

Chapter 2

A Framework for the Management of Logistics Outsourcing Life Cycle

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ABSTRACT

During the last decade, logistics outsourcing relationships have been thoroughly researched. Much of the prior work on the management of outsourcing has focused on the benefits, challenges, and risks. In this study the focus is on the management of logistics outsourcing life cycle. After synthesizing a number of models, this study proposes a framework for the management of logistics outsourcing life cycle. It proposes a systematic procedure that consists of specific steps and sub-steps. The proposed steps are the following: feasibility study, requirement analysis, market research, selection, planning of partnership, development and operation of partnership, partnership management, and re-identification of partnership. For every step, the activities, aims, and deliverables are defined, presented, and analyzed.

INTRODUCTION

In today's business environment, entirely affected by the economic crisis, outsourcing by the supply chain members appears as a coherent choice in order to achieve a high ratio of performance, a decrease of operational costs and an enhancement of their competitiveness. A simple definition of logistics outsourcing is given by Zhenlong et al. (2011) as the logistics services provided by professional logistics enterprises (the Third Party Logistics or simply 3PL's) in the form of the

contract within a certain period of time required providing all or part of the logistics services.

A critical success factor of the logistics outsourcing is the effective and efficient management of the partnership from the decision of a company to assign its logistics functions to a third party until the end of the partnership (logistics outsourcing life cycle management) (Deepen, 2007; Huiskonen and Pirttila, 2002; Razzaque and Sheng, 1998; Bolumole et al., 2007; Bolumole, 2003).

There is an extensive bibliography that refers to the life cycle management of the partnerships among customers and logistics providers. Most

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Table 1. Literature review for the logistics outsourcing life cycle management

Author(s)	Suggested steps / stages
Halvey and Melby (2007)	<ul style="list-style-type: none"> • Planning stages (outsourcing as an option, defining the scope of the transaction, selecting a group of potential vendors, request for proposal) • Selecting the vendor (evaluating the proposals, notifying the preferred vendor(s)) • Business process outsourcing contract (key contract issues, regaining strategic control, pricing considerations, assembling the team) • Measuring performance (service levels, benchmarking,) • Post-negotiation activities (contract signing, press release, autopsy, risk analysis, contract administration, implementing the transition plan, notifying third parties) • Renegotiation and termination (renegotiation / termination process, termination plan)
Click and Duening (2005)	<ul style="list-style-type: none"> • Identify and Select the BPO Opportunity (establish a BPO analysis team (BAT), conduct a current state analysis, identify core and noncore activities, identify BPO opportunities, model the BPO project, develop and present the business case) • Select vendor (Appoint a vendor selection team (VST), establish qualifications, develop a long list, distribute the request for information (RFI), distribute the request for proposals (RFP), evaluate proposals, select a short list, select a vendor) • Develop contract (development of BPO contract, service level agreement (SLA)) • Transition (The BPO project management plan) • Operate (managing the buyer-vendor relationship)
Zhu-Kathy and Lillie (2001)	<ul style="list-style-type: none"> • Planning • Development • Application • Maintenance
McIvor (2005)	<ul style="list-style-type: none"> • Identification of main activities • Evaluation • Cost analysis of the activities • Management of partnership
Lysons and Farrington (2006)	<ul style="list-style-type: none"> • Consideration of the alternative types of outsourcing • Development of project management team • Preparation of the technical specifications and analysis of project's needs • Study of potential providers • Creation of potential providers' list based on the specifications and needs • Evaluation of candidates according to specific pre-defined criteria • Management of the activities after the Negotiations of the proposals

of them describe the stages, challenges, involved parties, etc. The following table presents some evidences from the literature regarding the logistics outsourcing life cycle management. It is focused on the corresponding steps and / or stages:

The above models can also be considered for the life cycle management of the logistics services providers (Outsourcing life cycle management). After synthesizing the above models, this study proposes a generic framework for the management of logistics outsourcing life cycle. This framework proposes a systematic procedure that consists of specific steps and sub-steps. For every step the activities, aims and deliverables are defined, presented and analyzed.

THEORETICAL FRAMEWORK

The main objective of this study is the design of a framework for the management of the life cycle of outsourcing relationship. It proposes a systematic process which can be act as a roadmap for the planning, execution, monitoring and control of the outsourcing relationship. The following figure presents the steps of the proposed framework:

The above framework proposes a systematic procedure that consists of specific steps and sub-steps. The fact that this procedure is systematic offers significant advantages:

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