will be tested and developed by reflecting the empirical findings obtained from the case study, where at the end, a final detailed model will be revealed based on an interconnection between theory and practice. This works as an attempt to build an understanding of the links between the six factors, and interpret their correspondence to the performance measures identified in this research while considering the related time frame of the case study.

The authors believe that this research will assist logistics managers by providing them with a detailed roadmap that outlines the potential boosters or hinders that might influence their relationship with their TPL providers, and consequently the logistics performance outcome. On the other hand, the results of this research aim to support TPL managers to work efficiently towards performance improvements. Moreover, this study is believed to enrich the theoretical grounding by examining shipper-TPL provider relationships by identifying main areas for logistics performance improvement, specifically in offshore outsourcing businesses within the kick-off phase. In parallel, this research aims to develop a detailed model based on the established links along a performance/time correlation.

This thesis it outlined as follows: within the second chapter, the applied methodology is outlined and its quality is discussed. Chapter three covers a literature review on the topic. The review clarifies the important terms used within the thesis, and discusses the factors impacting performance. Afterwards, a conceptual model is developed based on the provided discussion. Then, the empirical results are presented in chapter four. Following, chapter five attempts to merge empirical and theoretical findings through a comprehensive discussion. Furthermore, a final detailed model is presented. The model aims to function as a guideline to explain how performance can be improved within shipper-TPL provider relationships. A conclusion in chapter six summarizes the findings, addresses limitations and further research, and provides practical and theoretical implications of the research.

2 Methodology

To enable the reader to follow each of the steps conducted by the authors, the path of research taken will be outlined within the following section. Furthermore, these steps will be discussed regarding their strengths and weaknesses in order to assess the quality of the research and highlight potential limitations. In the final part, the two case companies Ericsson and Aramex will be introduced.

2.1 Applied method

Within academic research, researchers can choose from a variety of methods such as experiments, archival analysis, histories, surveys and case studies, where each of these methods fits a specific research objective, situation and focus (Yin, 2009, p.8). In order to explain correlations of operational factors, researchers would typically apply ‘how’ research questions, where such questions would trigger using either of case studies, experiments, or histories (Yin, 2009, p.9). If the researchers are able to control the linkages to be examined, an experiment is suggested (Yin, 2009, p.11). However, if the researchers are missing this ability and the studied correlation occurred in the past, a history should be the conducted method (Yin, 2009, p.11). Contrary, if the focus of study is examinable in the present without the researchers’ ability to manipulate the effect, a case study should be applied (Yin, 2009, p.11). Noteworthy, Eisenhardt (1989) and Flyvbjerg (2006) emphasize on case research in order to detail
a specific setting with the goal to produce knowledge, reasoning that case research results hold empirically justified conclusions. Furthermore, Frankel et al. (2005) suggest to conduct case studies in order to acquire a profound understanding of relationships within a logistics context, whereas Selviaridis and Spring (2007) project this proposition onto shipper-TPL provider relationships. Taking these suggestions into account, this study considers a case study as the most appropriate method, in which the aim of the study is to investigate the impact of certain factors on performance within the present context of shipper-TPL provider relationships, and therefore to provide an answer on how these factors influence performance.

Comparing single-case studies with multiple-case studies, Yin (2009, p.61) suggests a multiple-case study as the most favorable option, as evidence from multiple cases results directly in a stronger external validity (Rowley, 2002; Eisenhardt & Graebner, 2007). However, multiple-case studies imply time and resource constraints, as well as the requirements to select suitable cases complementing each other to gain relevant results (Yin, 2009, p.53-54). On the other hand, single-case studies bear the advantage to amplify in a greater extent on representative cases (Voss et al., 2002; Yin, 2009, p.48). As the authors aim to provide an in-depth explanation of the factors impacting performance within a limited time frame, a single-case study is perceived as a suitable choice, bearing in mind potential shortcomings.

In order to conduct the single-case study, three major steps are taken by the authors: building a theoretical foundation, collecting relevant data, and analyzing the data. These steps will be detailed below and are also illustrated in figure 1.

![Methodological Path Diagram]

**2.1.1 Building a theoretical foundation**

According to Yin (2009, p.35), developing a theoretical basis is essential in case study research. More specifically, he argues that the only way for single-case studies to produce generalizable results is through the comparison of the findings with former theory, where he defines this as ‘analytical generalization’ (Yin, 2009, p.38). Also, Eisenhardt (1989) emphasizes on the importance to develop a theoretical construct to pursue case study research. Therefore,
the authors conducted extensive research based on various academic databases (Science Direct, Emerald, JSTOR, Wiley Online Library, and SpringerLink) to capture the current state within research on performance improvements within shipper-TPL provider relationships. Furthermore, they also took into consideration academic articles concerning performance improvements in offshore outsourcing and overall logistics partnerships. Based on this literature review, six major factors have been identified by the authors that impact performance within shipper-TPL provider relationships. These factors were discussed taking different academic view-points into consideration, as Yin (2009, p.39) suggests.

As a final step within the theoretical part of the study, a conceptual model has been developed by the authors, which is preferred in case study research over a plain literature review (Yin, 2009, p.130). This model can be classified as a ‘logic model’, as it presents the factors in a sequential order with causal correlations among them with the aim to enhance performance (Yin, 2009, p.149). The strength of this method lies in the fact that it can be used later in the research to analyze the empirical findings while matching them with the theoretical foundation.

2.1.2 Data collection

In order to collect relevant data, a suitable case has to be selected (Eisenhardt, 1989). The authors chose the case at hand, as it covers the examined time frame precisely. Additionally, the case represents a relationship with considerable shortcomings in the beginning of it, where at a later stage, appropriate solutions have been implemented. Thus, it is believed that the case contains relevant theoretical knowledge.

One strength of case research is the possibility to retrieve data from various sources of information (Yin, 2009, p.11), where Yin (2009, p.102) proposes and explains numerous potential sources of evidence. Considerably, interviews present the most important tool to obtain information (Yin, 2009, p.106). Thus, the main focus of data collection is on conducting interviews.

Concerning the interviews, Eisenhardt and Graebner (2007) recommend to conduct multiple interviews. Moreover, Knemeyer and Murphy (2005) reveal that there are substantial variations between performance perceptions of shippers and TPL providers within their relationships, which triggers the need to obtain information from both sides. Consequently, the authors conducted five interviews with Ericsson employees and four interviews with Aramex employees, where the two key informants have been interviewed twice. Furthermore, the authors ensured that all interviewees held adequate positions to provide useful information as suggested by Eisenhardt and Graebner (2007), in which this was achieved by asking the key informants to assist the authors in proposing suitable interview candidates (Yin, 2009, p.107). The interviews were conducted mainly using Skype, and when possible through face-to-face meetings, where each interview lasted around one hour. The profile of all interviewees as well as the interface and length of the interviews are outlined in table 3 within the appendix section.

Following a suggestion by Yin (2009, p.41), the first two interviews with the two key informants were performed to confirm the suitability of the two case companies and their corresponding shipper-TPL provider relationship for this study. In line with Yin (2009, p.107), these interviews were conducted as ‘in-depth’ interviews concentrating on the matter of facts. Thus, the authors retrieved a general understanding of the relationship and the involved actors next to the confirmation of applicability of this specific shipper-TPL provider relationship for the research purpose.
The core of data collection was achieved through conducting ‘focused interviews’ (Yin, 2009, p.107), in which a semi-structured guide was followed. The context of the interviews focused on seeking the interviewee’s general perception on how to improve performance in terms of cost efficiency and on-time delivery along the factors of: communication, culture, trust, work agreements, system compliance and standardization. Thus, each interview was structured in six areas, in which each of the areas was introduced by open questions about the general perception of each factor within the relationship (Yin, 2009, p.107). In order to specify the impact of the factors on the performance indicators, detailed questions were asked afterwards. These questions were constructed based on the reviewed literature (Rowley, 2002; Stuart et al., 2002). Because of that, it was also ensured that the authors held enough knowledge about the subject area when performing the semi-structured interviews as demanded by Mills et al. (2009, p.495). A final question in the interviews aimed to request each interviewee to arrange the six factors in a sequential order, in which the sequence would show when to focus on each of the factors along the build-up and early execution stages of the business. Also, the interviews were recorded to ensure accurate replication of the answers (Yin, 2009, p.109). Additionally, the main results were adequately documented as meeting minutes by the authors and filed electronically later on (Rowley, 2002). To ensure replicability of this study, the interview protocol can be found within the appendix section, where the recorded interviews and the meeting minutes are available upon request from the authors.

2.1.3 Data analysis

According to Yin (2009, p.130), it is crucial to analyze the empirical findings based on the formerly established theoretical foundation. Thus, the conceptual model as an initial proposition is compared with the empirical results in order to detail and/or refine the model (Yin, 2009, p.143). Consequently, the match of practical and theoretical findings regarding performance improvement is discussed, whereby a final detailed model is developed (Yin, 2009, p.149), which aims to build a new theory (Voss et al., 2002).

In order to support this discussion, each factor is analyzed separately to identify its positive and negative effects on performance. According to Eisenhardt (1989), authors can review collected data individually and cross-match the findings as a second step to reduce subjectivity. Therefore, the empirical part of the analysis is established based on a cross-analysis of the factors, whereby both authors transcribed and summarized all interviews individually. Afterwards, these summaries were merged in order to cover the most important aspects of each factor, forming a cross-analysis. In a final step, the empirical cross-analysis is matched with the theoretical background to identify positive and negative effects on performance for each of the factors. Based on that, a sufficient foundation is established to discuss the final links of the factors in order to improve performance within shipper-TPL provider relationships to form a final detailed model.

2.2 Quality assessment

Following the description of the steps taken within this research, the quality of the applied methods in the context of this study is examined. Four distinct categories are established in the academic world: construct validity, internal and external validity, and reliability (Yin, 2009, p.40). Each of these categories is discussed separately in the next section while addressing limitations of this study simultaneously.

2.2.1 Construct validity

Construct validity concerns the need to find applicable measures to study the relevant purpose of a study (Yin, 2009, p.40). Especially, eliminating subjectivity within the research is required to achieve construct validity (Rowley, 2002; Yin, 2009, p.41). For Voss et al. (2002),
single cases bear the disadvantage of possible misjudgment of the specific case. Contrary, Flyvbjerg (2006) argues that case study research does not imply a greater subjectivity than other types of research. However, researchers need to ensure that the questions asked during the data collection period are linked to the research purpose and are understood by the researchers themselves (Rowley, 2002; Flyvbjerg, 2006). Likewise, Yin (2009, p.52) emphasizes that a focus on the research questions has to be kept along the process, as according to him, single-case research is likely to deviate from the initial purpose along the process.

In order to ensure a sufficient level of construct validity, the authors formulated their interview questions adjacently with the original research question design in order to keep the focus on the purpose (Stuart et al., 2002). Also, multiple sources of evidence were considered to reduce bias (Yin, 2009, p.116), especially by considering different perspectives through interviewing employees from both shipper and TPL provider companies, as these interviewees hold jobs within different occupational levels (Voss et al., 2002). Moreover, both authors were present at each interview as suggested by Eisenhardt (1989). Furthermore, the authors followed a proposition by Yin (2009, p.109) by reviewing the initial theoretical framework with key informants to ensure appropriate factors were selected within the literature. However, the authors acknowledge that a review of related internal documentation such as meeting minutes, performance reviews or the contract itself would have added another valuable source of evidence (Yin, 2009, p.103), where this was not possible due to confidentiality issues. Thus, it is recommended within further research to consider additional sources of evidence such as performance related documents.

2.2.2 Internal validity

Internal validity addresses the requirement to create causal relationships within the research objective (Yin, 2009, p.40). According to Yin (2009, p.42), it is important to sufficiently explain why a certain factor leads to a certain condition, where researches need to show that influence of other factors can be excluded. Thus, a study has to take into consideration different theories and explanations to conclude in a comprehensible way (Yin, 2009, p.43). Projecting these requirements to this study, the authors have to sufficiently explain the choice of factors, the causal relationship between the different factors, and their overall impact on performance. To comply with these necessities, the theoretical framework outlines the choice of the six factors in detail and with reference to academic literature. Furthermore, a ‘logic model’ is developed as suggested by Yin (2009, p.41) to enable the authors to comprehensively explain the links between the factors and their impact on performance based on an extensive review of literature discussing the factors in different ways. Taking these steps into consideration, it is believed that a sufficient level of internal validity is reached.

2.2.3 External validity

External validity is about the extent of which a study’s results can be generalized to a wider context (Yin, 2009, p.40). Addressing this issue, Flyvbjerg (2006) argues against the general opinion of non-generalizability of single-case research, as he states that valuable knowledge can be created by conducting thorough in-depth single-case research. However, he highlights the importance of considering contradicting findings and discussing those comprehensively. Likewise, Yin (2009, p.43) explains that case study research reaches externally valid results through ‘analytical generalization’. To reach ‘analytical generalization’, he claims that single-case research has to be based on and matched with former theory. Similarly, Rowley (2002) argues that research tools like interviews have to be developed in line with academic literature. Following these requirements, this study is based on a rich literature review, in which empirical results are discussed comprehensively in order to reach externally valid results to some degree. However, replication logic of the results is not possible within a single-case
study, as this replication logic would establish a sufficient extent of external validity (Rowley, 2002; Yin, 2009, p.44). Therefore, the absence of replication logic represents a weakness within this study. Nevertheless, Eisenhardt and Graebner (2007) address this concern and explain that case research is often applied to build initial theoretical knowledge, which is verified afterwards. Hence, the authors recommend to test and validate the developed model within more cases in the context of offshore outsourcing for logistics services within shipper-TPL provider relationships to enhance the level of external validity.

2.2.4 Reliability
Reliability of a study is achieved when repetition of the exact same study with the same results can be demonstrated (Yin, 2009, p.40). Thus, the data collection procedure needs to be adequately documented to enable others to follow the same procedure. In order to do that, the authors documented their research steps adequately in the first part of the methodology section as illustrated in figure 1 (Rowley, 2002). Additionally within the theoretical section, the development of the conceptual model has been demonstrated sufficiently. Furthermore, interview protocols, a list of the conducted interviews, records of the interviews, meeting minutes and all e-mail communication threads have been electronically filed (Yin, 2009, p.120). The first two documents are available within the appendix section, whereas the latter three are available upon request. Therefore, the authors believe that a suitable level of reliability has been achieved for this study.

2.2.5 Ethical research
According to Buchanan and Bryman (2007), ethical aspects play a vital role in qualitative research. For them, it is important to ensure that interviewees will not be exposed to any pressure or thread and that confidentiality is guaranteed. Therefore, the authors have not considered confidential information such as the contract document. Furthermore, before conducting the interviews, all interviewees have been asked if they would allow the authors to utilize the information given within this case study, which conforms to the research guidelines presented by Buchanan and Bryman (2007). Also, no pressure was exerted by the authors on the interviewees to reveal information, ensuring that all information revealed was given at free will.

2.3 Case companies
Within the following section, the shipper company Ericsson and its TPL provider Aramex are shortly introduced, in which a focus is placed upon the services that Aramex performs for Ericsson.

2.3.1 The shipper: Ericsson
Ericsson is a Swedish telecommunication company operating worldwide with around 118,000 employees and a reported annual net sales of 9.8 billion US dollar for the year of 2014 (Ericsson, 2014a). A major part within its operations is the provision of mobile network technology, in which Ericsson is the world leader of (Ericsson, 2014b). Within this particular business, Ericsson provides telecommunication stations that comprise a wide range of parts, including: radio-base stations, antennas, microwaves, batteries, cables and more. In order to ensure reliable, efficient and timely delivery, Ericsson deploys distribution centers in strategic locations (e.g. United Arab Emirates or Singapore) that distribute the goods to local warehouses functioning on a national level (e.g. in Saudi Arabia, Iran, or Indonesia). Most of the goods are stored in bulk quantities within the distribution centers, whereas the local warehouses store lower quantities depending on customers’ requirements. Whereby, the direct deliveries to Ericsson’s end customers are mostly handled by the local warehouse providers.
Within this study, the focus is on the performance improvement within the local warehouse in Riyadh, Saudi Arabia. Ericsson started the operation of the local warehouse in cooperation with a local TPL provider in January 2014. This relationship will be examined from the preparation of the partnership throughout the first year of execution. Within this relationship, Ericsson’s headquarters in Sweden besides its Saudi subsidiary are dealing with the local TPL provider in Riyadh.

2.3.2 The TPL provider: Aramex

Aramex is an originally Jordanian provider of logistics and transportation solutions operating today in 60 countries with around 14,000 employees (Aramex, 2015). The company offers a range of logistics services that include express delivery, freight forwarding, warehousing, and e-commerce solutions (Aramex, 2015). In relationship with Ericsson, Aramex is operating as its partner in several countries (e.g. Qatar, Saudi Arabia, Bahrain, Turkey, and Egypt), where their overall relationship started with a project in Qatar.

Within its relationship with Ericsson in Riyadh, Saudi Arabia, Aramex operates as a TPL provider for Ericsson, providing warehousing and distribution services. In detail, Aramex receives the parts of the telecommunication stations for Saudi customers from the distribution center of the Middle-East region in Dubai as well as from the Swedish central warehouse located in Gothenburg directly. After receiving the parts, Aramex stores them within its own warehouse amongst other customers’ inventory. Additionally, Aramex organizes the final distribution of the parts to Ericsson’s end customer destinations across Saudi Arabia. Figure 2 demonstrates the flow of goods, in which the arrows represent the direction of material flows, the squares represent the warehouses, and the ovals represent Ericsson’s end customers. The dotted line in between illustrates the responsibility shift, where Aramex takes over once the goods reach its facility.

3 Literature review

The conducted literature review serves two purposes. Firstly, a common understanding of the most important terms within this study needs to be ensured. Therefore, ‘third-party logistics’, ‘offshore outsourcing’ and ‘performance’ will be defined in the first part of the literature review. Furthermore, a model regarding shipper-TPL provider relationship stages is presented in order to pin point the time frame applied within this study. Secondly, a theoretical foundation is required to enable interpretation and discussion of the empirical findings. Hence, the academic literature regarding performance improvements will be reviewed to detect specific
factors that hinder or enhance performance within shipper-TPL provider relationships. Based on these factors, a conceptual model will be developed.

3.1 Third-party logistics

3.1.1 Definition

Plentiful TPL definitions and interpretations can be found within the literature. However, Marasco (2008) identifies a notable absence of a common persistent definition of the concept. Likewise, van Laarhoven et al. (2000) remark a lack of consistency for the terminology in the field; as they argue that in some instances TPL represents sourcing of transportation and/or warehousing services only (arm’s length), whereas in other cases TPL illustrates outsourcing numerous activities in a more complex manner that can incorporate the entire logistics processes. Viewing from a different angle, and while considering a geographical insight, Hall-dórsson and Skjøtt-Larsen (2004) explain that the Scandinavian definitions tend to be broader than the American ones, by which they attribute this to the traditional inclination of Scandinavian managers towards adjacent long-term collaboration with their external partners.

Lieb (1992, p.29) defines TPL as “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 this process”. In a similar manner, Coyle et al. (2003, p.425) argue that TPL represents an external organization “that performs all or part of a company’s logistics functions”. Considering the duration of the relationship, Bask (2001, p.474) defines TPL as the “relationships between interfaces in the supply chains and third-party logistics providers, where logistics services are offered, from basic to customized ones, in a shorter or longer-term relationship, with the aim of effectiveness and efficiency”. In a broader context, and while reflecting management support and operational activities, Berglund et al. (1999, p.59) describe TPL as “activities carried out by a logistics service provider on behalf of a shipper and consisting of at least management and execution of transportation and warehousing. In addition, other activities can be included, for example inventory management, information related activities, such as tracking and tracing, value added activities, such as secondary assembly and installation of products, or even supply chain management. Also, the contract is required to contain some management, analytical or design activities, and the length of the co-operation between shipper and provider to be at least one year, to distinguish third-party logistics from traditional ‘arm’s length’ sourcing of transportation and/or warehousing”. Viewing from a different approach, Murphy and Poist (2000, p.26) outline that the relationship between shippers and providers in TPL arrangements are based on win-win ideologies and mutual benefits for both parties. Therefore, they identify TPL as “a relationship between a shipper and third party, which, compared with basic services, has more customized offerings, encompasses a broader number of service functions and is characterized by a longer term, more mutually beneficial relationship”.

On one hand, Marasco (2008) denotes that most of TPL definitions seem to outline forms of outsourcing activities that were formerly executed ‘in-house’ by the shipper company. On the other hand, Hall-dórsson and Skjøtt-Larsen (2004) observe that some TPL definitions are primarily based on the ‘duration’ of the shipper-provider relationships with consideration of a broad range of outsourced logistics activities. Combining all the previous definitions together, TPL seems to be recognized from the ‘traditional’ outsourcing of logistics activities, as it appears to be based on a transaction-by-transaction foundation that incorporate multiple features. Skjøtt-Larsen (2000) denotes that these features include “the provision of a broad range of services, a long-term duration, joint efforts to develop cooperation, the customization of the logistics solution, and a fair sharing of benefits and risks, and suggest that TPL incorporates
strategic and not just tactical dimensions”. Different researchers tend to adopt different TPL definitions based on the extent of ‘logistics services scope’ intended to be studied (Ojala, 2003; Knemeyer & Murphy, 2005; Selviaridis & Spring, 2007). Consequently, Skjott-Larsen (2000)’s resultant TPL features that are yielded from the aforementioned definitions will be considered in this research, as they combine all the aspects of the shipper-provider TPL relationship that seem to walk in line with the examined case study.

3.1.2 TPL in offshore outsourcing

The concept of offshore outsourcing for products and services is becoming a common trend today, as Dossani and Kenney (2007) describe the concept as the “next wave of globalization”. Outsourcing occurs when a company decides to subcontract a product or service to an external supplier (Drezner, 2004). To clarify the main motives behind outsourcing, the concept of Resource-based View (RBV) can be presented (Eisenhardt & Schoonhoven, 1996; Barney, 2001); where it is described as a strategic management theory that inspects the way resources can be utilized to attain competitive advantages. The theory focuses on core competencies of a company, which represent RBV activities. Relatively, firms incline to outsource non-RBV activities, as RBV activities represent the valuable, rare, inimitable and non-substitutable (VRIN) capabilities and resources (Barney, 1991).

To explain the phenomenon of offshore outsourcing, the world today is witnessing an enormous evolution in technology, management, communication and software sectors. This evolution enables efficient international interactions between companies escorted with low cost structures and standardized software interfaces (Clott, 2007; Tate & Ellram, 2009). Such facilitation has attracted companies to outsource different types of businesses to suppliers located outside their home country. This type of outsourcing is called offshore outsourcing (Erber & Sayed-Ahmed, 2005). Overby (2003) defines offshore outsourcing as “the practice of hiring an external organization outside the firm’s country of origin to perform some or all business functions”. Companies are inclined towards offshore outsourcing businesses in order to maintain low-cost operations that cannot be achieved inside their country of origin (Bruce et al., 2004; Clott, 2007; Tate et al., 2009; Islam & Houmb, 2011). However, Lewin and Couto (2007) denote that the motives for companies to engage within offshore outsourcing are changing over time. Consequently, Tate et al. (2009) argue that companies are gaining additional strategic benefits from offshore outsourcing that surpass cost reduction, such as enhancing the overall quality and entering new markets.

Different types of products and services could be outsourced and offshored simultaneously, in which the logistics service is one of. The literature has highlighted numerous advantages for outsourcing logistics services perceived from the shipper’s standpoint, where these include: cost reduction/economies of scale, improving expertise, focusing on core competencies, building value-adding relationships, achieving strategic flexibility, improving performance, promoting operational efficiency, enhancing customer service, fostering joint-learning, increasing satisfaction, facing business uncertainties, reducing bureaucracy, creating reliable distribution channels, and leading the company to globalization (Razzaque & Sheng, 1998; Aghazadeh, 2003; Halldórsson & Skjott-Larsen, 2004; Jharkharia & Shankar, 2007; Power et al., 2007; Kotabe et al., 2008; Tezuka, 2011; Aguezzoul, 2014; Sharma & Choudhury, 2014). However, it can be argued that the benefits obtained from offshore outsourcing of logistics services can be similar to the benefits of outsourcing such services in general. For instance, the benefits of globalization, strategic flexibility or building value-adding relationships can surpass the domestic outsourcing context across the country’s boundaries, as they seem to reflect an international insight within their connotation. Shifting the focus towards the services sector, Tate and Ellram (2009) clarify the strategic nature behind managing and select-
ing suppliers within offshore outsourcing. To begin with, they identify a “standard purchasing process” for offshore outsourced services that covers: identification of need, determination of responsibility, analysis, source, negotiate and contract, implement, measure, and manage. Furthermore, they denote that offshoring of business activities and services (such as logistics services) demands steady leadership from the shipper companies complemented with expertise in the field and continuous environmental scanning. Also, Tate and Ellram (2009) emphasize that companies should carefully select the right services to be purchased from the proper offshore providers within the suitable location, while considering the whole supply chain performance along such encounters. Aside from that, they explain that companies should thoroughly acknowledge their suppliers’ capabilities and cross-match them with their organizational requirements. However, Clott (2007) argues that managers assigned with complex offshoring arrangements do not receive adequate guidance and risk assessment from top management, whereby they are forced to follow a ‘learn by doing’ attitude, bearing in mind the potential external challenges that include cultural and communication interactions with the offshoring partners. Likewise, Mentzer et al. (2004) denote that logistics services across national borders are especially complex not only due to costs constraints and increased distance, but also due to cultural and organizational circumstances that affect the efficacy of specific service offerings among customers.

Taking a glance from TPL providers’ perspective, Selviaridis and Spring (2007) denote that the continuing development within the TPL industry has led large companies that offer sophisticated logistics solutions to emerge on a continental or even global scale. These TPL providers strive to attain a strategic standing among their customer’s supply chains, which leads them to expand their operational scope and offerings within a multinational context.

Merging the two streams, it can be argued that success within offshore encounters demands diligence and alertness from both parties of the accompanied risks, as such endeavors require proper collaboration and continuous development with the offshore providers in order to maximize the performance outcome (Tate & Ellram, 2009).

3.2 Performance in shipper-TPL provider relationships

Within shipper-TPL provider relationships, the main focus is mostly on service performance enhancement (McGinnis et al., 1995; Skjott-Larsen, 2000; Gadde & Hultén, 2009). However, performance can be understood and measured in various ways within different shipper-TPL provider settings consisting out of multiple performance measures (Caplice & Sheffi, 1995; Lai et al., 2004; Panayides, 2007). Therefore, it is important to clearly define the type of performance that is applied within a specific shipper-TPL provider relationship (Stank et al., 1996). Hence, a general overview on different performance indicators will be presented within the following section, where the specific performance indicators applied within this study will be stated afterwards.

3.2.1 Overview of performance indicators within shipper-TPL provider relationships

Shapiro and Heskett (1985) pioneered in describing logistics performance by defining the ‘7 R’s of logistics’. According to them, logistics involves delivering the right product, at the right time and place, in the right quantity and condition to the right customer at the right cost. Thus, logistics activities can be expressed using financial and nonfinancial performance indicators (Caplice & Sheffi, 1995). More specifically, Stewart (1995) developed a supply chain operations reference model expressing financial aspects within different logistics cost indicators and nonfinancial aspects through delivery performance, flexibility, responsiveness, and asset management. Applying Stewart’s model to shipper-TPL provider relationships, Lai et al. (2004) classify these in efficiency and effectiveness measures. They translate delivery per-
formance into reliability and categorize this together with flexibility and responsiveness as effectiveness indicators, in which cost per asset represents an efficiency indicator. However, there seems to be almost no limit on what types of actions are measured to express financial and nonfinancial effectiveness and efficiency performance within shipper-TPL provider relationships. Considerably, Evangelista et al. (2012) study the effect of IT integration on seven performance indicators, Mitra and Bagchi (2008) test the influence of key success factors on ten performance indicators, and Kayakutlu and Buyukozkan (2011) develop a framework with 14 performance factors to assess TPL companies. Interestingly, Perotti et al. (2012) include measurements for environmental performance within their 23 performance indicators. Most prominently, Jothimani and Sarmah (2014) examine 47 different performance indicators within freight forwarding, customs, and warehousing activities. In summary, the reviewed literature reveals that performance within the TPL sector can be measured in terms of cost, revenue, growth, productivity, delivery performance, lead time, inventory, flexibility, geographical reach, innovative potential, customer satisfaction, and environmental performance (Wilding & Juriado, 2004; Mitra & Bagchi, 2008; Liu & Lyons, 2011; Kayakutlu & Buyukozkan, 2011; Evangelista et al., 2012; Perotti et al., 2012; Kumar & Singh, 2012; Jothimani & Sarmah, 2014).

In order to narrow down this large number of possible performance indicators, Kumar and Singh (2012) and Liu and Lyons (2011) test the importance of performance indicators. As a result, Kumar and Singh (2012) find that logistics cost, the percentage of accurately delivered shipments, and on-time delivery are the most prominent indicators to evaluate TPL providers. Studying UK and Taiwanese TPL providers, Liu and Lyons (2011) reveal that on-time and accurate delivery has the highest priority for Taiwanese and UK customers from the manufacturing sector. Also, Wilding and Juriado (2004) reveal in their study of European shipper-TPL provider relationships that delivery timeliness and cost measures are the most applied performance indicators.

Moreover, Briggs et al. (2010) add to the discussion of performance indicators within shipper-TPL provider relationships, distinguishing between ‘positional’ and ‘velocity’ performance. They refer to ‘positional performance’ when performance is assessed at a certain point of time. Contrary, ‘velocity performance’ evaluates performance over time, indicating the pace of performance changes (Briggs et al., 2010). Thus, ‘velocity performance’ may be used in order to show how fast certain performance indicators can be improved.

Concluding, this study takes into consideration cost efficiency and on-time delivery as performance indicators, as these have been revealed as the most prominent measurements in the literature (Wilding & Juriado, 2004; Liu & Lyons, 2011; Kumar & Singh, 2012). Furthermore, this study focuses on improving these performance indicators as fast as possible in the early stage of the relationship, which relates to velocity performance (Briggs et al., 2010).

In order to ensure that cost efficiency and on-time delivery are understood thoroughly, the next section will define the use of both terms within this study.

### 3.2.2 Applied performance indicators

In terms of cost efficiency within shipper-TPL provider relationships, Kumar and Singh (2012) simply measure cost considering the total amount of money the shipper is charged to obtain the services offered by the service provider. However, this depends largely on the amount, type and level of services (Lai et al., 2004). Thus, cost efficiency should be expressed in a more precise way. Jothimani and Sarmah (2014) apply cost performance indicators by calculating a cost per asset ratio. More specifically, they quantify cost within freight forwarding as cost per km or within warehousing as cost per unit space stored. As this study is mainly
carried out within warehousing and transportation contexts, cost efficiency is expressed in terms of cost per volume unit for warehousing, and cost per weight and distance for transportation.

Concerning on-time delivery, Stank et al. (2003) consider delivery performance as the delivery of the required order within the demanded ‘time window’ at an acceptable cost. Moreover, Brah and Ying Lim (2006) add that an on-time delivery should ensure that an immaculate good is delivered, whereas Kayakutlu and Buyukozkan (2011) preclude the loss of goods in order to keep a delivery obligation. Also, Liu and Lyons (2011) define their delivery related performance indicator as “a greater proportion of on-time and accurate deliveries”. Noteworthy, Yeung et al. (2006) point out that on-time delivery should not be mixed up with a short delivery time, meaning that the focus is on punctuality instead of speed. However, it is important to consider that the agreed time frame should be based on a realistic delivery time that challenges the TPL provider but allows sufficient time to reach the point of delivery as well (Prater et al., 2001). To express this indicator, Kumar and Singh (2012) measure two figures. Firstly, they indicate the quality as “percentage of accuracy in delivery”, and secondly they define on-time delivery as “percentage of deliveries on-time of all deliveries”. Combining both, this study expresses on-time delivery performance as “percentage of totally requested deliveries which are provided within an agreed time frame under the specified conditions”.

Concluding, Stank et al. (2003) suggest to view cost performance and service performance separately. Thus, this study examines performance enhancement in two ways. Firstly, cost performance should be improved by storing goods at the most efficient cost per volume unit, and by delivering them under the proper weight to distance cost. Secondly, service performance should be enhanced by delivering a higher percentage of ordered goods within the agreed time frame.

3.3 **Shipper-TPL provider relationship stages**

As aforementioned, this study aims to improve both performance indicators in the early stage of shipper-TPL provider relationships. In order to define this ‘early stage’, this section will present a shipper-TPL provider relationship stages model. Marasco (2008) argues that the development process within shipper-TPL provider relationships has been portrayed as a sequence of stages, by which each stage involves a number of activities and interactions. Consequently, he developed a model for the relationship stages based on an extensive literature review (figure 3). His model can be summarized as follows:

i. The build-up stage: the TPL provider is selected by the shipper company, where an identification of the offered logistics services takes place along with negotiating/developing the corresponding contract specifications (formal/informal).

ii. The execution stage: within this stage, the specified and agreed commitments and terms that were decided in the former stage are taken into effect, as the operation processes are structured, organized, implemented, coordinated and monitored, enabling both parties to adapt and develop progressive experience of the respective logistics activities.

iii. Potential long-term stage (institutionalization stage): in this stage, the daily routine work between the two parties tends to develop into an ‘institutionalized’ level, in which various relationship bonds are grown and fortified as an outcome of the intensified formal and informal interactions occurring in the relationship. Consequently, such bonds pave the way to form long-term relations accompanied with various means of collaborations grounded by technology, knowledge, trust, administration and contractual aspects.
Within this research, light will be shed on the ‘build-up stage’ and the early phases of the ‘execution stage’ only, as the ‘build-up stage’ is considered as an essential enabler for a positive ‘execution stage’. Moreover, it is noteworthy to mention that no operations are conducted in the ‘build-up stage’, which implies that performance measurements will be applied starting from the ‘execution stage’. Thus, the main focus is to develop an understanding of the performance measures and the influence of factors within the ‘build-up’ and the early ‘execution stage’ of shipper-TPL provider relationships to target performance improvements in the fastest way possible, whereby the selected case study represents such time frame within its context.

3.4 Potential factors affecting performance within TPL offshore outsourcing

Within the specific shipper-TPL provider relationship context, there is already a significant number of available studies focusing on performance improvements. Examining around 300 US manufacturers, Stank et al. (1996) reveal the positive effect of effective information exchange and responsiveness on TPL provider’s performance. Based on a survey of 339 shippers from the US, Moore (1998) finds that trust and commitment will enhance effectiveness of shipper-TPL provider relationships. Studying a shipper-TPL provider relationship in the US for five years, House and Stank (2001) reveal that extensive communication facilitates performance improvements, a performance measurement system supports reporting this performance progress, and mutual benefits promote a sustainable partnership. Developing a conceptual model of different partnership stages with TPL providers, Halldórsson and Skjøtt-Larsen (2004) provide empirical evidence from two case studies explaining how efficient interaction of the partners will improve performance, as different partnership settings benefit different performance measurements. Focusing on relationship marketing aspects, Knemeyer and Murphy (2004) surveyed 388 US logistics experts and found evidence that communication and trust are vital to enhance operational logistics performance. Based on a survey of TPL providers in Hong Kong, Panayides (2007) promotes the positive effect of organizational learning and relationship orientation on logistics performance. Conducting an explorative study on key success factors within 40 shipper-TPL provider relationships in North America, Mitra and Bagchi (2008) provide a guideline for managers in order to improve different performance metrics. Collecting data from 124 Chinese manufacturing companies, Tian et al. (2010) reveal a positive effect of TPL providers’ customer orientation on TPL performance improvement, by which customer orientation combines service variety, communication, reliability, and continuous improvement capability. Using a mail survey with 441 responses from US managers involved in TPL partnerships, Jayaram and Tan (2010) suggest specific criteria.
for selecting TPL providers, which include information integration, performance measurements, and relationship development to improve performance of a company. Surveying 129 managers of TPL firms in Germany, Large et al. (2011) emphasize on adaptation from the TPL provider’s side to comply with shipper’s standards and systems in order to enhance performance within a shipper-TPL provider relationship. Studying seven TPL providers in the Netherlands, Hofenk et al. (2011) reveal that contractual and relational aspects impact the effectiveness in shipper-TPL provider relationships positively. Based on a survey of 169 Italian TPL providers, Evangelista et al. (2012) find empirical evidence for the positive effect of data exchange technology and transactional capabilities on effectiveness and efficiency of the partnership.

Considering the data collection methods in the above-mentioned studies, it can be noted that most of them use quantitative methods to examine whether or not various factors impact several types of performance metrics. Even though House and Stank (2001) and Halldórsson and Skjøtt-Larsen (2004) provide insight on some of these factors, there is a need for more in-depth studies to explore the different factors in further detail. Therefore, this study focuses on a selection of six factors in order to build a conceptual model that will be studied intensively to reveal how these factors impact performance, whereby an explanation for the selection is provided below.

According to Hofenk et al. (2011), academics mostly study either ‘hard’ factors (e.g. contracts) or ‘soft’ factors (e.g. trust, commitment or communication) when aiming at performance improvement within shipper-TPL provider relationships. Based on their research, they suggest that ‘hard’ and ‘soft’ factors complement each other. Therefore, this study follows their proposition and combines three ‘soft’ factors and three ‘hard’ factors in order to improve performance.

Regarding ‘soft’ factors, Knemeyer and Murphy (2004) reveal that trust and communication are key factors to improve operational performance in shipper-TPL provider relationships. Likewise, several other studies confirm that trust (Moore & Cunningham, 1999; Stank et al., 2003; Panayides & So, 2005; Jayaram & Tan, 2010; Hofenk et al., 2011) and communication (Stank et al., 1996; Halldórsson & Skjøtt-Larsen, 2004; Panayides & So, 2005; Jayaram & Tan, 2010; Tian et al., 2010) are positively related to improved logistics performance. Thus, these two factors are selected for this study. In contrast, culture has not been studied as a specific factor influencing logistics performance within the current TPL literature. This absence can be explained by the fact that, to the authors’ best knowledge, there is no study available that explicitly examines performance improvement within offshore TPL relationships. However, cultural aspects are often cited as factors influencing the effectiveness within general offshore outsourcing relationships (Clott, 2007; Gregory et al., 2009; Hofer et al., 2009; Gossis & Peeters, 2014). Furthermore, some researchers on TPL relationships mention culture as a ‘side dish’ in their studies. However, they still assume an impact of the cultural aspect on performance, but they did not seem to study such factor in adequate depth (House & Stank, 2001; Huiskonen & Pirttilä, 2002; Wilding & Juriado, 2004; Hofer et al., 2009). Addressing this gap, Hofenk et al. (2011) suggest to include cultural aspects within future research on shipper-TPL provider relationships. Therefore, culture is chosen in this study as a third ‘soft’ factor.

In comparison with ‘soft’ factors, ‘hard’ factors have not received as much attention in specific shipper-TPL provider literature. Nevertheless, three factors are recognized in playing important roles in performance enhancement. Firstly, IT integration or system compliance is found to support performance improvements by several studies (Lim & Palvia, 2001; Sinkovics et al., 2011; Evangelista et al., 2012). Secondly, work agreements such as contracts, service definitions and performance measurements pave the way of working between shippers...
and their TPL providers (Logan, 2000; Andersson & Norman, 2002). Consequently, it can be argued that work agreements also impact the performance within shipper-TPL provider relationships (House & Stank, 2001; Hofenk et al., 2011). Thirdly, standardizing logistics processes is found to significantly support cost reductions and operational efficiency improvements (Manrodt & Vitasek, 2004; Zhao & Tang, 2009; Large et al., 2011). However, Manrodt and Vitasek (2004) argue that especially in offshore relationships, standardization procedures are difficult to reach. Thus, it is believed that a closer investigation of this factor supports performance improvement as it might provide solutions on how to overcome obstacles in process standardization.

Based on the explanation provided above, the next sections will thoroughly describe the six factors in relation to performance in order to develop a conceptual model afterwards.

3.4.1 Standardization

Logistics is a broad industry incorporating a wide range of services that expand along a global scale. However, various global regulations, prolonged lead times and enlarged transportation costs represent noteworthy obstacles that hinder the facilitation of international logistics management (Mentzer et al., 2004). Thus, the standardization of logistics processes and procedures should be introduced to walk in line with the prevalent international practices and standard-settings (Zhao & Tang, 2009). According to Manrodt and Vitasek (2004), global process standardization in supply chains is identified along four processes: supply chain conditioning, supply chain execution, business management, and warehousing. Alternatively, Zhao and Tang (2009) explain that logistics standardization contains the standardization of package of products, bar coding of logistics information, container unitization for loading and unloading, transportation, and storage, whereby according to them, realizing standardization within the mentioned processes is portrayed as an effective measure to minimize logistics cost and promote the overall operational efficiency. Similarly, Manrodt and Vitasek (2004) denote that standardization of logistics procedures leads to improving a company’s operational competitive advantage on the long run. Likewise, Large et al. (2011) encourage the requirement for TPL providers to adapt to shippers’ standards in order to secure performance improvements. However, Manrodt and Vitasek (2004) outline that implementing process standardization is accompanied with cultural and geographical challenges that need to be taken into consideration while conducting cross-border endeavors.

3.4.2 Work agreements

In the past, the purchased logistics services were basic and simply defined in contracts with clear pricing models, whereby the purchasing decisions were mainly based on the price offered for the services (Andersson & Norman, 2002). However, logistics services have become more complex, resulting in different levels of collaboration between shippers and TPL providers (Bask, 2001; Halldórsson & Skjøtt-Larsen, 2004). As mentioned in the aforementioned TPL definitions, logistics services could be grouped in bundles that surpass transportation and warehousing services and include a number of value added services, IT solutions and advanced logistics management (Andersson, 1997; van Laarhoven et al., 2000). Whereby, these bundles reflect an insight of advanced logistics services that require more detailed procurement, work agreement and contracting models.

Andersson and Norman (2002) identified eight processes to be followed while procuring logistics services: define the service, understand the volume bought, simplify and standardize, market survey, request for proposal (RFP), negotiations, and contracting. Among these eight, they specifically highlight the three most important areas to focus on while purchasing advanced logistics services: define the service, RFP and contracts. Alternatively, Logan (2000)
highlights three main theories to build upon while conducting work agreements in outsourcing logistics services; (i) RBV: evaluate the capacity of the provider to utilize its core competency to serve the shipper under the preferred profile. (ii) Transaction cost economics: asset specificity and investment needs, levels of uncertainty and the opportunities to develop economies of scale and scope; in which the provider must evaluate the bundle of services that it is able to provide to the shipper besides its capacity to develop and improve these services in the future. (iii) Agency theory: firstly, shipper and provider must cooperate and align their goals and values while reflecting this on the established contract, and secondly, an agreement must be reached based on the available information and measurement criteria to be used.

Shedding light on negotiating contracts, van Hoek (2000) argues that normally tough pricing and contract negotiations lead to arm’s-length relations, which he attributes to the oversupply of transport capacity. He also explains that shippers often demand to have detailed contracts in order to ensure that the desired performance measures are met, especially when the TPL provider offers supplementary services that represent an extension of the originally agreed services. Moreover, van Hoek’s research reveals that coordination discussions with clients and frequency of communication at the account-management level result in more detailed contracts. But on the other hand, comprehensive operational, direct, and qualitative performance reports are negatively related to detailed contracts. Examining the effect of formal contracts on the effectiveness of TPL relationships, Hofenk et al. (2011) find a significant positive correlation of contracts on effectiveness, which confirms the importance of proper contract settings in shipper-TPL provider relationships.

3.4.3 System compliance

The enlarged movement towards outsourcing logistics services has entrusted TPL providers to be in charge of expediting physical and information flows within several stages of the supply chain (Gustin et al., 1995; Cooper et al., 1998; Ojala et al., 2006). The evolution of TPL providers’ roles has also stressed the need to measure their performance, which directly reflects the performance of the entire supply chain (van Hoek, 2000). Correspondingly, Evangelista et al. (2012) stress progressive associations between data gathering technologies and efficiency and effectiveness performance along with positive correlations between enterprise information technologies and financial performance. Data gathering technologies incorporate a number of approaches, such as Electronic Data Interchange (EDI) (Evangelista et al., 2012). According to Agi et al. (2005), EDI is defined as “a type of inter-organizational Information Technology (IT) that enables trading partners to exchange data automatically between their information systems”, whereby such concept reflects a form of IT integration as well. Respectively, Sinkovics et al. (2011)’s research shows that IT integration between shippers and their TPL providers is proportional with shippers’ utilization of control over their providers and trust between the two parties. In other words, the higher the IT integration between the two parties, the more control over providers can be achieved, which leads to enhanced operational transparency that fosters the overall trust as a result.

Successful IT integration plays a key role for realizing customer satisfaction (Lim & Palvia, 2001). Whereby, sophisticated IT systems can distinguish products or services across customer service, while strengthening the relationships with customers simultaneously (Porter & Millar, 1985; Learmonth, 1986; Abend, 1998). EDI in particular is perceived as a prominent approach of IT integration that provides supreme levels of customer service within the logistics and transportation industries (Mukhopadhyay et al., 1995; Kahn & Mentzer, 1996). In depth, Lim and Palvia (2001) reveal that intensified EDI integration can promote customer satisfaction through five elements of customer service within the supply chain context: in-
crease inventory capability, improve order cycle time, enhance distribution system flexibility, foster accurate distribution system information and reduce distribution system malfunction.

3.4.4 Communication

A major aspect in terms of performance improvement is communication, as several empirical studies found a positive link of effective communication towards logistics and firm performance (Stank et al., 1996; Halldórsson & Skjott-Larsen, 2004; Knemeyer & Murphy, 2004; Panayides & So, 2005; Jayaram & Tan, 2010; Tian et al., 2010). Particularly in the beginning of a partnership, communication is a key factor to strengthen the relationship and improve performance (Knemeyer et al., 2003; Kampstra et al., 2006). More in detail, it is found that regular sharing of relevant information supports TPL providers to prepare in a better way and enhance responsiveness (Stank et al., 1996; Ghosh & Fedorowicz, 2008). Also, communication is vital to identify process improvement opportunities and implement these improvements efficiently (Stank et al., 1996; House & Stank, 2001; Ghosh & Fedorowicz, 2008). Furthermore, Moore (1998) explains that transparent communication is a major factor in solving issues within shipper-TPL provider relationships. Additionally, consistent communication is seen as a prerequisite to build trust within such relationships (Panayides, 2007; Hofer et al., 2009). More specifically, House and Stank (2001, p.20) describe communication as ‘a bridge between organizations’ that enables companies to develop mutual trust. On the other hand, some studies argue that trust is required in order to enhance knowledge exchange and share confidential information (Klein, 2007; Ghosh & Fedorowicz, 2008; Qureshi et al., 2008)

In general, communication as such has been defined by Anderson and Narus (1990, p.44) as “the formal as well as informal sharing of meaningful and timely information between firms.” Consequently, it is important to know what information needs to be shared and how this information can be exchanged.

Broadly, literature suggests two important areas to outline what should be communicated, whereby information to foster mutual understanding represents one major part (Stank et al., 1996; van Hoek, 2000; Francis, 2008), and the continuous information about performance measurements embodies a second part (House & Stank, 2001; Sohal et al., 2002; Wilding & Juriado, 2004; Jayaram & Tan, 2010). Stank et al. (1996) point out that TPL providers rely on detailed information in order to customize their services. Especially in the beginning of a partnership, mutual understanding needs to be fostered through clarifying important terms and service requirements (van Hoek, 2000; Francis, 2008). Moreover, van Hoek (2000) argues that without a clear understanding of requirements and expected service levels, performance might be measured differently by both parties, leading to a dissimilar perception of performance. Generally, TPL providers tend to perceive performance more positively and ambitiously than shippers (Knemeyer & Murphy, 2005). In order to overcome this issue, it is suggested to implement mutually agreed performance measurement systems (House & Stank, 2001). Moreover, a continuous exchange about performance should be fostered (Jayaram & Tan, 2010). Otherwise, shipper-TPL provider relationships are likely to fail due to poor communication as found by Sohal et al. (2002) and Wilding and Juriado (2004).

In terms of how companies should communicate, literature suggests that communication can be distinguished between formal and informal communication (House & Stank, 2001; Jayaram & Tan, 2010). Starting with formal communication, Knemeyer and Murphy (2004) and Beulen et al. (2011) suggest installing channels and processes to enable effective communication. These channels should be utilized to align both parties in order to keep the right focus at all times (House & Stank, 2001). Proceeding, informal and more personal communication is emphasized to build a relationship and increase trust (House & Stank, 2001; Panayides, 2007). Beulen et al. (2011) suggest to conduct regular meetings in order to foster informal
communication. However, it is important to document decisions and assigned tasks after each meeting (House & Stank, 2001; Huiskonen & Pirttilä, 2002). Moreover, information should be shared in an accurate and trust-worthy way (Skjott-Larsen, 2000; Panayides & So, 2005) as well as on a regular basis (Panayides, 2007; Hofer et al., 2009; Jayaram & Tan, 2010). Furthermore, Panayides and So (2005) reveal that the amount of shared information is proportional with the operational effectiveness and accuracy. Contrary, Jung et al. (2008) propose a decentralized supply chain planning system, in which only minimal information sharing is required to maintain effective supply chain performance.

### 3.4.5 Trust

Similar to the aspect of communication, trust is often found to be positively related to logistics and firm performance enhancements as confirmed by several empirical studies of shipper-TPL provider relationships (Moore & Cunningham, 1999; Stank et al., 2003; Knemeyer & Murphy, 2004; Panayides & So, 2005; Jayaram & Tan, 2010; Hofenk et al., 2011). Examining the importance of different relational characteristics, Gibson et al. (2002) reveal that both shippers and TPL providers perceive trust as a major factor within their relationships. More specifically, developing trust is found to enable partners to engage in closer relationships (Huiskonen & Pirttilä, 2002; Hofer et al., 2009). Based on that, partners will be able to solve problems in a better way, mutually improve processes, and reduce decision-making uncertainties (Huiskonen & Pirttilä, 2002; Yu et al., 2006; Hofer et al., 2009). Furthermore, trust facilitates the development of effective and transparent communication, as partners who trust each other are more likely to share their knowledge and talk about confidential information (Klein, 2007; Qureshi et al., 2008; Ghosh & Fedorowicz, 2008). Moreover, literature discusses the impact of trust on formal contracts in different ways, whereas Yu et al. (2006) argue that an enhanced level of trust might decrease the requirement for formal contracts. On the other hand, Ghosh and Fedorowicz (2008) suggest that formal contracts should go hand in hand with trust development. Noteworthy, Hofenk et al. (2011) claim that formal contracts are the basis in developing trust at a later stage. Concluding this discussion, Vivek et al. (2009) argue that the type of contract applied is based on the level of trust between the partners.

In order to build trust, literature provides further explanation next to the suggestion that formal contracts represent the foundation of trust (Hofenk et al., 2011). Equity in terms of sharing benefits as well as risks within shipper-TPL relationships is seen as a major factor to develop trust as portrayed by Moore (1998), but an opportunist behavior from any of the partners hinders this development (Knemeyer & Murphy, 2004). Moreover, communication is a suitable way to enhance the level of trust (House & Stank, 2001; Knemeyer et al., 2003). More specifically, interpersonal interaction supported through formal working methods like team meetings is seen as supportive (Huiskonen & Pirttilä, 2002; Ghosh & Fedorowicz, 2008; Hofer et al., 2009). Noteworthy, transparency and honesty facilitate trust development within inter-organizational relationships (Moore & Cunningham, 1999; Hofer et al., 2009).

Considerably, literature also argues that trust is usually low in the beginning of a partnership and needs to be developed over time (Moore & Cunningham, 1999; Huiskonen & Pirttilä, 2002; Knemeyer et al., 2003). Typically, trust within the beginning of a shipper-TPL provider relationship depends on former satisfactory working relations and the TPL provider’s reputation (Knemeyer & Murphy, 2004).

### 3.4.6 Culture

Within one of the most popular scientific books about culture, Hofstede et al. (2010, p.6) define culture as “the collective programming of the mind that distinguishes the members of one group of people from others”. This implies that people from different countries tend to handle
relationships, tasks and problems in different ways, which might lead to problems within their interaction (Gooris & Peeters, 2014). More specifically, Gooris and Peeters (2014) explain that dissimilar languages, political systems, or business practices might represent barriers in offshore outsourcing relationships. Moreover, House and Stank (2001) exemplify that a short-term orientation in one culture might clash with a long-term orientation in another culture, in whereas Hofstede et al. (2010) define six cultural dimensions bearing the potential of mismatches between companies from different countries. In general, Wilding and Juriado (2004) reveal that intercultural barriers often lead to failure of shipper-TPL provider relationships.

However, Gooris and Peeters (2014) also mention that cultural diversity might be turned into a booster for shipper-TPL provider relationships. Considerably, Trompenaars and Hampden-Turner (2012, p.267) explain that combining the strengths of two different cultures might enhance business performance. Yet, they also emphasize that significant efforts from both parties are required to understand the differences and reconcile them to create mutual benefits (Trompenaars & Hampden-Turner, 2012, p.268). Underlining this need, Panayides (2007) emphasizes on the importance of learning about the culture within a partner’s organization, whereby consistent interaction in line with open communication about potential issues is seen as a promoter to understand each other’s culture (Huiskonen & Pirtilä, 2002). Finally, Gregory et al. (2009) argue that active cross-cultural understanding is essential in order to create a ‘negotiated culture’ that consists out of compromises and creativity to overcome differences. They also explain that cultural understanding of individuals within the organization supports the establishment of such a culture. Once a ‘negotiated culture’ is reached, problem solving and business improvement will be remarkably enhanced in the relationship (Gregory et al., 2009).

### 3.5 Development of the conceptual model

Based on the reviewed literature, it is clear that each of the factors has an influence on performance within shipper-TPL provider relationships. However, the link between these factors in order to stimulate performance has not been studied sufficiently. Moreover, further exploration is required to distinguish the most effective sequence and duration while working on these factors.

Therefore, this section aims to interrelate the aforementioned factors sequentially and logically. To explain, according to the reviewed literature, these factors seem to depend on each other within a coherent sequential order. This section also targets developing a conceptual model based on the established relations along a performance/time relationship. This functions as an attempt to build an understanding for the links between these factors, and interpret their correspondence to the performance measures identified in this research while considering the relative time frame of the examined case study.

#### 3.5.1 Factors linkage matrix

To initiate the development of the model, each factor will be reviewed and linked with the other relevant factors along two dimensions:

1. **Factor’s prerequisite:** indicates if a certain factor is considered as a requirement before realizing the respective factor.
2. **Factor’s enhancer:** indicates if a certain factor is perceived as catalyst for the respective factor.

To illustrate the linkages, table 1 represents the resultant matrix after identifying all the existing prerequisites and enhancers for each factor, whereby the interpretation of the matrix should be done in a one-way direction (begin with the factor in the column towards the one in
the row, and not *vice-versa*. Also in table 1, each prerequisite will be assigned with a ‘*’, and each enhancer will be ascribed with a ‘+’. An interpretation for each identified link will follow after the table.

**Table 1: factors linkage matrix**

<table>
<thead>
<tr>
<th></th>
<th>Standardization</th>
<th>Work agreements</th>
<th>System compliance</th>
<th>Communication</th>
<th>Trust</th>
<th>Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardization</td>
<td>*</td>
<td>*</td>
<td>+</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work agreements</td>
<td>*</td>
<td>+</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System compliance</td>
<td>*</td>
<td>+</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>*</td>
<td>+</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Factor’s prerequisite  + Factor’s enhancer

To begin with, it is noteworthy to mention that the factor of ‘standardization’ is not perceived as a prerequisite for any of the other factors, whereby it is argued that reaching standardization for logistics services implies an overall improved operational performance with minimized conflicts and disputes (Manrodt & Vitasek, 2004).

The first links are found within the ‘work agreements’ factor; it is perceived as a prerequisite for standardization and system compliance, and portrayed as an enhancer for trust. To explain the first point, van Hoek (2000) argues that shippers tend to have detailed contracts in order to ensure that the desired performance measures are met under specific standards. Secondly, Andersson and Norman (2002) explain that work agreements should contain IT support within their context due to the nature of IT interactions between shippers and providers that encounter a large amount of information exchange that directly affect the operational performance. Lastly, work agreements are perceived as an enhancer for trust due to the argument that formal contracts represent the foundation of trust, and also symbolize the basis to develop trust at later stages of shipper-TPL provider relationships (Hofenk et al., 2011).

Moving towards correlating ‘system compliance’ with the other factors, table 1 suggests that system compliance works as an enhancer for standardization, communication and trust. To clarify, firstly, advanced system compliance between shippers and TPL providers facilitates operational standardization, where the integration between the two systems reflects that work standards and measurements are unified and mutually agreed between the two parties (Agi et al., 2005). System compliance promotes communication as well, as for instance; Lim and Palvia (2001) explain that intensified EDI integration provides accurate information sharing between the parties while minimizing the error margin. Consequently, implementing system compliance leads to fortified trust, as Sinkovics et al. (2011) explain that the higher the IT integration between the two parties, the more control over providers can be achieved, which leads to enhanced operational transparency that fosters the overall trust as a result.

According to table 1, ‘communication’ is perceived as a prerequisite for standardization, work agreements, system compliance, trust and culture. Also, it is considered to be an enhancer for culture. In general, communication is a key factor to strengthen the relationship and improve performance (Knemeyer et al., 2003; Kampstra et al., 2006). In detail, and correlating with standardization, van Hoek (2000) argues that without a clear understanding of requirements and expected service levels, performance might be measured differently by both parties, leading to a dissimilar perception of performance. Therefore, communication enables partners to understand each other to enhance mutual problem solving and process efficiency (Huiskonen & Pirttilä, 2002; Yu et al., 2006; Hofer et al., 2009). Correlating communication with work agreements, van Hoek (2000) explains that coordination discussions with clients and frequency of communication at the account-management level result in more detailed and specific
contracts. Linking communication with system compliance, Nah et al. (2003) argue that frequent and intensified communication is required between the parties in order to identify precise technical requirements before implementing IT integration solutions projects. Moving towards linking the factor with trust, Panayides (2007) and Hofer et al. (2009) denote that consistent communication is seen as a prerequisite to build trust within shipper-TPL provider relationships. Consequently, intensified communication promotes trust as a result, in which House and Stank (2001, p.20) describe communication as ‘a bridge between organizations’ that enables companies to develop mutual trust, as the more companies communicate, the higher the transparency and overall trust between them. Lastly, communication is required to understand each other’s culture, as consistent interactions aligned with open communication about potential issues is seen as booster to understand the different cultures between organizations (Huiskonen & Pirttilä, 2002). Moreover, increased communication enhances understanding culture between the parties, as Gregory et al. (2009) argue that communication between individuals within the organization supports the establishment of such a culture. Whereby, once a ‘negotiated culture’ is reached, problem solving and business improvement will be fostered consequently (Gregory et al., 2009).

Table 1 shows that ‘trust’ is portrayed as a prerequisite for work agreements and an enhancer for communication. Validating the argument, the literature discusses the impact of trust on formal contracts in different ways, whereas Yu et al. (2006) argue that an enhanced level of trust might decrease the requirement for formal contracts. Moreover, trust facilitates the development of effective and transparent communication, as partners who trust each other are more likely to discourse classified information and share their experiences (Klein, 2007; Qureshi et al., 2008; Ghosh & Fedorowicz, 2008).

As with the factor of trust, ‘culture’ is perceived as a prerequisite for work agreements and an enhancer for communication. Demonstrating the first point, Manrodt and Vitasek (2004) outline that taking cultural challenges into consideration is essential while conducting cross-border agreements and endeavors. Whereby, and as mentioned before, Gregory et al. (2009) explain that once a ‘negotiated culture’ is reached, problem solving and business improvement will be significantly easier, as thorough understanding of each other’s culture will foster efficient communication (Trompenaars & Hampden-Turner, 2012).

### 3.5.2 Conceptual model

After analyzing the reviewed literature along with the factors matrix demonstrated in table 1, the authors develop their conceptual model for the shipper-TPL provider relationship performance with relevance to the duration of the relationship as demonstrated in figure 4. This model correlates performance $P$ (cost efficiency, on-time delivery) with time $t$ while considering the six corresponding factors: communication, culture, trust, work agreements, system compliance and standardization. Also, and as indicated formerly, the developed model focuses on the ‘build-up stage’ and the beginning of the ‘execution stage’ within shipper-TPL provider relationships only, as the aim of this research is to provide companies with a guideline to promote their performance within the earlier stages of their relationships with their offshore outsourcing TPL providers.

The six factors are arranged from bottom to top with relevance to their dependability on each other; whereby in the graph, if a factor is extended to the left, this means it is a prerequisite for the one(s) above it. On the other hand, if it is extended to the right, this indicates it is an enhancer for the one(s) above or below it. In general, extending a factor along the time-axis reflects the proposed working duration on this factor along the relationship. Also, raising a factor along the performance-axis indicates that performance could be enhanced when this particular factor is into effect, in which the higher the position of the factor, the later its asso-
association with positive performance. Additionally, it is noteworthy to mention that the factor of ‘work agreements’ is divided into two overlapping phases based on the agency theory presented by Logan (2000), as it implies that the first phase represents forming the contract, and the second one indicates reaching an overall agreement. Therefore, the vertical transition line between the ‘build-up stage’ and the ‘execution stage’ will pass through the ‘work agreements’ factor, as execution begins after the contracts are finalized (Marasco, 2008). Also, and with respect to the two phases of work agreements, a line is horizontally pinched throughout the graph to distinguish the factors that are compulsory in the ‘pre-operational base’ and the other factors, as performance cannot be measured before operations are taken into effect. Even though some factors would be positioned under the pre-operational base, it is important to consider that addressing these might still have significance on performance in the execution stage.

Communication is a direct prerequisite for culture and trust, and is needed along the relationship as a supporting mediator for the other factors. Subsequently, culture and trust are prerequisites for work agreements, whereby understanding each other’s cultures needs to be considered intensively in the beginning of the relationship in order to build a foundation of mutual cultural recognition before tackling work related issues. In contrast, trust should be maintained and developed along the relationship. Work agreements are a prerequisite for system compliance and standardization, whereby system compliance is a prerequisite for standardization. Considering the bottom-up sequential order of the factors, the model suggests that performance is enhanced along the demonstrated process. However, the validity of this conceptual model will be examined through the conducted case study, by which the order and duration of these factors will be modified according to the empirical findings. At the end, a final detailed model will be presented to illustrate how these factors and their links improve performance within the early stages of shipper-TPL provider relationships.

4 Results

Ericsson has shifted its purchasing strategy for logistics services from a local scale towards a regional one. Consequently, Ericsson is following a plan to unify all its logistics processes through its TPL partners by facilitating global templates (blueprints) and procedures. Alongside, Aramex is considered as one of the big logistics players in the region Middle East and Africa (RMEA), which motivated Ericsson to favor working with Aramex from the beginning. Also, Ericsson witnessed several experiences by working with Aramex on smaller scales in the past, in which Aramex was described as ‘skilled’ and ‘professional’.

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**Figure 4**: conceptual model
Aramex was granted the tender to work with Ericsson in a number of countries in the RMEA, including Bahrain, Qatar, Egypt and Turkey. This fact represented another motivator to select Aramex as a TPL partner in Saudi Arabia. Aside from that, Ericsson faced a number of problems with its previous TPL provider in Saudi Arabia, which drove the company to replace it to a more suitable one. Consequently, Aramex SAU was awarded the warehousing and distribution part for Ericsson in the beginning of 2014. The relationship in Saudi Arabia has started through two parallel tracks: first, a commercial path through submitting an RFP and winning the tender, and second, an operational path through agreeing on the preparation of the warehouse and the ways to handle the business from the previous TPL provider. Remarkably, Ericsson’s headquarters in Sweden was not involved in the handling process and the build-up phase of the relationship.

The infant relationship between Ericsson and Aramex SAU has faced a number of obstacles due to a number of factors. Whereby, both companies today are exerting remarkable efforts to develop the partnership towards a stable and mutually beneficial association.

Within the conducted interviews, all participants agree that each of the factors influenced performance in either a positive or negative way throughout their partnership. The following section covers the interviewees’ perception of each of the factors and provides details on how they view the impact of each factor on on-time delivery and cost efficiency performance. This section is structured in the sequential order of the conceptual model.

4.1 Communication

Communication is acknowledged as a ‘key in relationships’ by all interviewees, whereby one Ericsson interviewee states, “communication failure is most often the root cause of failures”. Within the relationship between Ericsson and Aramex, the communication differed between the build-up and the execution stage. Thus, the first part of this section deals with the initial communication, and the second one sheds light on the communication while working together. Within both phases, the interviewees highlight various aspects affecting performance.

4.1.1 Communication in the build-up stage

Once Ericsson appointed Aramex as its TPL provider in Saudi Arabia, formal meetings were held to begin the business. On one hand, commercial discussions took place to finalize the contract. On the other hand, operational meetings were conducted to initiate the execution phase. Both parties acknowledge that the operational meetings were not successful. Even though, many meetings were held and the former TPL provider was visited by Aramex, the established operational specifications did not match the expected business model between both parties. As one Aramex logistics manager explains, the business model was mainly copied from the former provider, which was not suitable due to the different set-up applied in the former partnership. Also, one Ericsson business driver acknowledges that Aramex had to work towards outdated specifications that already failed to work within Ericsson’s previous partnership. Thus, the performance within the execution phase was harmed significantly.

Looking back, the involved interviewees remark that it is crucial to clarify and ensure understanding of the specific business requirements from the beginning. To do so, communicating in the right way is essential. For an Ericsson business driver, regular meetings in the beginning should focus on discussing how the work should be done. Once this has been mutually agreed, detailed documentation is perceived as a key to ensure that execution will be carried out according to the agreements. Also, documentation bears the opportunity to effectively modify working procedures at a later stage, as these documents present a reference point. According to both Aramex and Ericsson interviewees, another vital aspect within the build-up stage is to define a communication matrix. This had been missed in the initial set-up of the
relationship, causing various communication issues that resulted in weak performance in the early execution stage. The matrix functions through assigning different roles for all stakeholders in terms of who is responsible to give/receive information, who is responsible to act accordingly, and who is responsible to take a decision. Such matrix represents an efficient way of communicating. As the global operations driver puts it “communication will be crystal clear”. Thus, no communication is wasted, as the right person will be contacted within his/her responsibility area. Also, according to him, a lot of time and effort will be saved, resulting in smoother operations and improved on-time delivery performance and cost efficiency. This is mainly because actors within the daily operations will not waste time on unnecessary discussions. Moreover, problems could be solved more effectively through proper communication, as their root cause would be identified easily. Consequently, a clearly defined communication matrix is perceived to facilitate quality and performance enhancements.

Following the settlement of a structured communication matrix, Ericsson emphasizes on the necessity of standardized communication regarding working procedures, which should be defined ideally before starting the execution phase. Specifically, Ericsson’s business process driver mentions the ‘call-off’ process. This process represents sending the information from Ericsson to Aramex on the deliveries that need to be handled. A standardization of this communication was missed in the beginning, leading to difficult and confusing communications about deliveries. For example, one email might contain information about several deliveries, whereby some of them might be cancelled later on, or even restored again. On the other hand, several emails might be sent for one delivery. Both examples might result in an untraceable stream of communication that confuses the actors in the operations. According to the interviewees, this might lead to delayed or even missed deliveries. To avoid this, standardized templates should be set-up for important areas of communication, in which meetings in the beginning should focus on how to set-up these templates, ensuring that all relevant information is provided, followed by a proper documentation.

### 4.1.2 Communication in the execution stage

Within the execution stage, a variety of communication tools are applied, ranging from formal communication such as meetings or standardized e-mails to informal communication via phone calls or social media, whereby different ways of communication are applied in different situations to enhance performance. One interviewee defines three levels of communication. These are outlined in Table 2 and will be explained in detail further below.

<table>
<thead>
<tr>
<th>Level</th>
<th>Type</th>
<th>Involved actors</th>
<th>Content</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>Informal / e-mails</td>
<td>Operational staff</td>
<td>Operations</td>
<td>Daily</td>
</tr>
<tr>
<td>2nd</td>
<td>Meetings</td>
<td>Middle management</td>
<td>KPIs and business improvement</td>
<td>Weekly</td>
</tr>
<tr>
<td>3rd</td>
<td>Meetings / informal</td>
<td>Top-management</td>
<td>Commercial issues</td>
<td>If required</td>
</tr>
</tbody>
</table>

Within the first level of communication, daily operations are handled and potential operational issues are discussed. As explained above, standardized communication templates regarding operational processes enable an efficient handling of operations that positively impacts performance. Furthermore, daily operations are supported by informal communication. For instance, the mobile application ‘WhatsApp’ is used to ensure instant and transparent communication, as it enables sharing videos and pictures of the customer’s site to avoid/solve potential issues on the spot. Moreover, issues during the delivery process are clarified through phone calls in order to get approval for changes within the process instantly. According to Aramex, the time saved due to ad-hoc approvals in comparison to the waiting time for formal email approvals has a significant positive effect on on-time delivery. Likewise, cost efficiency will be improved as cost efficient solutions can be applied on the spot. However, it is argued
that a high level of trust is required to conduct informal communication, and formal documentation of the agreed solutions via email is necessary afterwards. The aforementioned transparent and instant communication has also another advantage, as Ericsson is informed in advance about delivery issues, which allows mutual problem solving. Correspondingly, it has been mentioned by various interviewees that transparent communication helps to build up trust in the relationship. Aside from the daily communication, both parties agree that sharing more information in advance about the forecast of expected deliveries and required warehouse capacity will foster cost efficiency and on-time delivery. This is mainly because Aramex would be in a better position to plan its resources and operate in a more efficient way.

Within the second level of communication, weekly meetings are used to discuss performance while presenting the KPIs, which enables identifying and triggering improvement activities. However, it took some time for these meetings to be effectively utilized as declared by various interviewees. In the beginning, the meetings were not taken seriously enough and often insufficiently prepared and hosted. As one of the interviewees mentions: “for me, I heard the same meeting again and again and again, there was no outcome”. According to him, the absence of a visible agenda was a main reason for the ineffectiveness. To overcome the issue, both parties jointly developed a meeting agenda with a presentation template including the main KPIs. Moreover, adequate room was given for improvement ideas. In terms of KPIs, the interviewees felt that in the beginning both parties measured performance differently, leading to ineffective meetings. Regarding this issue, one interviewee suggests to automate KPIs as much as possible to avoid discussion. However as a first step, both parties sat together to discuss and define mutual performance indicators, which led to improved effectiveness of the meetings. Likewise, following a meeting structure that includes documentation and follow-up approaches helped to implement improvement ideas, leading to enhanced on-time delivery and cost efficiency. Moreover, cost disputes that were caused from the ‘grey’ areas of the contract were resolved through these meetings.

Within the third level of communication, the focus is mainly on cost and commercial issues that could not be solved within the second level. The applicable method depends on the level of trust and partnership. Even though face-to-face meetings are preferred by Ericsson to solve cost disputes, ad-hoc phone calls are equally eligible, given a suitable level of trust and formal documentation of the agreement afterwards.

In summary, one interviewee states that if communication does not work smoothly it will cost a lot in terms of hours spent on communication, reflecting in higher cost for both TPL provider and shipper as “someone needs to pay on the hours spent on communication”. Furthermore, effective communication is required as a basis for improvement. Likewise, on-time delivery is affected due to wasted time during the delivery process, whereby efficient communication significantly helps to enhance the on-time delivery performance as stated by several interviewees.

### 4.2 Culture

According to the interviewees, the impact of culture is often not obvious at the first glance. As one interviewee puts it, "I never thought of it [culture] as an issue between the companies". However, digging into the topic, the interviewees reveal an impact of culture onto performance, which can be split into organizational and national aspects based on the responses.

#### 4.2.1 Organizational culture

According to the sourcing category manager, the ‘professionalism’ within Aramex culture had played a major role to award Aramex with the Saudi business. From his perspective, its pro-
Professional operational handling enables the company to offer competitive rates. However, within a later stage, Ericsson struggled with Aramex’s top-management understanding of the operational issues, in which their behavior is portrayed as defensive, resulting in an absence of problems acknowledgement. On the other hand, Ericsson tries to establish an open culture, in which issues could be solved in “healthy discussions that result in improvement actions” as one Ericsson interviewee clarifies. According to him, it is crucial to establish a mutual understanding as a basis to work together effectively. This understanding is required from Aramex to comprehend requirements and acknowledge problems, and from Ericsson to recognize difficulties for Aramex to comply with Ericsson’s requirements. As one Aramex manager explains, creating this understanding was difficult as the former TPL provider had a different type of relationship with Ericsson. In that relationship, Ericsson was the only customer, and the provider’s entire setup was based on its business needs. Contrary, Aramex handles other customers aside from Ericsson simultaneously. Therefore, receiving the same treatment is no longer possible, which results in potential conflicts. Concluding, Aramex required more information than Ericsson provided in the beginning. On one hand, Ericsson acknowledges this shortcoming and mentions that more accurate information should have been provided to enable this understanding. On the other hand, Aramex should have been more demanding. Subsequently, Ericsson’s distribution and logistics industrialization manager explains that Ericsson requires ‘demanding’ TPL providers. He clarifies that a demanding culture enables the TPL provider to actively propose changes and improvement plans that will mutually benefit both parties.

4.2.2 National culture

Taking a glance on national culture, the cultural gap between both companies is perceived as ‘quite small’. This is because both companies consist of individuals from different nationalities, resulting in a similar overall multinational business atmosphere. From the perspective of the Swedish sourcing category manager, the business in the Arab region with Aramex is influenced by the Arabian culture, whereby the Swedish one is nothing more than ‘a flavor’. Nevertheless, the global operations driver acknowledges that it is important to understand the differences in cultures and to refrain from blaming the other party in case of unexpected behavior, which can be triggered through communication, religion, or ways of working. For Aramex, Ericsson’s Saudi subsidiary should have helped Ericsson headquarters in Sweden to understand the specificities of doing business in Saudi Arabia, as the quality of labor is dramatically different from the one in Europe. As a result, improvement activities could have been better implemented, as they would fit the business capabilities within Saudi Arabia in a better way. In general, the Saudi mentality is perceived to create an overall harsh climate, which affects trust development and contract negotiations as a result. More in detail, communication is difficult because of the international mix of employees from both sides, as they speak various languages. Moreover, the way of communicating is different between the Swedish and Saudi cultures. Also the aspect of religion is mentioned, as for example, during the Islamic month of Ramadhan, the working hours are changed and reduced in Saudi Arabia.

4.2.3 Impact on performance

Based on the experience of the interviewees, both types of cultures imply an impact on performance. First of all, a mutual understanding of each other’s organizational culture is perceived as a prerequisite for a successful engagement of performance improvement activities. Moreover, Ericsson’s employees view a professional and demanding culture of the TPL provider as an important factor to achieve higher cost efficiency within the partnership. Additionally, combining the strengths of both national cultures is expected to lead to efficiency improvements if the low cost advantage can be combined with a functional governance sys-
tem. In this aspect, it is important to adjust the successfully applied standards from Sweden towards the national circumstances in Saudi Arabia.

However, according to the interviewees, cultural differences can also lead to a negative impact on performance. Miscommunication caused by misunderstandings can result in higher costs and delays in deliveries. Likewise, communication entails more time and effort to be exerted due to cultural barriers. Furthermore, cultural aspects like the Ramadhan period might lead to higher costs during this period, as employees in Saudi Arabia work with reduced hours and different working periods. Finally, misunderstanding the capabilities of the TPL provider might lead to failures of business improvement activities.

4.3 Trust

Like communication, trust is perceived as “really important in our relationship” as stated by an Ericsson interviewee. However, the level of trust between Ericsson and Aramex is experienced quite differently. Some of the interviewees report a high level of trust in the relationship. Contrary, other interviewees rate the trust level as ‘quite poor’. As a logistics manager explains, “the trust level is variable and depends on the person involved”. According to Ericsson’s sourcing category manager, in the beginning of the relationship, a low level of trust was perceived. This is due to the reason that Aramex was squeezed in the contract in terms of the prices. Apart from that, the actual business volumes did not meet Ericsson’s forecasts, which drove Aramex to strive in finding ways to compensate for the shortages. However, the interviewees state that along the relationship the level of trust has increased, as they mention several reasons impacting the level of trust either positively or negatively.

According to the interviewees, one major factor in building trust is communication. Providing explanatory information next to invoices is perceived as one aspect to improve trust. Moreover, several interviewees clarify that instant and transparent communication facilitates trust development. Likewise, acknowledging issues openly is perceived to increase the level of trust, as both parties can solve the issues mutually. In this aspect, focusing on solutions and aiming for mutual development are seen as major aspects to enhance trust. From Ericsson’s perspective, it is important to afford the TPL provider with reliable information concerning the expected shipment volumes in order to facilitate trust towards the shipper. Contrary, unclear requirements or contractual issues harm the development of trust, as the deviations in understanding might lead to conflicts. Moreover, neglecting or even lying about issues will damage the level of trust considerably. Furthermore, the provider’s demonstration of KPIs that the shipper perceives as false has a negative impact on trust. More specifically, one Ericsson interviewee explains that he felt that Aramex excluded some late deliveries from the reports by clarifying that the reason behind these late deliveries are not caused by Aramex, and therefore they followed a defensive behavior to avoid blames. Whereby, he would prefer to openly talk about the issues and solve them together. However, he also acknowledges mistakes from Ericsson’s side that harmed the level of trust, as Ericsson pointed out shortcomings within the daily operation in a destructive rather than constructive way. A final aspect mentioned by one Ericsson manager is the perceived harsh climate in dealing with customers within the Saudi culture, which might hinder trust development according to his viewpoint. Considering all factors, the interviewees agree that trust comes by default if the relationship is properly managed, and it will develop over time as well.

In terms of the impact on performance, trust is perceived to have both direct and indirect influences. From Aramex perspective, a high level of trust by Ericsson will help Aramex to find better solutions on delivery issues, resulting in lower cost and higher on-time delivery performance. As an Aramex logistics manager explains “high trust enables us to find suitable ad-hoc solutions on deliveries to solve problems before they happen instead of struggling in a
long queue of approvals”. For example, a truck driver might have to wait until an approval from Ericsson is received for a change in the delivery, putting punctuality of the delivery at risk. Likewise, a low level of trust harms cost efficiency performance in a way that Aramex might feel that Ericsson is taking advantage of contractual gaps in order to pay less and occupy more space. In addition, missing trust might cause discussions on failed on-time deliveries, whereby different parties are blamed and time is wasted to identify the root cause.

From Ericsson’s perspective, trust plays a major role in negotiating prices for ‘out of scope’ activities. As the sourcing category manager clarifies if trust is high the TPL provider would offer reasonable prices, which tend to be accepted immediately. In contrast, if the level of trust is low, the TPL provider will propose higher prices as it expects them to be negotiated down. Thus, the shipper cannot ensure whether the offered prices are reasonable, and probably might need to go through the hassle of tendering the business again. Hence, a high level of trust fostering a long-term relationship is preferred to save cost from Ericsson’s perspective.

Moreover, Ericsson mentions the indirect influence of trust on performance through its effect on communication, where a trustworthy partnership is seen as a basis to discuss issues constructively and realize business improvements.

4.4 Work agreements

The interviewees from Ericsson and Aramex tackle the work agreement and contract topic controversially. Starting with the pricing model, there is a general conception from both parties describing it as ‘grey’ and susceptible to misunderstandings. According to an operations manager in Aramex, “the problem is not in the prices themselves, but the definition of the services in the pricing model is vague and can be understood differently”. Also, he elaborates further by explaining how the actual contract covers only 20% of the operational scenarios, where the remaining 80% are resolved on ad-hoc basis. Consequently, he explains that such high percentage causes a general frustration that negatively affects the relationship, where it also affects communication and trust, as employees on ground tend to discuss charges disputes instead of operations. Thus, he suggests that the majority of scenarios should be covered in the contract, leaving the remaining minority for ad-hoc resolutions. Moreover, Ericsson’s distribution and logistics industrialization manager attributes the deficiency in this particular contract to the fact that it was developed from Ericsson’s regional sourcing department without the central supply department’s intervention. Whereby according to him, involving all the concerned departments in the beginning would help in considering all relevant inputs while establishing the agreement.

Contrary, Ericsson’s RMEA sourcing category manager perceives the issue from a different angle. Although he acknowledges a level of vagueness in the contract, he believes that this ambiguity does not exceed 5% of the scenarios, and the model is acceptable and tends to cover 95% of the scope. Whereby, the uncovered minority tends to be sorted afterwards according to work circumstances. However, the contract with Aramex in Saudi Arabia is similar to the contracts in the region between Ericsson and Aramex itself. Nevertheless, more complaints are heard from Saudi Arabia. According to him, this uncovered minority is consuming too much time and effort to be resolved in Saudi Arabia due to a number of obstacles relating to cultural difficulties, change management in Ericsson Saudi Arabia, and deficient trust between the two parties. However, the design of this pricing model is newly adopted by Ericsson, as in the past, Ericsson used to pay fixed amounts for the purchased logistics activities per month, which was easier for approving invoices, but inflexible at the same time. Whereby, introducing this new model is aimed to improve the contract structure in order to increase efficiency for both parties.
In the beginning of the relationship between Ericsson and Aramex, a mutual understanding of the work measurements and key performance indicators (KPIs) was completely absent. Most of the interviewees relate this back to the contract’s ambiguity and the ineffective business kickoff. This problem was described in a way that Aramex used to present its KPIs by showing a high percentage of successful deliveries, where in Ericsson’s figures, these percentages were dramatically lower than presented. In order to solve the issue, Ericsson defined new specific and detailed KPIs to be followed, where these were internally discussed with all concerned departments. Afterwards, Ericsson developed them together with Aramex through conducting several meetings and audit visits on ground, followed by an updated document that illustrates the new agreed measures. Moreover, all these measures are utilized and reviewed through weekly periodical meetings between the two parties, where an adjustment or enhancement might take place if necessary. Such process has enabled both parties to promote performance, as the services definitions are mutually conceived. The objective of the process was to update the already existing KPIs, and add more detailed and specific KPIs to the list.

The way the contract is structured has its effect on cost efficiency performance as perceived by the interviewees. This is due to several factors. Firstly, solving cost disputes consumes a lot of time and efforts, which in return reflects on cost efficiency, as this intensified communication has to be compensated. Secondly, having a clear contract would enable Ericsson to maintain a better visibility of the charges while invoiced, and therefore allow the company to find ways to improve space utilization and delivery outcome, which results in a more efficient performance.

The way the contract is designed has its effect on on-time delivery as well. Since the contract contains a number of grey areas, the discussions to solve the resulted disputes will affect delivery performance. For instance, the employees tend to discuss the service ‘definition’ and ‘what is required to be done’ in every order, which would delay the delivery as a result. Moreover, and as explained before, Aramex tends to claim they are delivering the goods on-time, while Ericsson does not see that reflected in reality, which relates back to the way the contract is structured from the beginning.

The interviewees from Ericsson and Aramex recommend some aspects to be considered in order to overcome the contractual disputes and achieve a better operational performance. Firstly, Ericsson’s template contracts can be utilized as a base for each endeavor. These templates include Ericsson’s working structure, processes and requirements that should be communicated to the TPL provider in the beginning to ensure proper understanding. Then, these contracts can be developed afterwards in collaboration with the TPL provider in order to understand the provider’s capability and include a high number of possible scenarios, which results in a model that is mutually accepted by both parties. This model should also include precise and detailed rules for measurements for each activity (e.g. what is on-time delivery?). Afterwards, developing a ‘flexible’ and ‘transparent’ price model would help in clarifying each element, and ‘systemizing’ this model would assist in attaining smoother operations that leads to less required communication and enhanced trust in the relationship. Once trust is realized, the contract becomes less important and performance increases as a consequence. The contract also should not contain any unclear element, or any measurement that Ericsson cannot keep up with. At the end, both the shipper and the provider should work as partners and try to avoid arguments like “this is not in the contract, we should not do it” and instead find ways to solve their problems together.

### 4.5 System compliance

Each of the case companies has its own enterprise resource planning (ERP) system; Ericsson via its SAP system that is customized to meet Ericsson’s requirements, and Aramex with its
in-house developed warehouse management system (WMS). As a company policy, Ericsson obligates all its TPL providers to use SAP for their operations, but allows them to use their own systems aside from it as long as the operations are not affected. The reason behind the regulation to use SAP is that Ericsson demands monitoring live updates of its on-ground operations in order to facilitate a global visibility of the actual flow of materials throughout its different supply chains. This enables them to track inventory levels, and to reflect that on the demand and supply planning consequently.

Aside from that, Ericsson does not allow any form of integration or data transfer between its system and other TPL providers’ systems. This is mainly because Ericsson works with multiple thousands of TPL providers across the world, where each of these providers runs its own WMS. Therefore, aligning SAP with all these systems is conceived as a difficulty accompanied by a number of obstacles in terms of cost, time and efforts that need to be exerted to enable such alignment with this numerous number of systems. Besides, a business driver in Ericsson explains the difficulty to extract reports while working with more than one system due to the susceptibility to extra work and higher margins of error.

However, Ericsson’s RMEA sourcing category manager has a different view, judging this regulation as ‘a mistake’ when being asked about his opinion for not accepting TPL providers’ systems input. He further elaborates by explaining that for a company like Ericsson, where logistics is not its core business, such move would always place them one step behind, as TPL providers would have more advanced experience and know-how of the logistics activities and their corresponding functions. Furthermore, he recommends allowing TPL providers to run their own systems during the operations, and then transfer the information to SAP afterwards on a daily basis. This would enable them to offer lower prices due to the gained freedom to run their operations in the best possible way. However, he also outlines the potential difficulty of leaving the system functions in the TPL providers’ hands, as he explains “we decide to outsource our operations, but logistics is so much integrated with our business that we cannot keep our fingers away from it”.

According to the operations manager in Aramex, the company has compromised to use the two systems simultaneously as a response to Ericsson’s requirement, as using Aramex’s WMS is enforced by Aramex policies as well. However, using parallel systems is portrayed to have negative effects on cost efficiency performance from both parties by almost all of the interviewees. Deliberately, according to some interviewees, more resources will be hired from Aramex in order to enable working on SAP aside from its own WMS. More specifically, the operations manager in Aramex explains “for us as a supplier, we should update both systems at the same time, which affects cost efficiency performance as more resources are needed.” Moreover, and according to other interviewees, using parallel systems can be costly, as it requires additional IT support. For instance, in the current setup for Ericsson’s operations with Aramex, if one system is down, the delivery cannot be made, as the order should be processed through both of the systems that complement each other. The interviewees also explain that using multiple systems affects cost performance from a ‘time is money’ perspective too, as double data-entry would cause delays in orders, especially with the increased margin of error. Using multiple systems has an impact on the equipment used as well, as Aramex representatives declare that real time updates on SAP will require hand held devices and laptops on ground, which is perceived costly. However, they also explain that it would be considered as an investment that will result in a better cost efficiency performance on the long run as a result of the smoothened and upgraded operational processes. In contrast, the global operations driver in Ericsson explains that the incompatibility between the two systems does not affect cost efficiency, as Aramex is not charging for the system usage as a clear pricing element. Although there is a conception from Ericsson that using double systems is an extra waste that
Ericsson should not pay for, some of the interviewees acknowledged that the company pays for it in terms of ‘administration fees’ or through an additional surplus on the warehousing and transportation pricing model.

Referring to most of the interviewees, using parallel systems has a negative impact on on-time delivery as well. Whereby according to them, delivering the right goods on the right time by using two systems simultaneously can be susceptible to a number of risks that include: the chance of error by double entry procedure, the risk of mistakes due to manual data entry, and the increased order processing time that delays the deliveries consequently.

Lastly, a business driver in Ericsson and an operations manager in Aramex explain how linking the cost model with the system would achieve better performance results, as such compliance would result in a number of benefits that include: less resources required, smoother operations, increased transparency, enhanced trust, and easier invoicing.

4.6 Standardization

Ericsson strives to standardize all its measurements and procedures within a global scale. In line with that, it is developing a new model called the ‘Central Support Model’, where the main objective of it is to provide precise and live visibility of Ericsson’s TPL providers’ performance around the world. The Ericsson’s distribution and logistics industrialization manager states that “once we successfully implement the model, the supply chain costs would be reduced by 50%”. Aside from that, Ericsson communicates its standardized logistics procedures with its TPL providers through several channels. For instance, it developed an Internet page that demonstrates all Ericsson’s supply chain instructions, templates, procedures and other relevant information. Moreover, it adopts a ‘train the trainer’ approach in its distribution centers through providing certificates for trainers in order to guide operators in several warehousing activities such as inbound, outbound, and pick and pack, where these certified trainers are also endorsed to recommend process improvements. Ericsson also encourages its TPL providers by listening to their suggestions about process improvement and development, where it enables them to share ideas and thoughts in a collaborative manner. By enabling all these approaches and strategies, Ericsson tries to ensure that all its TPL providers are working the same way throughout the global chain, which represents the foundation to perform improvements.

Within the initiation phase of the relationship between Ericsson and Aramex, and after the project kick off, Ericsson headquarters in Sweden has sent a number of consultants to Aramex’s facility in Saudi Arabia to ensure that all the work standards are met, especially after acknowledging some working obstacles in the relationship. Whereby, and through several visits, Ericsson was able to understand the supplier’s point of view, leading to a gradual development of mutual understanding of the performance measures between the two parties. On the other hand, Aramex’s operations manager explains that today both companies speak the same language, as Aramex has tailored and developed unique processes and functions to suit Ericsson's needs. According to him, the company has invested through assigning extra resources and installing special equipment in order to accommodate with Ericsson's specific operational requirements.

Standardization has been portrayed as a positive performance influencer by almost all of the interviewees. According to Ericsson’s RMEA sourcing category manager, “standardization is a key for efficiency and to develop better mutual understanding”. He also explains that Ericsson tends to standardize not only its operations processes, but also its price models and contracts within a multinational scale. However, Ericsson sometimes applies slight modifications to its unified contracts to adapt to certain working circumstances. Referring to Ericsson’s
global process driver, Ericsson uses its ‘blueprints’ to ensure all the working standards are met in any of its endeavors. According to him, this will help in realizing better cost efficiency performance through attaining a better visibility, which would allow Ericsson to plan the volumes and the needed capacity ahead. As mentioned by Aramex’s operations manager, investing in new equipment leads to better cost efficiency and on-time delivery performance over the long run. According to him, this is due to reduced time for processing orders accompanied with high quality and less errors in operations, which represents the outcome of proper standardization. Moreover, the other operations manager in Aramex relates standardization to innovation and automation, where he states that “if you have a mutual understanding, this will give you room to innovate and automate your processes, where the higher the standardization the better the chance for innovation and automation, the less human intervention, the better overall cost performance”. According to the interviewees, standardization would also help to reduce the number of resources needed, which will save time and cost and result in more efficient operations and faster deliveries.

However, some Ericsson interviewees view the topic from a different angle. According to them, there are two methods to be followed while introducing standardization: Ericsson to tell its TPL provider how to conduct the operations exactly in every single detail, or Ericsson to hand the TPL providers its requirements and rely on their expertise to achieve the results without its interference. For them, they incline towards the second approach, as most companies are able to be more efficient if they work with their own processes and standards, where moderate alignment can be done afterwards to match Ericsson’s exact needs.

4.7 Sequential order of factors

At the end of the focused interviews, each interviewee was asked to arrange the six factors in a sequential order in case the relationship would start over. Thus, their perception was given to illustrate when to focus on each of the factors during the process of building up the relationship and starting the execution. Also, a short explanation on the provided sequential order was offered by each of them.

For all Aramex interviewees, the factor ‘work agreements’ is placed as a starting point. They highlight the importance of this factor in order to understand what to do and how to perform, which is documented within the ‘work agreements’. According to them, this will enable clear ‘communication’, followed by ‘standardization’ and ‘system compliance’ at a later stage. However, two Ericsson interviewees explain that it is crucial to start with a smooth ‘communication’ in order to understand each other and agree on the business requirements before finalizing the ‘work agreements’. Furthermore, it is highlighted by two interviewees that it is vital to have a ‘cultural understanding’ as well before an agreement on work practices and contracts takes place. According to one interviewee, understanding the business might be reached through clear ‘standardization’. In total, all interviewees agree that a mutual understanding of the business requirements that are documented within the ‘work agreements’ represents a vital step before the execution of the business takes place.

Concerning ‘communication’, the importance of effective communication is highlighted by all interviewees, where it represents either the starting point of the relationship or a tool to increase performance. Whereby, increasing performance through ‘communication’ is based on proper ‘work agreements’ and ‘standardized’ communication streams. ‘Culture’ is placed at the end by some of the interviewees, as they do not perceive ‘culture’ as an aspect that needs to be worked on. However, three interviewees arrange ‘culture’ as the first or second factor, where they explain how important it is to understand each other’s ‘culture’ in terms of working behavior and capabilities in the beginning of the relationship.
"Standardization" is often placed in the middle of the sequence, where clear business requirements that are reached through "communication" and "work agreements" are mentioned as facilitators for implementing standards. For most of the interviewees, proper "system compliance" can be enabled through already implemented standards, and therefore the factor is mostly placed at the end of the sequence.

Finally, all interviewees view "trust" as a factor that develops over time. Furthermore, it is perceived to be the positive effect of a properly handled relationship while considering the other five factors. As one interviewee explains, "you will get trust by doing the other things well".

5 Discussion

Within this section, the empirical findings will be merged with the theoretical grounding outlined in the literature review section. This will be carried out through a comprehensive discussion for each of the factors individually. Afterwards, all the factors will be correlated and arranged within a sequential order. Consequently, a final detailed model for performance improvement within offshore outsourcing for shipper-TPL provider relationships will be developed.

5.1 Communication

Concerning communication, the empirical findings confirm the academic literature that emphasizes the importance of communication as a key for performance improvements (Stank et al., 1996; Halldórsson & Skjøtt-Larsen, 2004; Knemeyer & Murphy, 2004; Panayides & So, 2005; Jayaram & Tan, 2010; Tian et al., 2010). In general, the case reveals that poor communication results in higher cost and lower on-time delivery performance, as a lot of time is spent on clarifying communication, where this time can be translated to increased costs. On the contrary, efficient communication is seen as an enabler for performance improvements in various aspects. Within the following section, improving performance is discussed through both avoiding miscommunication and fostering efficient communication.

According to Knemeyer et al. (2003), communication is particularly important in the beginning of a shipper-TPL provider relationship. The empirical findings are in line with this suggestion, where the two companies failed to communicate in the right way within the build-up stage. More specifically, an understanding of the business requirements was not reached, leading to weak performance in the early execution stage. According to the interviewees, this was because the TPL provider worked towards service specifications that were not applicable. Consequently, the empirical findings stress the need to clarify business requirements clearly, which van Hoek (2000) and Francis (2008) emphasize in their research. As the TPL provider points out, the information shared by the shipper was not sufficient, where Stank et al. (1996) find that TPL providers rely on detailed information in order to customize their services and prepare their operations for the business. However, the case shows that TPL providers should also be more demanding in terms of receiving sufficient information. Hence, it can be argued that both parties should strive to ensure the right understanding of the business requirements simultaneously. In order to achieve this mutual understanding, literature suggests to conduct formal meetings and to document agreements (House & Stank, 2001; Huiskonen & Pirtilä, 2002; Beulen et al., 2011). Within the case companies, the interviewees point out the importance to carry out meetings with all key actors to clarify the requirements. Additionally, they also stress that documentation of agreements is crucial, as otherwise mutual understanding cannot be assured. According to one interviewee, missing to document agreements might lead to repetition of the meetings without achieving progress. Consequently, empirical and
theoretical findings commonly suggest putting effort in the build-up stage by documenting requirements in detail, as this effort will pay off in the execution stage.

Another important aspect within the beginning of a shipper-TPL provider relationship is the requirement to set-up communication channels as suggested by Knemeyer and Murphy (2004) and Beulen et al. (2011). To explain, detailed examples are given within the case, where a communication matrix and standardized communication templates are applied to ensure proper communication. Both tools enable the two parties to share information effectively, as the right recipients receive the information in an efficient way. According to the interviewees, this efficiency is ensured because only relevant information regarding deliveries is shared, which enables the involved staff to process information quickly and act accordingly. Furthermore, establishing a communication matrix enables tracking communication streams. Consequently, failures within the communication can be pointed out, enabling effective improvement activities as the root cause of problems can be tackled. However, the communication matrix and the standardized templates were only implemented at a later stage, where their absence in the beginning led to time-consuming discussions and sometimes to missed deliveries. Thus, a negative effect on performance due to higher cost and failed on-time deliveries was noticed, where Beulen et al. (2011) find that these negative effects could be avoided through effective communication channels. Consequently, installing a communication matrix and preparing communication templates in the build-up stage of the relationship is considered to improve performance significantly.

Within the execution stage, the literature advises to regularly communicate about performance within shipper-TPL provider relationships (House & Stank, 2001; Sohal et al., 2002; Wilding & Juriado, 2004; Jayaram & Tan, 2010). In the examined case, discussions on KPIs are seen as an important part to trigger performance improvement activities, where these discussions take place in regular meetings. However, the interviewees mention that a mutual understanding of the performance indicators was missing in the beginning, which led to dissimilar perceptions on performance. Similarly, van Hoek (2000) notices that performance is often measured differently in the beginning of shipper-TPL provider relationships. Interestingly, Knemeyer and Murphy (2005)’s findings are confirmed, as the TPL provider reported a more positive performance than the shipper measured. In order to overcome this issue, House and Stank (2001) suggest implementing mutually agreed performance measurement systems. Within the case, the interviewees reveal that they conducted meetings to clarify their understanding of performance, where they were able to agree on performance measurements. Thus, the reported KPIs improved steadily as a result. Therefore, KPIs should be mutually agreed on by both parties to foster performance enhancements.

In general, academics find that communication is vital to identify process improvement opportunities and implement these improvements efficiently within the execution phase (Stank et al., 1996; House & Stank, 2001; Ghosh & Fedorowicz, 2008). The case example shows that meetings represent a proper tool to identify these improvement activities, as the actors holding relevant know-how are able to discuss their ideas. However, the examined relationship reveals that a suitable structure is important to conduct these meetings effectively. Especially, documentation and follow-up of the triggered improvement activities are vital, where academics confirm such importance as well (House & Stank, 2001; Huiskonen & Pirttilä, 2002).

Furthermore, former research emphasizes that transparency is vital to solve problems and increase trust simultaneously (Moore, 1998; Panayides, 2007; Hofer et al., 2009). Also for the examined shipper, it is important that issues within the delivery process are reported instantly and openly. According to the interviewees, only transparency on issues enables both parties to solve problems effectively without a negative effect on performance. Moreover, the TPL pro-
vider highlights a positive effect on cost efficiency and on-time delivery performance, where instant and transparent communication enables it to speed up the delivery process and reduce waiting times. Especially, the use of informal communication tools like ‘WhatsApp’ and phone calls foster instant problem solving, which results in more cost efficient solutions according to the TPL provider. For both parties, trust is seen as a support for effective communication within the execution phase, as the described ad-hoc solutions require a satisfactory level of trust. Furthermore, constructive discussions on performance improvements and problem solving can be carried out more effectively while reaching such trust level (Ghosh & Fedorowicz, 2008). Similarly, the literature mentions that trust will influence communication positively by enabling the parties to enhance knowledge exchange and share confidential information (Klein, 2007; Qureshi et al., 2008), where this has not been found within the case.

Additionally, the interviewees perceive sharing forecast information on a regular basis as an effective way to increase performance in accordance with Ghosh and Fedorowicz (2008). This is mainly because the TPL provider will be able to organize its resources in an effective way. Similarly, Panayides and So (2005) explain that a higher amount of shared information will lead to higher operational effectiveness. However, empirical and theoretical findings show that this information has to be accurate (Skjøtt-Larsen, 2000; Panayides & So, 2005).

In summary, the empirical findings match the academic research as formal and informal communication tools are applied to enhance performance (House & Stank, 2001; Jayaram & Tan, 2010). As the discussion shows, formal meetings enable mutual understanding of business requirements and build the basis to successfully engage in business improvement activities. Both aspects are important to improve performance within the shipper-TPL provider relationship. Also, standardized communication streams facilitate efficient communication and lead to higher on-time delivery performance and time savings, where these can be translated to cost savings as well. Additionally, informal communication and transparent information sharing foster effective problem-solving, which lead to cost efficient solutions and higher on-time delivery performance. Considerably, promoting mutual understanding and implementing proper communication channels in the build-up stage as initial steps is perceived to facilitate better communication in a later stage of the relationship (Beulen et al., 2011).

5.2 Culture

In comparison with communication, culture does not seem to have a similar strong impact on performance within the case example. However, there are some possible explanations given to clarify this perception. On the one hand, some interviewees argue that the people involved come from various national backgrounds, which leads to an overall multinational business environment. Thus, the gap in terms of behavior and thinking patterns mentioned by Hofstede et al. (2010, p.6) is not apparent, as there are many national backgrounds involved instead of only two distinguishable groups. On the other hand, an overall Arabian culture is perceived, where the Swedish culture does not play a major role. This can be related to Hofstede et al. (2010, p.348), who find that business subsidiaries are often more influenced by the national culture of the country they are located in with only a limited influence of the home country’s culture. Thus, there is no obvious empirical evidence found regarding difficulties because of the intangible cultural dimensions developed by Hofstede et al. (2010). Only two Swedish interviewees mention that they perceive the Saudi culture as ‘harsh’ and ‘loud’. This might be related to the difference in culture between Sweden and Saudi Arabia, where the Swedish culture is more focused on harmonic relationships in contrast to a tougher climate in Saudi Arabia (Hofstede et al., 2010, p.142-143, p.148). However, as aforementioned, the international working environment makes it difficult to point towards specific cultural characteris-
tics. Thus, the intangible cultural aspects in terms of national culture are considered to play no major role within the specific example.

Nevertheless, there are three tangible cultural aspects that reveal an impact on performance. Firstly, language as cited in Gooris and Peeters (2014) is found as a source of misunderstanding. The empirical findings reveal that speaking different languages can result in a higher amount of time spent on communication. Additionally, misunderstanding during operations might lead to delayed deliveries, as details about a delivery might be confused, where both the higher amount of time spent on communication and misunderstandings could result in higher cost and lower on-time delivery performance. Also, Gooris and Peters (2014) relate miscommunication due to cultural barriers to higher cost within a business partnership. Secondly, religion that is also cited in Gooris and Peeters (2014) is mentioned as a cultural difference. Throughout the Ramadhan period, there is a shift in working times alongside a general reduction of working hours. Thus, higher cost might appear due to more resource requirements, where operations should be adapted to this change to avoid higher costs. Thirdly, the labor quality differs significantly between Sweden and Saudi Arabia, where Hofstede et al. (2010, p.339) mention differences in the availability of skilled labor between countries in general. According to local Saudi interviewees, some improvement activities triggered by the Swedish headquarters were based on the underlying assumption that the labor quality would be similar. However, the significantly lower education level for ground workers in Saudi Arabia was seen as an obstacle to implement performance improvements. Thus, the improvement ideas have to be based on the local labor quality in order to succeed.

Taking the three examples into consideration, it can be concluded that it is important to understand each other’s culture, where it is specifically important for the shipper to understand potential obstacles based on the culture of the targeted country. Confirming the requirement to understand each other’s culture, Panayides (2007) emphasizes on the importance of learning about the culture within a partner’s organization to successfully engage in business relationships. Furthermore, Trompenaars and Hampden-Turner (2012, p.268) denote that understanding each other’s culture bears the opportunity to create a common culture that could result in mutual benefits. To reach this understanding, the interviewees suggest that the shipper’s Saudi subsidiary should help the Swedish employees by assisting in understanding the culture within Saudi Arabia. Going one step further, one Swedish interviewee suggests that the only way to understand the foreign culture is to visit the country with an open mind. Considerably, combining the strengths of each other’s culture is seen as a booster for performance within the empirical findings as well as in the literature (Trompenaars & Hampden-Turner, 2012, p.267; Gooris & Peeters, 2014).

Next to the differences based on national culture, the case example reveals an importance to consider and understand organizational culture. According to Gregory et al. (2009), companies should aim to create a ‘negotiated culture’ that consists out of compromises and creativity to overcome differences. For them, such a ‘negotiated culture’ facilitates problem solving and successful business improvements significantly (Gregory et al., 2009). Within the case example, professionalism, openness and striving for business improvements are seen as characteristics of such a culture, which will influence performance positively. More specifically, treating problems openly as a starting point for business improvements is vital for performance enhancement, where both parties are required to provide their input to succeed in these performance improvement activities (Trompenaars & Hampden-Turner, 2012, p.268). However, individuals might hinder this process, as in the case example the top-management of the TPL provider lacked on acknowledging operational issues. Furthermore, the interviewees describe another issue as Ericsson had a different type of relationship with its former TPL provider. In that relationship, Ericsson was the only customer, and the provider’s entire setup
was based on its business needs. Contrary, Aramex handles other customers aside from Ericsson simultaneously, where a similar treatment is not possible any more, which results in potential conflicts. Thus, understanding this difference represented a crucial point within the mindset of Ericsson. Consequently, in line with Trompenaars and Hampden-Turner (2012, p. p.268), it is empirically found that both parties have to work simultaneously to achieve mutual understanding and form a ‘negotiated’ culture.

In summary, the influence of culture on performance can be classified as indirect rather than direct. Considerably, creating an understanding of national cultural differences is perceived to function as a basis for a successful collaboration (Gooris & Peeters, 2014). More specifically, the potential negative effects of different languages, shifted working hours during Ramadhan and lower labor quality might be overcome by understanding the differences and adapting the business practices accordingly. Consequently, it is important to adjust working standards to local specifications. Furthermore, business improvement activities require a mutual cultural understanding (Gregory et al., 2009). Finally, a common organizational culture is perceived to impact performance positively, where this culture is characterized by professionalism and a focus on mutual problem solving.

5.3 Trust

Trust receives similar attention in the literature as communication for being a factor to enhance performance (Moore & Cunningham, 1999; Stank et al., 2003; Knemeyer & Murphy, 2004; Panayides & So, 2005; Jayaram & Tan, 2010; Hofenk et al., 2011). Likewise, trust is considered as a major factor to improve performance within the case example. However, it seems that trust plays a more significant role within a later stage of the relationship. As the interviewees agree, trust develops over time as a result of managing the other factors properly. Furthermore, the case example shows that a low level of trust in the beginning of the relationship was perceived. Considerably, both findings are already apparent within current literature, where Knemeyer et al. (2003) discover that the level of trust increases through enhancing the shipper-TPL provider relationship over time, where in the beginning trust depends on former satisfaction and TPL provider’s reputation (Knemeyer & Murphy, 2004). As the relationship of the examined shipper-TPL provider represents the first mutual business in Saudi Arabia, the low level of trust is explainable. Furthermore, the examined TPL provider was urged to provide considerably low rates, which made it difficult for them to gain profits from the agreement. According to the interviewees’ perception, these circumstances hindered trust development. Noteworthy, Moore (1998) emphasize that a beneficial agreement for both parties is required to build trust. Thus, the exemplified situation clearly harmed the level of trust in the beginning. Furthermore, Knemeyer and Murphy (2004) explain that opportunistic behavior damages the trust level. Considerably, one interviewee expressed his feeling that the partner was taking advantage of contractual gaps in order to gain more benefits. Therefore, it can be concluded that it is important to create a contractual agreements that is beneficial for both partners. Particularly, Hofenk et al. (2011) argue that contracts represent the foundation of trust. Considerably, the case example shows that contractual gaps hindered the development of trust due to conflicts caused by arguing about these gaps. Hence, the work agreements should not only be beneficial for both parties, but also aim to clarify the business requirements to enhance trust.

In order to further develop the level of trust, transparency within the relationship is a key for most interviewees, which has also been confirmed by academics (Moore & Cunningham, 1999; Hofer et al., 2009). More specifically, the willingness to openly acknowledge issues and to focus on problem solving is stressed by the interviewees. Particularly, empirical evi-
dence shows that providing the shipper with instant information is found to facilitate trust consequently.

Considering the impact of trust on performance, the case example shows that a low level of trust causes considerable higher time and effort to be exerted within the shipper-TPL provider relationship. In detail, discussing deviating KPIs or blaming each other in on-time delivery failures consumes a lot of time according to the interviewees. However, once a sufficient level of trust is reached, there is a significantly positive effect of trust on the performance within a shipper-TPL provider relationship. Noteworthy, Yu et al. (2006) explain that a high level of trust creates an atmosphere that enables partners to focus on solutions. Likewise, an Ericsson interviewee declares that constructive discussions are fostered through trust. According to him, these discussions represent the foundation of successful business improvement activities, resulting in better cost efficiency and more accurate deliveries. Moreover, the case reveals a positive effect of trust on performance within the operational processes. In case of delivery issues, the TPL provider denotes that a high level of trust by the shipper enables it to find and implement ad-hoc solutions instantly without the requirement to waste time by awaiting formal approvals. Therefore, time can be saved and the most cost efficient solution can be applied, resulting in a higher on-time delivery performance. Moreover, trust facilitates more efficient communication as all relevant information is shared openly (Klein, 2007). According to an Ericsson interviewee, sharing all relevant information is required to establish the most suitable performance improvement ideas.

Furthermore, trust has a considerable influence on performance within the area of work agreements. Vivek et al. (2009) explain that opportunistic behavior is reduced in the beginning of a partnership due to formal contracts. Along an increasing level of trust, opportunistic behavior will be reduced, resulting in the willingness from both sides to establish mutual benefits. Likewise, it is denoted within the empirical findings that the developed trust enables both parties to efficiently negotiate new prices for ‘out of scope’ activities without the requirements of formal request for quotations. However, low trust will result in a lot of time to be spent on discussing new charges, which can be translated into higher cost at the same time. Thus, Yu et al. (2006)’s finding that higher trust might decrease the requirements for formal contracts is confirmed. Additionally, empirical evidence is given that a low level of trust has a negative impact on performance due to the increased time spent on negotiations. Consequently, a high level of trust has a positive impact on cost performance as reasonable prices are commonly agreed.

In summary, a high level of trust saves time and effort that might be wasted on destructive discussions. Furthermore, trust is seen as a facilitator for successfully implemented performance improvement activities. More specifically, it is found that trust positively supports an efficient delivery process with respect to higher cost efficiency and on-time delivery performance. Finally, trust facilitates price negotiations, which leads to better cost solutions.

5.4 Work agreements

According to the case study, it is clearly shown how proper formulation of work agreements and contracts would have a positive impact on performance. This argument walks in line with the literature, as Hofenk et al. (2011) confirm, establishing the suitable agreement has its direct and progressive influence on operational effectiveness within shipper-TPL provider relationships. Within this section, the way the contract between Ericsson and Aramex SAU is established will be analyzed and cross-matched with the aforementioned theories in the research.

The level of collaboration between Ericsson and Aramex SAU can be described within the advanced logistics services level. To explain, the bundle of services offered by Aramex sur-
passes transportation and warehousing services (arm’s-length), and includes a number of value added services and advanced logistics management. According to Andersson (1997) and van Laarhoven et al. (2000), having such an advanced level of partnerships demands detailed contracts between the two parties. Evidently, the depth of details in the contract between Ericsson and Aramex is not sufficient for such an advanced relationship, as the contract was described to contain ‘grey’ areas that led to misunderstandings, besides unclear definitions of services and an absent description for KPIs and working measurements. In detail, the way the contract was formulated did not fully comply with the eight steps presented by Andersson and Norman (2002) for procuring logistics services. Whereby according to the results, the contract does not seem to adequately fulfill the steps of defining the service, understanding the volume bought, negotiating, simplifying and standardizing. Where on the other hand, results show that the reached agreement realized only the steps of running a market survey, RFP and contracting. Also, the agreement seems to satisfy only two out of the three vital aspects prescribed by Andersson and Norman (2002) while purchasing advanced logistics services: RFP and contracts, while the aspect of ‘defining the service’ was not thoroughly considered.

The empirical evidence explains that insufficient details in the contract setting leads to intensified communication that needs to be compensated and paid for. In contrast, the results also show that having a clear contract would enable the shipper to maintain a better visibility of the charges while invoiced, and therefore allow the company to find ways to improve space utilization and delivery outcome, which results in a more efficient performance. The first finding can by justified by van Hoek (2000)’s argument, as he explains that shippers often demand to have detailed contracts in order to ensure that the desired performance measures are met, especially in advanced logistics services relationships. Whereby, if the shipper cannot ensure that the desired performance measures are fulfilled, more communication and efforts will be exerted to clarify the issues, leading to higher costs from a ‘time is money’ perspective. Also, attaining a better visibility that enables finding ways for more efficient performance can describe the ‘demand for details’ discussed by van Hoek (2000), as this demand reflects reaching a better performance as a final outcome.

The empirical findings correlate on-time delivery performance to the level of clarity in the contract. As evidence shows, the less the clarity for service definitions in the contract, the more time to be spent to clarify the scope in every delivery, which leads to delayed and missed on-time deliveries. Indeed, contracts should be built upon clear measurement criteria as discussed by Logan (2000), where missing to consider this aspect would certainly cause disturbances in the operations flow. Moreover, defining clear measurements criteria prior to setting the contract would also overcome the problem of the unmatched measurement criteria between the shipper and provider as discussed in the case study. Whereby, clearly defining the measurement criteria on the contractual level ensures that both parties will be speaking the same language even before initiating the execution.

Correlating work agreements with communication, both van Hoek (2000) and Logan (2000) explain that frequent communication with the client results in more detailed contracts. Such argument is also confirmed by the empirical findings of the study. However, when interrelating work agreements with culture, empirical evidence shows that culture plays a significant role in interpreting work agreements. As found in the results, the difference between the cultures led to a number of complications and conflicts. To explain, the contract agreed between Ericsson and Aramex SAU is similar to the contracts implemented between Ericsson and Aramex in different local warehouses in the region, where the arguments about unclear service definitions and working measurements only arose from Saudi Arabia. Therefore, the authors suggest the shipper to establish a thorough cultural understanding for the aimed country to do business with while establishing the work agreement.
Logan (2000)’s presented theories (RBV, transaction cost economics, agency theory) for conducting work agreements in outsourced logistics services have been analyzed and cross-matched with the advised procedure for establishing a proper contract resulted in the case study. Therefore, the authors recommend the following contract development procedure while purchasing offshore-outsourced logistics services:

i. The shipper should include all the concerned departments in the beginning before initiating the relationship with the TPL provider.

ii. The shipper should provide its clear working structures, processes and requirements in template documents before establishing the contract with the TPL provider.

iii. The shipper should consider the culture of the targeted country, and therefore modify the established documents accordingly.

iv. The shipper should evaluate the capacity of the TPL provider to utilize its core competency to serve the shipper under the specifications in the predefined documents.

v. These documents should be comprehensively communicated to the TPL provider to ensure proper understanding.

vi. The TPL provider must evaluate the bundle of services that it is able to provide to the shipper besides its capacity to develop and improve these services in the future.

vii. Both parties must amend the contract together to ensure precise and proper alignment of the service definitions and the ability to perform as required.

viii. Both parties must collaborate to develop the contract and the pricing model to become more flexible and transparent.

ix. Areas for connecting the established pricing model with IT systems can be discussed in order to achieve smoother operations and easier invoicing.

x. An agreement must be reached based on the available information and detailed measurement criteria to be used.

5.5 System compliance

As specified in the case study, only the shipper’s system is accepted for running the operations, where the TPL provider runs its own system in parallel in order to comply with its company’s policy.

The empirical findings indicate that using parallel systems would have negative effects on cost efficiency performance. The main reason found is that more resources will be hired in the TPL provider facility in order to enable working on both systems simultaneously. Also, using parallel systems requires providing additional IT support to ensure that both systems are running, especially when operations cannot be completed through utilizing one system only. Moreover, working on the shipper’s system might demand acquiring additional equipment. Such findings are justified theoretically, as Evangelista et al. (2012) stress progressive associations between data gathering technologies and performance efficiency and effectiveness. Whereby according to them, if proper data exchange cannot be realized, performance tends to be less effective/efficient, which impacts the overall financial performance. Also, the empirical findings indicate that double data-entry resulting from the systems’ incompatibility would cause delays in orders, besides an increased margin of error due to the manual process, which decreases the efficiency. The delay and increased margin of error can be attributed to the absence of EDI in the setup. Indeed, as EDI enables partners to exchange data automatically between their information systems (Agi et al., 2005). Whereby, being ‘automatic’ reduces the chance of human error and expedites the information stream. Aside from that, integrating the
two systems would allow the shipper to attain more control over its provider due to the enhanced operational transparency that fosters trust as an outcome (Sinkovics et al., 2011).

However, facilitating the proper integration is the TPL provider’s responsibility, as it is required from TPL providers to expedite physical and information flows and provide live performance updates (Gustin et al., 1995; Cooper et al., 1998; van Hoek, 2000; Ojala et al., 2006). As noticed in the case study, the provider’s inability to integrate was due to the enforced rules and requirements provided from the shipper’s end, which exempts it from the assigned responsibility.

In this case, the shipper validates its tendency towards not permitting any form of data integration between its system and the other TPL providers’ systems. According to the results, the reason behind this is that the shipper works with multiple thousands of TPL providers across the world, where each of these providers runs its own WMS. Therefore, aligning the shipper’s system with all these systems is conceived as a difficulty accompanied by a number of obstacles in terms of cost, time and efforts that need to be exerted to enable such alignment with this high number of systems.

As indicated, there is a dilemma between relying on the shipper’s system or integrating it with its TPL providers’ systems. On the one hand, enabling data integration between the shipper’s system and its TPL providers’ systems would be costly if the shipper is working with numerous providers, as integration between its system and the high number of systems would be more costly than enforcing working on one system. On the other hand, facilitating data integration would promote cost efficiency performance if the shipper is dealing with a reasonable number of TPL providers, as long as the integration cost is less than the cost of using parallel systems.

Consequently, the authors recommend implementing system integration when the cost of integration is lower than the cost of using parallel systems, where the number of TPL providers represents a corresponding variable. Figure 5 illustrates the developed model for system compliance costs when offshoring outsourced logistics services with multiple TPL providers. To explain, the cost of system integration increases as the number of TPL providers increase. Also, the cost of using parallel systems increases with proportion to the number of TPL providers, but in a lower steepness. This is because the cost spent on dealing with a high number of systems would surpass the cost of working on dual systems, especially when viewing the supply chain from a global view and interconnecting a large number of TPL providers.

Referring to results, using parallel systems has a negative impact on on-time delivery performance. Whereby, delivering the right goods on the right time through using two systems sim-
ultimately can be susceptible to a number of risks that include: the chance of error by double entry procedure, the risk of mistakes due to manual data entry, and the increased order processing time that delays the deliveries consequently.

5.6 Standardization

As indicated in the case study, Ericsson implements a number of methods in order to ensure that its work measurements and standards are met between its TPL providers within a global scale. These methods include: developing a global central support model, broadcasting its supply chain instructions and procedures on the web, enabling ‘train the trainer’ techniques to spread its work standards certifications, and encouraging its TPL providers to collaborate and enhance working processes. These processes combined help Ericsson to achieve better standardization, and therefore enables the company to lively monitor its TPL providers operational performance, which leads to identifying the operational gaps and revealing areas for improvement. Through this standardization, the company tends to find ways to cut costs and improve cost efficiency performance by relying on the projected figures to conduct better supply and demands plans. This finding is confirmed by Zhao and Tang (2009), who explain that realizing standardization for logistics procedures is portrayed as an effective measure to minimize logistics cost and promote the overall operational efficiency.

In the case study, there was a gap between the shipper and the TPL provider in terms of standardized working procedures and performance measurements. By considering the nature of this business, being an offshore outsourcing endeavor, and while taking a glance at the theory, Manrodt and Vitasek (2004) attribute the mismatch of understanding and the lack of proper standardization to the difference in the cultures between the involved companies. Whereby, they explain that implementing process standardization tends to be accompanied with cultural and geographical challenges that need to be taken into consideration while conducting cross-border endeavors. In order to overcome the issue, Ericsson has conducted several consultation visits to the TPL provider’s facility in order to ensure that all working standards are met. Through these visits, the shipper was able to understand the TPL provider’s point of view, leading to gradually develop a mutual understanding of the performance measures between the two parties. Where on the other hand, the TPL provider has also tailored and developed unique processes and functions to suit the shippers’ needs. Accordingly, striving for standardization from both parties is encouraged by Large et al. (2011)’s study, as it motivates TPL providers to adapt to the shippers’ working standards and procedures in order to enable performance improvements.

As found empirically, standardization is described as a positive performance influencer in terms of cost efficiency and on-time delivery. As Manrodt and Vitasek (2004) denote, standardization of logistics procedures leads to improving a company’s performance, resulting in enhanced operational competitive advantage. This can be clarified in the adopted case study through several channels: providing better visibility over the operations to allow the shipper to plan the volumes and the needed capacity ahead, reducing operational time, reducing the margin of error and human intervention while processing orders, increasing quality of operations, stimulating automation and innovation, and reducing human resources.

The choice between implementing the shipper’s working processes or relying on the TPL provider’s standardized procedures has been portrayed controversially in the case study. On the one hand, implementing the shipper’s standards ensures that the TPL provider is complying with the already acknowledged working processes, which leads to speaking the same language between the shipper and its different TPL providers, leading to a better visibility over the business. On the other hand, relying on the TPL provider’s expertise to implement its standards would allow the provider to find more efficient ways to handle its business as it
represents its own area of expertise. Viewing from a neutral perspective, the authors recommend to combine both streams in an adequate equilibrium. This can be achieved through applying the shipper’s working standards, and then allowing the TPL provider to implement its own operational standards according to the shipper’s precise requirements, which would result in a mutually beneficial win-win situation. For instance, empirical evidence demonstrates a successful application for ‘train the trainer’ approach with Ericsson’s distribution centers. Whereby through deploying such technique, the shipper ensures that its working standards are conveyed through the TPL provider’s team, which is also beneficial by allowing the TPL provider to recommend process improvements in an efficient manner. However, the authors recommend extending the scope to include Ericsson’s TPL providers.

5.7 The development of the PILOOR Model

In order to improve the conceptual model presented in section 3.5.2, the model will be tested and developed by reflecting the empirical findings obtained from the case study. This function to build an understanding for the links between the six factors, and interpret their correspondence to the performance measures identified in this research while considering the related time frame of the case study. In this section, each of the factors will be analyzed along two dimensions: its position and extent along the model, and the detailed steps demonstrating how to work on it. Afterwards, a final detailed model is illustrated via figure 6 in section 5.7.7 based on an interconnection between theory and practice. The authors have named this model the PILOOR Model (Performance Improvement in Logistics Offshore Outsourcing Relationships Model).

On the one hand, the sequence for each of the factors of ‘communication’, ‘culture’ and ‘work agreements’ has remained the same. Where on the other hand, the position of the factors of ‘system compliance’ and ‘standardization’ has been swapped, and the factor of ‘trust’ has been placed at the end of the model. Also, little modifications for the extensions of the factors along the time axis have been applied. Within the following sections, the changes are outlined and each factor is explained in detail.

5.7.1 Communication

The factor of ‘communication’ has been placed at the beginning by some of the interviewees, although some of them placed ‘work agreements’ as a starting point instead. To clarify placing it in the beginning, they explain that it is crucial to start with a smooth ‘communication’ in order to understand each other and agree on the business requirements before finalizing ‘work agreements’. However, this order can be justified, where ‘communication’ should be emphasized as a starting point of the relationship, especially that all interviewees agree that a mutual understanding of the business requirements that are documented within ‘work agreements’ represents a vital step before the execution of the business takes place. And then, ‘communication’ can be utilized in an optimal way to increase performance. Through the analysis part of this research, the authors have arranged the ‘communication’ process through a number of steps:

i. Attain mutual understanding of business requirements:
   a. Conduct formal meetings
   b. Document agreements

ii. Set-up communication channels:
   a. Communication matrix
   b. Standardized communication templates
iii. Communicate performance:
   a. Conduct regular meetings about realizing KPIs
   b. Conduct meetings to identify process improvement opportunities (accompanied with documentation and follow-up)
   c. Report faults and difficulties transparently
   d. Use informal communication tools for instant problem solving (occurs after trust is realized)
   e. Communicate forecast information

As indicated in the order, the step of attaining mutual understanding can be utilized before ‘work agreements’ are made, as it represents the basis for proper contract setting. Then, setting-up communication channels enable ‘crystal clear’ assignment for roles in the beginning of the relationship. Communicating performance takes place afterwards, which occurs along the execution stage of the business. Moreover, working on ‘communication’ should be initiated before working on ‘culture’, where an explanation for that will follow afterwards. Consequently, ‘communication’ represents a factor that can be worked on along the relationship in order to enhance performance in shipper-TPL provider relationships.

5.7.2 Culture

According to the empirical results, the factor of ‘culture’ has been either placed at the end of the relationship (where it was not perceived as an aspect that needs to be worked on), or at the beginning of the relationship. Placing it in the beginning is explained by the importance to understand each other’s ‘culture’ in terms of working behavior and capabilities at the starting point of the relationship. In order to place ‘culture’ appropriately, both results are analyzed and cross-matched with the literature to come up with a sequential process to facilitate understanding culture. Therefore, the authors have arranged working on ‘culture’ through a number of steps:

i. Understand national culture in the targeted country for offshoring:
   a. Receive a cultural insight from the shipper’s subsidiary in the targeted country
   b. Visit the targeted country with an open mind
   c. Combine the strengths of the two cultures (home and targeted countries)
   d. Adjust working standards to local specifications

ii. Understand organizational culture:
   a. Treat problems openly
   b. Create a ‘negotiated culture’ (compromise, creativity to overcome differences, professionalism, openness and striving for business improvements)

Through this order, understanding the national culture of the targeted country for offshoring can be done before the contracts are made. This functions to adjust working standards according to local specifications, which should be achieved before signing the contract between the two parties. After understanding national culture, organizational culture can be taken into consideration. It will assist to discuss problems openly in the relationship in order to reach a ‘negotiated culture’ as an ultimate goal that reflects professionalism and business improvements. Understanding the organizational culture can be initiated in the build-up stage, and then carried forward to the beginning of the execution stage. Noticeably, extending the factor of ‘culture’ towards the execution stage was not considered in the conceptual model. This adjustment is done because working on understanding organizational culture can be achieved
along the execution, as treating problems openly and creating a ‘negotiated culture’ are aspects that can be expanded throughout the operations. Whereby, once a ‘negotiated culture’ is reached, working on ‘culture’ would not require to be considered furthermore along the relationship.

5.7.3 Work Agreements

The factor of ‘work agreements’ has been placed as a starting point for some of the interviewees. Whereby, they highlight the importance of this factor in order to understand what to do and how to perform, which is documented within the ‘work agreements’. However, as discussed before, communicating to build up a mutual understanding functions as an initial prerequisite for ‘work agreements’, where understanding culture should be considered also as explained earlier. This order confirms the initial arrangement recommended by the authors in the conceptual model.

Section 5.2 in this research recommends a contract development procedure while purchasing offshore-outsourced logistics services. This procedure is relied on while reflecting the factor of ‘work agreements’ along the developed model. Noticeably, the steps (iii) and (v) have been excluded from the process, as (iii) is already emphasized within the factor of ‘culture’, and (v) is emphasized within the factor of ‘communication’.

The vertical transition line in the conceptual model between the ‘build-up stage’ and the ‘execution stage’ that passes through the ‘work agreement’ factor was originally pinched due to the fact that execution begins after the contracts are made (Marasco, 2008). Accordingly, the pinched line in the PILOOR Model separates ‘work agreements’ into two groups (build-up stage: include concerned departments, provide template documents, evaluate TPL capacity, evaluate the service bundle) and (execution stage: align service definition, mutually develop contract, discuss integration potential, foster mutual agreement).

5.7.4 Standardization

As indicated in the interviews, ‘standardization’ is often placed in the middle of the sequence, where clear business requirements that are reached through ‘communication’ and ‘work agreements’ are mentioned as prerequisites for implementing standards. For most of the interviewees, proper ‘system compliance’ can be enabled through already implemented standards, and therefore the factor of ‘system compliance’ is placed after ‘standardization’ in the sequence. Also, the factor of ‘standardization’ has been extended to the left along the time axis to reach out the build-up stage aside from the execution stage. Extending it leftwards resulted after splitting the factor into two steps that lead to mutual striving for ‘standardization’:

i. Applying shipper’s working standards

ii. Allowing the TPL provider to implement its own operational standards according to the shipper’s precise requirements

Applying shippers’ standards can be initiated before starting the execution of the business, especially that the recommended model for implementing ‘work agreements’ includes implementing and considering the shipper’s standards before establishing the contract between the two parties. Also according to one interviewee, understanding the business might be reached through clear ‘standardization’, where such understanding must be initiated before the execution takes place. Through figure 6, it can be noticed that ‘standardization’ overlaps in the build-up stage with providing template documents in ‘work agreements’, adjust to local specifications in ‘culture’, and standardized communication template in ‘communication’.
5.7.5 System compliance

As found empirically for most of the interviewees, proper ‘system compliance’ can be enabled through the already implemented standards, and therefore the factor is mostly placed at the end of the sequence. According to that, and by considering the conceptual model, the position of this factor has been swapped with the position of ‘standardization’. This finding contradicts to Agi et al. (2005), who explain that advanced ‘system compliance’ between shippers and TPL providers facilitates operational standardization. Whereby, this case indicates that ‘system compliance’ can be executed after standardized procedures are developed and mutually agreed. Within the analysis part of the research, the authors suggest that ‘system compliance’ can be handled with respect to two scenarios:

i. System compliance should be implemented if the cost of integration is lower than the cost of using parallel systems

ii. System compliance should be avoided if the cost of integration is higher than the cost of using parallel systems

These two steps demonstrate how working on ‘system compliance’ can be achieved. Also, ‘system compliance’ represents the last factor to work on in the sequence.

5.7.6 Trust

Finally, ‘trust’ is seen by all interviewees as a factor that develops over time. Furthermore, it is perceived to be the positive effect of a properly handled relationship while considering the other five factors. Therefore, the factor of ‘trust’ has been placed alongside the time axis of the model (develops with time). It is also placed as a last factor (result of proper handling for the five factors). This placement has altered from the conceptual model, where the literature suggests placing ‘trust’ before ‘work agreements’, as it decreases the need for formal contracts (Yu et al., 2006). But as indicated in the study, ‘trust’ leads to a better implementation for all the other factors, and also results from a proper facilitation of them (e.g. proper ‘system compliance’ enhances ‘trust’). Therefore, placing it at the end does not contradict with the literature, but it rather fills a theoretical gap by highlighting more associations with this factor.

5.7.7 The PILOOR Model

Figure 6 demonstrates the PILOOR Model that summarizes the above arguments.
Figure 6: the PILOOR Model
6 Conclusion

This study attempts to propose a guideline for improving logistics performance in terms of cost efficiency and on-time delivery in the early stages of shipper-TPL provider relationships within offshore outsourcing businesses. Based on the theoretical and empirical findings, the influence of the six factors (communication, culture, work agreements, standardization, system compliance, trust) on the two mentioned performance indicators is outlined in detail. Concluding, their impact on performance can be summarized as follows:

Regarding communication, mutual understanding is seen as a foundation for a successful partnership and a prerequisite for performance improvements (van Hock, 2000; Francis, 2008). Furthermore, standardized communication streams facilitate on-time delivery performance through targeted and clear communication. Additionally, these streams enhance cost efficiency due to realized time savings that lead to lower costs. Moreover, regular performance review meetings are required to trigger performance improvement activities (House & Stank, 2001). Furthermore, delivery problems can be solved instantly through informal communication. Thus, cost efficient solutions can be applied on the spot, leading to higher cost efficiency. Moreover, waiting time is reduced through instant communication, resulting in higher on-time delivery performance. Finally, transparent information sharing fosters the implementation of efficient operations and effective problem solving (Ghosh & Fedorowicz, 2008), whereby both result in a higher cost efficiency and on-time delivery performance.

Within culture, creating an understanding of each other’s national and organizational cultures is perceived as a basis for a successful partnership (Gooris & Peeters, 2014), in which negative effects of potential differences can be avoided, and the strengths of both cultures can be combined. Additionally, a common organizational culture is perceived to impact performance positively, as it represents the foundation for improvement activities.

Concerning work agreements, a clear contract set-up is required to achieve high performance. Considerably, this study shows that reaching a mutual agreement of service definitions and performance measurements is vital within shipper-TPL provider relationships (Logan, 2000). This is mainly because an alignment of service definitions and performance measures that are documented in the work agreements enables both parties to work efficiently together, as unnecessary discussions can be avoided. Additionally, attaining a common ground triggers improvement activities. Therefore, realizing a clear contract set-up saves time and allows both parties to focus on improving performance within their relationship.

Regarding standardization, it is recommended to apply the shipper’s working standards and leave room for the TPL provider to improve these standards while considering its own work practices. Through this combination, it is believed that efficiency within the operational processes can be achieved, as the human intervention and margin of error can be reduced. Consequently, the required delivery time can be met more precisely and the number of required resources can be minimized. In turn, this leads to enhanced on-time delivery performance and cost efficiency. Additionally, through standardization, both parties are able to find ways of cutting costs and improving cost efficiency performance by stimulating automation and innovation.

Within system compliance, system integration will improve cost efficiency through minimizing human resources and IT support. Additionally, the risk of errors accompanied by using parallel systems through the manual transfer of data from one system into another will be avoided. Therefore, the number of wrong deliveries will be reduced due to the decreased margin of error, leading to better cost and on-time delivery performance. Furthermore, system compliance supports a faster processing of orders, resulting in higher on-time performance.
However, the choice to integrate the shipper’s system with its TPL providers’ systems relies on the overall cost of integration.

Finally, a high level of trust saves time and effort throughout the whole relationship and functions as an enabler for successfully implemented performance improvement activities (Huiskonen & Pirttilä, 2002; Hofer et al., 2009). In more detail, trust supports an efficient delivery process that is related to higher cost efficiency and on-time delivery performance. Moreover, trust facilitates price negotiations, leading to better cost solutions.

In order to reach these performance improvements, the PILOOR Model is developed to provide a detailed guideline (figure 6). This guideline demonstrates a sequential order of steps that is believed to lead to performance improvements in shipper-TPL provider relationships within offshore outsourcing in the build-up and early execution stages of such a relationship. In brief, the model suggests that in the build-up stage, considerable efforts are required within the factors of communication, culture, work agreements and standardization in order to reach a mutual business understanding. Based on this understanding, a basis for execution should be developed to cover communication channels, a ‘negotiated culture’, a contract and standardized work procedures, as these establishments should be reached early in the execution stage. Within the execution stage, the focus is on enhancing performance through performance communication, adjusting work standards, and considering system compliance. Finally, the PILOOR Model outlines that trust develops based on proper accomplishment of the other five factors. Thus, an increasing level of trust will impact performance positively along the relationship.

6.1 Academic contribution

The findings within this thesis result in six major contributions towards the academic world. First, it is confirmed empirically that each of the six factors found within the literature impacts performance. However, it can be noticed that the importance for performance improvements varies among the factors.

Second, a conceptual model is developed based on the theoretical body of knowledge that is adjusted by taking the empirical findings into consideration, leading to the PILOOR Model. According to the knowledge of the authors, this model is the first in the academic literature to illustrate performance improvements in shipper-TPL provider relationships, specifically within an offshore outsourcing context. Therefore, this study fills a considerable gap within current literature and attempts to function as a starting point for further investigation in the topic of offshore outsourcing of logistics services to TPL providers.

Third, the study confirms former research carried out by Hofenk et al. (2011), whereby they explain that ‘hard’ and ‘soft’ factors should work hand in hand to engage in shipper-TPL provider relationships effectively. This study clarifies that communication and work agreements are key elements for enhancing performance in the beginning of such a relationship, whereby communication relates to a ‘soft’ factor and work agreements to a ‘hard’ factor. Additionally, the findings reveal an influence of culture on the establishment of work agreements.

Fourth, this study outlines how trust is a result of a properly managed business relationship that can enhance the positive effect of the other factors on performance. However, this finding is not generally new, as trust has been found to be the positive effect of various factors, such as communication (House & Stank, 2001; Knemeyer et al., 2003), contracts (Hofenk et al., 2011), transparency through system compliance (Sinkovics et al., 2011), or satisfaction (Knemeyer & Murphy, 2004). Nevertheless, this study shows that trust is not solely the effect of one factor rather it is the result of a properly managed relationship that consists of various factors. Thus, focusing on one factor while neglecting the others might hinder developing a
satisfactory level of trust within shipper-TPL provider relationships. Consequently, this study recommends a gradual consideration of one factor after the other in order to simultaneously develop trust and achieve performance improvements.

Fifth, the authors highlight that the factor of system compliance should not be considered solely by focusing on one shipper-TPL provider relationship if the shipper works with multiple TPL providers. Thus, this study confirms the general perception implying that system compliance improves performance (Evangelista et al., 2012). However, it contradicts this perception by claiming that the cost of integrating multiple different systems might surpass the cost of running parallel systems. Therefore, a cost model for system compliance has been developed, which illustrates the cost trade-off relationship based on both empirical and theoretical findings.

Sixth, the work of Logan (2000) is extended within this study, whereby his guideline to set-up contracts is adapted to the specific case of TPL contracts with offshore TPL providers.

6.2 Practical implications
Aside from the academic contribution, this study is believed to support practitioners as well. Within the examined case study, potential shortcomings have been identified. When relating these to literature, it is found that most shortcomings are typical for shipper-TPL provider relationships. Thus, based on the solutions provided within the empirical findings and the theoretical body of knowledge, solutions for these shortcomings are identified with the aim to improve performance. Consequently, this study provides a detailed guideline for managers within shipper companies that outsource logistics activities to a foreign country. This guideline outlines how to avoid potential issues by following specific steps in order to enhance performance within the beginning of the execution stage. More specifically, it is explained how a bigger effort in the build-up stage will enhance the performance significantly, whereby this study highlights the importance of establishing a proper foundation to conduct business. Likewise, this study enables TPL providers to understand important aspects within a shipper-TPL provider relationship in order to integrate within such a business. Thus, the outcome of this research assists managers within TPL provider companies to work effectively towards performance improvements.

Moreover, the cost model concerning system compliance and the extension of Logan (2000)’s work are believed to assist practitioners when considering system integration and contract set-up within shipper-TPL provider relationships.

Even though this research takes place within a solely business-to-business context, social aspects of the practical implications should be considered (Buchanan & Bryman, 2007). Considerably, one of the suggestions of this study is to improve cost efficiency through enhanced automation and system compliance that leads to a reduction of manual work. Thus, employing less staff is seen as an enabler to increase cost efficiency. However, the authors highlight that practitioners should carefully consider the social aspects of cutting cost by reducing the number of staff, as they recommend them to focus on deploying their resources in the most efficient way. On the other hand, this research also supports practitioners to take the right decision in order to maintain successful business relationships. Therefore, the findings of this study support companies to provide their staff with a secure working environment over the long run (Maignan & Ferrell, 2004).

6.3 Research limitations and further research suggestions
The authors acknowledge a number of limitations within this study, which can be addressed with further research. First of all, the study is based on one case example. Thus, the generalizability of the final results is limited. In order to strengthen the external validity of the devel-
oped PILOOR Model, the authors suggest to test the model on additional shipper-TPL provider relationships within an offshore outsourcing context. Furthermore, it is recommended to include observation and document analysis within the method of the research, as this was not possible within the present study. Noteworthy, it is believed that this would strengthen the results of the research. Additionally, the examined case is a part of a wider shipper strategy to improve performance within multiple shipper-TPL provider relationships. Therefore, further research should inspect whether multiple cases with one shipper and various TPL providers will produce the same results as the present study. Specifically, the aspects of system compliance and standardization might be affected due to that reason. Moreover, this case only addresses cost efficiency and on-time delivery as performance indicators. Thus, conducting a similar study with a focus on different performance indicators (e.g. lead time or revenue) would be beneficial. In general, an ideal research project would consider multiple cases, whereby each case applies the developed model practically. Thus, strengths and weaknesses of the PILOOR Model could be identifiable and the potential deficiencies for it could be resolved.

Next to the research suggestions triggered by shortcomings within this study, the authors recognize further opportunities for research to strengthen the body of research within TPL literature.

As aforementioned, it seems that some of the factors (e.g. communication and work agreements) impact performance improvement to a greater extent than others (e.g. culture and system compliance). However, as the aim of this study is to identify a suitable order for focusing on each of the factors, the importance of each of the factors has not been considered. Therefore, the authors suggest to conduct further studies with the aim to measure a ‘weight’ of each factor, and then relate these weights with their influence on performance. The authors believe that this will provide further guidance for practitioners in order to allocate the right amount of resources. Furthermore, such a research can contribute to the academic world by adding a measurement of ‘weight’ to the PILOOR Model.

Concerning the impact of culture, the authors feel that they mostly captured the aspects that appear on the surface. For instance, some interviewees did not consider culture as an influential factor within the relationship. However, there are some indications of bigger effects than the ones apparent at first glance. For example, an overall ‘harsh’ climate within Saudi Arabia has been perceived, whereby a more difficult contract definition was experienced in the business relationship in Saudi Arabia than in other Arabian countries. As the topic of culture is not adequately considered within the TPL literature (Hofenk et al., 2011), the authors recommend to conduct in-depth studies to focus on culture as a critical factor that impacts performance in shipper-TPL provider relationships within offshore outsourcing businesses.
Appendix

Interview protocols

‘Focused’ interviews

<table>
<thead>
<tr>
<th>Section</th>
<th>Interview questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>Could you explain the business relationship between Ericsson and Aramex Saudi Arabia?</td>
</tr>
<tr>
<td></td>
<td>Could you explain the role of Ericsson / Aramex within this business relationship?</td>
</tr>
<tr>
<td>Performance within the relationship</td>
<td>What types of performance measurements are important within your business relationship?</td>
</tr>
<tr>
<td></td>
<td>What are main factors influencing these performance measurements within your business relationship?</td>
</tr>
<tr>
<td>Further contacts</td>
<td>Would you be willing to participate in a second interview, which examines your business relationship in more details?</td>
</tr>
<tr>
<td></td>
<td>Could you recommend further potential interview candidates?</td>
</tr>
</tbody>
</table>

‘In-depth’ interviews

<table>
<thead>
<tr>
<th>Section</th>
<th>Interview questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>Could you introduce yourself (position / years of working within your company)?</td>
</tr>
<tr>
<td></td>
<td>Could you shortly describe the business relationship between Ericsson and Aramex Saudi Arabia based on your perspective?</td>
</tr>
<tr>
<td>Communication</td>
<td>How do you communicate in your partnership?</td>
</tr>
<tr>
<td></td>
<td>• What do you communicate?</td>
</tr>
<tr>
<td></td>
<td>• Which communication tools do you apply?</td>
</tr>
<tr>
<td></td>
<td>How does communication help in cost efficiency?</td>
</tr>
<tr>
<td></td>
<td>How does communication help in improving on-time delivery performance?</td>
</tr>
<tr>
<td></td>
<td>How did you communicate with your partner in the beginning of your partnership?</td>
</tr>
<tr>
<td>Culture</td>
<td>How do cultural aspects influence your work?</td>
</tr>
<tr>
<td></td>
<td>How do cultural aspects influence cost efficiency?</td>
</tr>
<tr>
<td></td>
<td>How do cultural aspects influence on-time delivery performance?</td>
</tr>
<tr>
<td></td>
<td>How did you try to understand each other’s culture in the beginning of your partnership?</td>
</tr>
<tr>
<td>Trust</td>
<td>How do you feel about the level of trust in your relationship?</td>
</tr>
<tr>
<td></td>
<td>How does the level of trust influence cost efficiency?</td>
</tr>
<tr>
<td></td>
<td>How does the level of trust influence on-time delivery performance?</td>
</tr>
<tr>
<td>Work agreements</td>
<td>How does the contract set-up influence cost efficiency?</td>
</tr>
<tr>
<td></td>
<td>How does the contract set-up influence on-time delivery performance?</td>
</tr>
<tr>
<td></td>
<td>How does the structure of the pricing model influence cost efficiency?</td>
</tr>
<tr>
<td></td>
<td>How does the structure of the pricing model influence on-time delivery performance?</td>
</tr>
<tr>
<td></td>
<td>How do you measure performance within your relationship?</td>
</tr>
<tr>
<td></td>
<td>How does the measurement of performance influence cost efficiency?</td>
</tr>
<tr>
<td></td>
<td>How does the measurement of performance influence on-time delivery performance?</td>
</tr>
<tr>
<td></td>
<td>If you go back in time, what would you change in the set-up of the work agreement?</td>
</tr>
<tr>
<td>System compliance</td>
<td>How do your systems comply with each other?</td>
</tr>
<tr>
<td></td>
<td>How does system compliance affect cost efficiency?</td>
</tr>
<tr>
<td></td>
<td>How does system compliance affect on-time delivery performance?</td>
</tr>
<tr>
<td>Standardization</td>
<td>How do you standardize your processes?</td>
</tr>
</tbody>
</table>
Conducted interviews

Table 3: characteristics of interviewees and interviews

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>Position</th>
<th>Sex</th>
<th>Time in company</th>
<th>Interview interface</th>
<th>Interview Date</th>
<th>Duration of interview</th>
<th>Type of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ericsson</td>
<td>Stockholm, SWE</td>
<td>Business Process Driver</td>
<td>M</td>
<td>18 years</td>
<td>Skype</td>
<td>05.03.15</td>
<td>0:35 h</td>
<td>in-depth</td>
</tr>
<tr>
<td>Ericsson</td>
<td>Stockholm, SWE</td>
<td>Distribution &amp; Logistics Industrialization Manager</td>
<td>M</td>
<td>32 years</td>
<td>face-to-face</td>
<td>29.04.15</td>
<td>1:20 h</td>
<td>focused</td>
</tr>
<tr>
<td>Ericsson</td>
<td>Stockholm, SWE</td>
<td>Global Operations Driver</td>
<td>M</td>
<td>21 years</td>
<td>face-to-face</td>
<td>29.04.15</td>
<td>0:55 h</td>
<td>focused</td>
</tr>
<tr>
<td>Ericsson</td>
<td>Dubai, UAE</td>
<td>RMEA Sourcing Category Manager</td>
<td>M</td>
<td>6 years</td>
<td>Skype</td>
<td>28.04.15</td>
<td>0:55 h</td>
<td>focused</td>
</tr>
<tr>
<td>Aramex</td>
<td>Riyadh, SAU</td>
<td>Senior Logistics Operations Manager</td>
<td>M</td>
<td>2 years</td>
<td>Skype</td>
<td>07.04.15</td>
<td>1:15 h</td>
<td>focused</td>
</tr>
<tr>
<td>Aramex</td>
<td>Riyadh, SAU</td>
<td>Logistics Operations Supervisor</td>
<td>M</td>
<td>1 year</td>
<td>Skype</td>
<td>10.04.15</td>
<td>0:45 h</td>
<td>focused</td>
</tr>
<tr>
<td>Aramex</td>
<td>Riyadh, SAU</td>
<td>Central Region Logistics Manager</td>
<td>M</td>
<td>7 years</td>
<td>Skype</td>
<td>20.04.15</td>
<td>0:45 h</td>
<td>focused</td>
</tr>
</tbody>
</table>
References


