



**SCHOOL OF MANAGEMENT STUDIES
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RESEARCH PROPOSAL

ON

**ASSESSMENT OF LOGISTICS MANAGEMENT COLLABORATION AND
EFFECT ON SUPPLY CHAIN THE CASE OF MOENCO**

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SUBMITTED TO

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INTRODUCTION

1.1 STUDY BACKGROUND

A supply chain is a network of suppliers, factories, warehouses, distribution centers and retailers, through which raw materials are acquired, transformed, produced and delivered to the customer. Being a complex network of suppliers, factories, warehouses, distribution centers and retailers, the success of any supply chain management system depends on how well these system components are managed and contributed. Levi et al. (2003) state that even if a firm has the available resources to perform a particular task, another firm in the supply chain may sometimes be better suited to perform that task simply because its relative location in the supply chain better positions it to do so.

Actually the parties are collaborating to ensure that the end customer is satisfied. To do this companies involved must share information, knowledge, risk and profits. Sharing entails understanding how other companies operate and make decisions, and goes much deeper than cooperation. Collaboration is mutual goal setting that goes far beyond a normal written contract or partnership. According to Anthony (2000), Collaboration is defined as two or more companies sharing the responsibility of exchanging common planning, management, execution, and performance measurement information (Min et al., 2005).

Effective supply chain demands a kind of partnership where each individual in the chain adopt a standardized solution and stands on common goals. Every participant looks after the chain optimization rather than individual advantage. In fact a very




immediate and available opportunity when two or more companies involve in a chain is the situation where parties would be able to recognize each other competencies and combine them in order to satisfy the customer requirements (Min et al. (2005).

According to Bownan (2004), the best supply-chain performers are deeply involved in relationships that call for tight links between partners. It's an environment where information flows freely in both directions, upstream to suppliers, or downstream to customers. The situation where manufacturers, distributors and retailers respond quickly to changing business conditions and customer service is paramount.

Consequently, such kind of research undertaking can simply indicate the possible options and opportunities that certain company can gather by working with collaboration with others and being informed how to share benefit from it.

The study will try to asses and /investigate the possible difficulty or gap in the logistics collaboration of MOENCO and its competitive advantage.

MOENCO was founded by Mr. Y.D. Lappine on January 1959 in a small rented house with a capital of 200,000 Ethiopian birr in the heart of Addis Ababa, around the area commonly known as Mexico. Nine years later, MOENCO took over the Toyota franchise business for Ethiopia when Inchape, a London based international organisation become a major shareholder and injected a considerable amount of capital. This was a milestone moment in the firm's journey to become the MOENCO of today. In addition to the Toyota business MOENCO used to represent General



Motors for various types of American vehicles and trucks, Lmgersoll- Rand, WABCO, Pettibow, Universal, Dupont, General Tire, Frigidaire, Zanussi, and Tomas De La Rue and Co. of England.

In 2009, MOENCO became the largest automotive company in the county, representing over 20 brands. The company has grown both in terms of size and in terms of modernisation of its service shops and parts distribution centres, which display a passion for creating the ultimate customer experience.

1.2 PROBLEM STATEMENT

Internal excellence is not enough anymore; there is also a need for external excellence in the whole supply chain. The supply chain lies no longer with an individual company. Either it will not be able to be managed separately. Professions became so specialized and time to market is one of the most important aspects of competitiveness. As it mentioned concentrating in core competencies is a dominant motivator for companies to enter in a partnership

Globalization, rapid technological change, shorter product life cycles, changing customer preferences, and hyper competition are just some characteristics of today's business environment. As a result, organizations have become aware of the fact that working alone is almost impossible. Therefore, they began to understand that building relationships are keys to a successful business.

For organizations to compete in today's business world which is characterized by globalization, increased customer responsiveness, channel integration and advances

in information and communication technologies, they have no other alternative other than participating in a supply chain (Soosay et al., 2008).

Keeping this in mind, data from preliminary information indicated that the organization under study does not recognize the gain from supply chain collaboration. This may result lack of efficient practice and management of joint planning, management, and measurement; and sharing goals, objectives, benefits, sharing resources, open communication, sharing risks and reward with partners, which critically escalates cost the company incur in its logistics operation in its supply chain.

Thus, the purpose of this study will try to assess and/or investigate the possible difficulty or gap in the logistic collaboration for company competitive advantage.

1.3 RESEARCH QUESTION

In order to come up with the solution for the issues at the problem statement the study pose different basic questions, which includes.

- ✓ What are the driving forces, or benefits of collaboration in logistics management in the supply chain of the company?
- ✓ Where to collaborate in the supply chain?
- ✓ What are the barriers of effective collaboration in the compnay logistics management in the chain?
- ✓ What kind of way-out taken place for challenge of collaboration

1.4 OBJECTIVES OF STUDY

1.4.1 General Objective

The overall aims of the study will Assess and Evaluate Logistics Management Collaboration on Company Competitive advantages.

1.4.2 Specific Objectives

Specific objectives of the study will be:

- ✓ To identify the driving forces, or benefits of collaboration in logistics management in the supply chain of the company.
- ✓ To indicate where to collaborate in the supply chain?
- ✓ To examine barriers of effective collaboration in enterprises logistics management in the chain?
- ✓ To indicates way-out taken place for challenge of collaboration?

1.5 METHODOLOGIES

1.5.1 Research Design

The design of the study will be descriptive in nature. Related literature will be studied regarding logistics management collaboration and supply chain. This provided a clear theoretical framework that formed the basis for the study.

1.5.2 Nature and Source of Data

Both primary and secondary sources of data/information will be used. Primary data sources will be collected through interviews and Questionnaire (empirical study), while secondary data sources will be collected through extensive literature reviews.



1.5.3 Sample and Sampling Techniques

180 employees of MOENCO working at headquarter are population of the study; of which 50% of them will take as sample respondents. In order to select sample respondents, the study will use a purposive and stratified sampling technique. The intention of using purposive sampling is to focus on those who have expert knowledge about logistical operation of the Company and while, stratified sampling will use due to existence of heterogynous category of respondents.

	Management	Employees
Procurement	2	43
Transportation	2	43
Warehouse	2	43
Marketing	2	43
	8	172

1.5.4 Data Collection Techniques

Interview and questionnaire intends to be used as one of the technique to collect primary data. The questions will be structured and measured using a five-point Likert response format with the end points (1) “strongly disagree” and (5) “strongly agree”, and (1) “no extent” and (5) “a very great extent”. The intention of using interview as a data collection method came from the study believes that the nature of the topic to be assessed needs in-depth and complete clarification from the data source. While secondary data will collect through literature study and review.

1.5.5 Data handling and Analysis

The data will be analysed descriptively using descriptive statistical data analysis method. Thus, data will be analyzed and presented using SPSS in order to make the analysis more expressive.

1.6 DELIMITATION OF STUDY

This research will limit its subjective scope on the Logistics Management Collaboration in the Supply Chain. While, geographically delimited on its Head Quarter of the company which is found hear in Addis Ababa. Moreover, the study tries to assess three years data only from 2013 to current period to give a sound analysis on the issue under study.

1.7 SIGNIFICANCE OF STUDY

Conducting this study will benefit different parties those are directly or indirectly related with research result/report. Thus, it will including

- ✓ To the Company under study, will indicate the possible gap and way of remedial measures on the problem at hand.
- ✓ To the researcher, will create an opportunity to be informed on the issue in the study.
- ✓ To the others will serve as reference on future research conducted on similar or related issues



1.8 STUDY ORGANIZATION

This research study will be organized in four sections. The first chapter will cover introductory aspect of the study which will includes Background of Study, Statement of Problem, Objective of the Study, scope of Study, Significant of Study, Methodology and Others. The second chapter will also include Literature Review. The third chapter will deal with Data Presentation, Analysis and Interpretation of Study findings, while the fourth chapter will focus on Summary of the Findings, Conclusions and Recommendations. Finally, list of Bibliography to be used and other appendices will be annexed.

1.9 STUDY BUDGET

1.9.1 Time Scheduling

<i>Activities/period</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	
Title Selection and Preliminary study	➔						
Proposal Preparation		➔➔➔					
Literature reviewing		➔➔➔➔					
Design quaternaries and Administration							
Data Analysis and Interpretation			➔➔➔➔➔				
Submission of First Draft Research report					➔		
Presentation of Final Report						➔	

1.9.2 Cost Scheduling

<i>Description</i>	<i>Quantity</i>	<i>Amount(birr)</i>
Clerical and stationery cost	Lamp sum	2,500
Transportation cost	Lamp sum	2,000
Internet and related costs	Lamp sum	2,000
Miscellaneous	Lamp sum	2,500
<i>Total</i>		9,000




2. LITERATURE REVIEWS

2.1 Definition

A supply chain is a network of suppliers, factories, warehouses, distribution centers and retailers, through which raw materials are acquired, transformed, produced and delivered to the customer. Being a complex network of suppliers, factories, warehouses, distribution centers and retailers, the success of any supply chain management system depends on how well these system components are managed and contributed. Levi *et al.* (2003) state that even if a firm has the available resources to perform a particular task, another firm in the supply chain may sometimes be better suited to perform that task simply because its relative location in the supply chain better positions it to do so.

Organizations to compete in today's business world which is characterized by globalization, increased customer responsiveness, channel integration and advances in information and communication technologies, they have no other alternative other than participating in a supply chain. Every successful supply chain strategy requires integration, cooperation and collaboration, which in turn demand aligned objectives, open communication, sharing of resources, risks and rewards (Soosay *et al.*, 2008).


The definition clearly illustrates the importance of coordination and collaboration with channel partners. In fact in order to have an effective and resistant supply chain, all the entity inevitably should perform a least level of collaboration with



other members in the chain. The fundamental rationale behind collaboration is that a single company cannot successfully compete by itself. Indeed no truly successful supply chain could be found where parties involved do not collaborate. Within this definition of supply chain management, collaboration could be defined as a means by which all companies in the supply chain are actively working together towards common objectives.

Actually the parties are collaborating to ensure that the end customer is satisfied. To do this companies involved must share information, knowledge, risk and profits. Sharing entails understanding how other companies operate and make decisions, and goes much deeper than cooperation. Collaboration is mutual goal setting that goes far beyond a normal written contract or partnership. According to Anthony (2000), Collaboration is defined as two or more companies sharing the responsibility of exchanging common planning, management, execution, and performance measurement information (Min *et al.*, 2005).

In order to maximize the success of such collaboration there is a need for a deeper understanding of a number of issues, such as, the motivation to collaborate, where and with whom a firm can collaborate in the supply chain, type and scope of collaboration. These issues will be considered in detail through this chapter. Subsequently, a frame work which indicates the necessity of collaboration in today's world of business will be described through its relation with complexity and innovation.



2.2 Form of collaboration


Collaboration in business can be found both in inter and intra organization and ranges from the simplicity of a partnership to the complexity of a multinational corporation. According to Barratt (2004), there are a variety of forms of potential supply chain collaboration, which can be divided into two main categories, vertical and horizontal collaboration (figure 4.1). Furthermore, Soosay et al. (2008) states the third form of collaboration namely 'lateral collaboration', where it combines the benefits and sharing capabilities of both vertical and horizontal integration.

2.2.1 Vertical collaboration

This kind of collaboration would perform internally or along the supply chain. In the case of externally, along the supply chain, it means working more closely with trading partners to improve each other's efficiency for collective benefit. It is about giving and gaining visibility into each others processes so that each can do a better job. For instance manufacturer can directly access the stock holding figures of their retail client to know when replenishment will be needed, the warehouse operator can know when the manufacturer will be calling for a replenishment order from stock, or the raw material supplier can know that the manufacturer has depleted his stock by fulfilling an order and can carry out a delivery.

2.2.2 Horizontal collaboration


Horizontal collaboration requires cooperation between non-competing (or even competing) companies that would not otherwise engage in business, e.g. two



manufacturers sharing a warehouse space enabling shared deliveries to retailers, or a number of small manufacturing firm joining their shipments together to buy full vehicle loads (FTL) instead of each paying higher part load rates (LTL).

2.3 Type of collaboration

Integration is understood to increase the organization's efficiency both internally and externally. According to Harrison *et al.* (2008), if significant improvements can be achieved by internal integration, potential for the benefits of external integration could be even higher. As shown in figure 4.2, relationship between organizations can range from arm's length relationships to partnership (collaboration) or even further to joint ventures and vertical integration. Based on Lambert and Stock (2001) normally a firm will have a wide range of relationships spanning the entire spectrum, the majority of which will not be partnerships but arm's length association. Arm's length relationships are more transactional in nature. In economics, a transaction cost is a cost incurred in making an economic exchange. Therefore relationship in this level is about to be like a simple contract. For instance a seller provides a product (service) for several buyers which it normally has in a standard format. While this kind of relationship might be proper in many cases, there are situations where parties need to work closer especially when they move towards their core competencies. Generally an organization is involved in several business areas like providing, manufacturing, marketing, distributing, etc. where some or at least one of them is its core competency. Depending on the company's specific policy, some fields of its job are more important than other and in the case of outsourcing



decisions it must be considered more carefully. Whereas some insignificant ones could be achieved through arm's length relation, the one closer to the core competency of the company understood to be achieved with some kind of partnership where collaborative approach is considered as one of the best practice for this purpose.

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