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Logistics Capability, Logistics Outsourcing and Firm Performance in Manufacturing Companies in Pakistan

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Abstract

This study investigates the role of logistics capability and logistics outsourcing on the performance of manufacturing companies in Pakistan. It examines how logistics capability affects firm's performance, why outsourcing is essential and how firms benefited if they outsource the service rather than establishing their own logistics capability. This research is based on a survey using structured a questionnaire to collect the primary data. The target population is logistics specialists of manufacturing companies in Pakistan with head offices based on Karachi, that have their own logistics or outsource their logistics. The questionnaire has been distributed to 500 respondents in 113 manufacturing companies in Pakistan. Confirmatory factor analysis has been used as statistical techniques to check the factor loading of the components, and SEM (Structural Equation Model) is used to check the impact of logistics capability on firm's performance as well as the role of logistics outsourcing as a mediator. The findings of the research suggest logistics capability has positive impact on the performance of the manufacturing companies in Pakistan, and logistics capability has also an impact on logistics outsourcing. On the other hand, the study found that logistics outsourcing has no significant impact on the manufacturing companies in Pakistan.

Keywords: Firm Performance Manufacturing Companies, Logistics Capability, Logistics Outsourcing

JEL Classification Codes: L92, L99, M1, M11, M19

1. Introduction

Logistics is the backbone of any company. The term 'logistics' means the moving of goods and services from one destination to another. Outsourcing is a solution where an organization provides services to another organization for fulfilling their needs and objectives (Bryce & Useem, 1998). There are different types of outsourcing for a company

like logistics outsourcing, human resources outsourcing, information technology outsourcing, etc. After globalization, many companies are focusing on their core competence that is why outsourcing becomes more important (Jiang & Qureshi, 2006).

There are many reasons for a company to outsource their logistics because they focus on their company's many businesses or they want to improve the quality of their business. Logistics outsourcing helps a company to improve the quality of its products by more focusing on the business; outsourcing also reduces expenses like labor and transportation costs. Third-party logistics have important role in the economy sector of the country, since globalization outsourcing has been increasingly growing. Logistics outsourcing can increase efficiency of the company and deliver the right product at accurate time. Nowadays, customers want the product on minimum lead time.

There are many companies that have their own logistics capability because they have the potential to handle logistics with their core business. With in-house logistics company have advantages over outsourcing because the company management has total control over their logistics capabilities

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and can also easily improve their performances (Idoro, 2011). In manufacturing firms in Pakistan there are some companies with their own logistics and other companies with outsourced logistics. They take their own decision to improve the firm's performance. Both logistics outsourcing and logistics capability have great impact on the performance of manufacturing companies. In the 21st century, companies are focusing on their core business that is why the company is outsourcing its logistics. But most of the manufacturing companies still manage their own logistics.

Logistics capability gave positive results to the manufacturing companies; they acquire different tools to get benefits and make positive impacts on the company. In-house logistics is the piece of a firm's assets next to all benefits – skill, hierarchical procedures, firm characteristics, data, learning, etc., which permit it to consider and execute techniques that enhances the efficiency of the manufacturing firm (Barney, 1991). The study finds that in-house logistics not only help performance, but it also reduces costs, which gives firm an edge over to their competitors.

The use of in-house logistics gives a differentiation from other firms. Moreover, previous studies show that in-house logistics also helps the company's strategy and gives it competitive advantage, because it helps the company make use of it and develop a strategy the top management wants. Other studies establish a relationship between the other capabilities on the firm performance such as getting a competitive edge via two ways – consumer capability and information capability. These two factors give positive relationship to the company performance because it knows how to response to the customers' demands, whether customers are satisfy with the product or not and what customers demand about the product This is what gives the company control over its performance, and that also improves the customer satisfaction level.

The third-party concept was started in early 70's. The main work of outsourcing logistics consisted of warehousing, repacking, and value-added services. In repacking, they break the bulk into customers demand or consolidate the distribution according to the market of customers (Cho, Ozment, & Sink, 2008). Many manufacturing companies are not outsourcing logistics entirely, but they outsourced those components that are not controlled by the management. As outsourcing becomes advantageous to the firms, how does the company build a competitive edge? The company incorporates logistics outsourcing in its strategy. Research shows that companies that set their priorities without including an outsourcing strategy fail.

Due to globalization, the life has become faster, every company wants to capture the market share of competitors or wants to grab the opportunities to expand its market share while trying to focus on its core business. They try to outsource other functions to remain focused on their

premium business. As Pakistan is a developing country, logistics systems there are is also at early stages. There is a large number of steps to be taken to achieve better logistics in Pakistan, and to overcome these hurdles the time is needed to reach a good status among countries having better logistics systems. Many companies think that logistics is not an important function in their business, they are just thinking about it and do little work to get a better logistics system. Collecting data from different manufacturing companies is quite difficult because none of the firm wants to give away their information; time and budget are other problems, as researchers also have to face the same hurdle in their study.

The study reveals that there are too many differences in logistics capability and logistics outsourcing. San Martín-Rodríguez, Beaulieu, D'Amour, and Ferrada-Videla (2005) said that firm performance may be affected, not only by logistics capabilities, but there are also many other factors which should be considered and be integrated with management of the firm, including human resource, marketing, and finance to give a better support to it. This study will provide insight about which variable plays a vital role in increasing the performance of the firm with the help of mediation. The core objective of this study is to highlight the impact of logistics capabilities and logistics outsourcing on firm performance while considering the manufacturing companies based in Karachi, Pakistan. The study will propose implications for firms in Pakistan that want to increase their performance.

The study's objective focuses on the facts that give long-term positive results on the performance of those firms that outsource logistics, which is not their core business, and of those firms that have an in-house logistics capability as part of their core manufacturing businesses. The study is important from the view of manufacturing firm on the outsourcing logistics and logistics capability. The study will provide highlights about the ways manufacturing firms should embrace logistics to succeed in the market.

2. Literature Review

Outsourcing is commonly used in the company to improve the performance of the firm, which cut down the operation costs. Bettis, Bradley, and Hamel (1992) examine the pro and con of outsourcing, which requires to properly understand and manage the strategy of the firm. Aertsen (1993) reveals that outsourcing gives company physical distribution significance, outsourcing companies have a cost advantage compared to companies with an integrate logistics. Outsourcing gives common benefit to the many companies, which give them a core edge. Kotabe and Mol (2009) find a relationship between a third-party service provider and financial performance, which is costly to outsourced their product for the company. Outsourcing implies high costs of

transportation, based on a study conducted in America (Bardi & Tracey, 1991). Moreover, a study outlines the problem of logistics outsourcing in Europe (Van Laarhoven, Berglund, & Peters, 2000).

There are studies which show the relationship between outsourcing and supply chain strategy in large companies (Hilletoft & Hilmola, 2010). An in-depth study of outsourcing problems in different companies measuring the efficiency and effectiveness was conducted by Jiang, Frazier, and Prater (2006). The various benefits of outsourcing are by and large well understood. The business press is full of case studies. It describes instances of assembling firms that have been exceptionally effective in collecting the benefit of outsourcing by decreasing expense, moving forward pace and responsiveness, decreasing process duration, progressing in an imaginative way, expanding flexibility, and progressing forward.

Top management plays an essential role in mediating transaction attributes to exercise their influences on logistics outsourcing success (Yuan, Chu, Lai, & Wu, 2020). Cooperative bargaining contract can ensure the 3PL exerts the maximum effort/investment level and achieves high-quality delivery and system-wide welfare (Huang, Tu, Chao, & Jin, 2019). Logistics capability has become a competitive edge and is a major worry for the manufacturing firm. Studies describe our in-house logistics can achieve goals of performance and competitive advantage (Noorliza, 2020) and how the firm gets logistics capability to meet customer demand (Winkelhaus & Grosse, 2020). The researcher also gives a model to improve in-house logistics (Kostrzewski, Varjan, & Gnap, 2020). In-house logistics are widely use, and set up logistics capability is linked with performance of the firm (Ellinger, 2000).

The studies found the in-house logistics provides benefit to the firm, which increases the performance of the firm by reducing the labor cost and operation cost (Anderson & Narus, 1995). Still, there are clear indication of in-house logistics that are directly linked with business strategy and firm performance; logistics capability also focus on the geographic location of the firm like in America where researchers constructed this model (Sharma & Gupta, 2012). In-house logistics can increase work efficiency because the firm has total control over its workers, which give them positive result. This is in the big and small cities of China because they are more focused on their ability, which give them positive results.

A most efficient strategy requires the combination of outsourcing strategy, which affects the performance of the firm. A best management of business strategy can give positive impact on the firm performance. Every business strategy is totally link with performance of the firm because it gives direct impact on the performance (Milgrom & Roberts, 1995). Firms have a tendency to add new items to

their portfolios as they gain new information and incorporate it with their current information base, specifically in very dynamic businesses. The new information frequently expands upon the current information, permitting for enhancements in existing items, for example, higher quality and more prominent capacity to fulfill needs.

Arvis et al. (2016) investigate logistics and its effects on business performance by using peripheral outsourcing, core outsourcing as independent variable, and firm performance as independent variable. The survey was based on 558 respondents, out of which 94 returned a valid questionnaire. Top level managers of the firm fill up the questionnaire. Tests used in that study were factor analysis, descriptive statistics, and correlations and regression analyses. This study reveals that there was no direct significant effect of outsourcing on the firm's performance. Researchers assessed the effect of outsourcing on the business performance by testing the outsourcing behavior of large firms with high level of labor union, and service industry. The effective relation of factors involved in the production process is an indispensable trend to enhance the vitality in the context of international economic integration today (Suong, 2017).

Grabara, Kolcun, and Kot (2014) scrutinize transport logistics and the performance of the firm by using firm's performance as dependent variable and logistics outsourcing as independent variable. The data are collected via a survey, with questionnaires mailed to 558 CEOs of the manufacturing listed firms; 94 firms returned their completed questionnaires. Tests used in this research are mean, standard deviation, correlations, reliabilities and regression. The results show the outsourcing of logistics has a positive impact on firm performance. The researcher wants to examine deeper on outsourcing and core competences of the firms and they impact on various perspectives of the industry.

Tatham and Christopher (2018) investigate the impact of commercial outsourcing on company's importance by using outsourcing as independent variable and company value (performance) as dependent variable. The survey was based on interviews with the company's employees. This reveals that managers of the company complaining about the problem about the outsourcing that will not affect the performance of the company.

Lee-Mortimer (2006) explores the impact of new product design to outsource on assembly and manufacturing industry by applying product design as independent variable and outsourcing manufacture as dependent variable. The data are collected by interviewing different manufacturing company managers, and other staff. The result of this study shows there is positive impact of outsourcing on quality design, which shows better design and better productivity. The researcher wants to further work outsourcing with less product cost and better quality, and also want to check the top management involvement in the outsourcing decision.

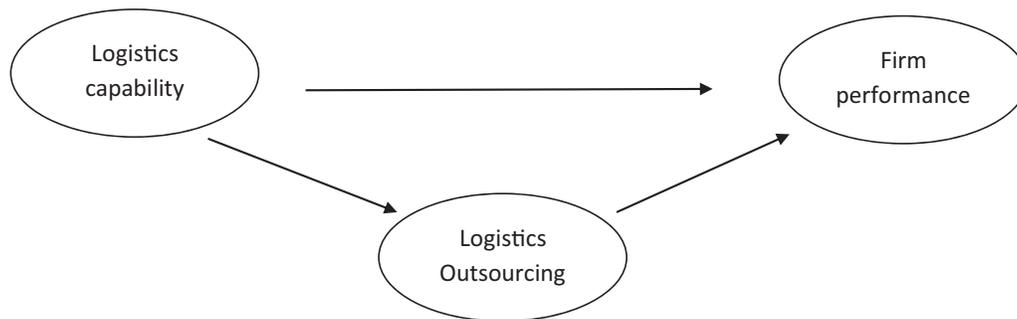


Figure 1: Theoretical Framework

Aktas and Ulengin (2005) look at third-party logistics in Turkey by applying logistics outsourcing as independent variable and transportation function as dependent variable. The data are collected through survey based on 250 companies. The tests used in this study are ANOVA and correlation. The results of this research show positive impact of outsourcing the logistics on the performance of the company, which reduces the transportation cost and firm gets the benefit. The researcher recommended that this study should be conducted in other countries like Asian countries.

Figure 1 displays the research framework of this study.

3. Methodology

In this research, the focus is on exploratory method. Furthermore, in this part, methodology, research design, data source, target population, and variables of this study are discussed, which will be used to determine results of this research. This research determines the impact of logistics capability and logistics outsourcing on the performance of the company. This section presents a summary of techniques and methods used.

3.1. Sampling Design

In this research, primary data are collected by using questionnaires. The respondents were the managers of the manufacturing company or the logistics specialist of the firm. Data were obtained from different manufacturing firms in Pakistan. The target population is the logistics specialists of manufacturing companies based in Karachi, who have their own logistics or outsource their logistics. The sample size of the respondents is 500. These questionnaires were distributed among logistics managers, finally we received 474 questionnaires. After compilation, 37 questionnaires were discarded due to incomplete data, and 437 valid ones were used to analyze the data. In this research a questionnaire is used with a range of 1-7 options. In this range 1 is poor, 2 is fair, 3 is below average, 4 is average, 5 is good, 6 is very good and 7 is excellent.

3.2. Data Analysis Design

We used many different techniques for getting the result. To choose which techniques are best for calculating results is the foremost option which researcher must consider. In this study Reliability test is used and others are confirmatory factor analysis and Structural Equation Modeling (SEM), which are used to determine the mediating effect of the variable. By running this test, the objective of the report can be achieved that either independent variables are predicting dependent variables or not. For this study the researcher has adopted a designed questionnaire intended to collect proof on variables that are selected for the study to examine their relationship among them. This research questionnaire was adopted from the past studies (Cho et al., 2008). The questionnaire is divided into three sections. Questions 1 to 10 were used to determine the impact of logistics capabilities and questions 11 to 17 were used to determine the impact of outsourcing on firm performance. All three items are adopted from past research (Cho et al., 2008).

3.3. Description of Variables

For this research, logistics outsourcing and logistics capabilities are independent variables and firm performance as well as logistics outsourcing are used as dependent variables. The main purpose of this research is to investigate which independent variable is a strong predictor for the firm performance so that it will help future investigators to further explore this topic.

3.4. Logistics Capability

In-house logistics means when company has its own logistics capability to distribute its goods in the market for customers. In-house logistics show that companies have control over their transportation for the transfer of goods. Logistics capability are a standout amongst the most vital segments inside of ventures, particularly in the huge assembling organizations. It overseas, masterminds, arranges

and conveys the completed items. It is a basic piece of the store network, as well as mirrors the after-effect of execution organization procedure. In today's world, logistics capability means you have competitive advantages in the industry because internal transportation gives you wide coverage in the distribution and total focus on the management (Cho et al., 2008). The company also derives the advantage of low cost logistics because company knows how to manage their flow of goods and services in the respective markets. These firms advancement to a completely incorporated store network administration model is consolidating such administrations to fulfill worldwide operations. Other e-trade logistics literature has identified logistics capacity as a necessity for potential achievements (Barney, 1991).

3.5. Logistics Outsourcing

Outsourcing logistics are growing because companies are more willing to focus on their capability and they outsourced their logistics to the logistics service provider (Bryce & Useem, 1998). Outsourcing logistics play a vital role in today's world. Many manufacturing companies are now focusing on their priorities and limited selective activities, which companies can control easily. Outsourcing is now becoming the complete advantage. Due to third-party logistics they get more market capture, which gives manufacturing company more growth. When company outsource their logistics, the service provider of transportation distributes more goods in the market and will capture more areas where those companies that have their own logistics can't capture more areas; that is why many companies outsourced their logistics. Due to globalization companies are outsourced their supply chain by the one third parties or multiple third party logistics.

3.6. Firm Performance

The subjective measures is how companies allocate their resources to operate their businesses in order to earn profits. The term of profit is normally used to measure the performance of any company, this comparison can be based on similar companies or it can be aligned with commercial ventures. There are several measures to calculate the monetary benefits, but all measures almost indicate the same direction. For calculation purpose, operating income and income from other sources can be used as proxy.

3.7. Ethical Consideration

Every respondent (manager) of the manufacturing companies from which we are collecting our data for this research have been given assurance that this data will be only used for research purpose and we will not be disclosed to

anyone else, and all the facts and figures they are providing will not be used for any unfair means; furthermore, these data are free from any kind of bias.

4. Data Analysis

In this section, the data have been organized in categories using different tests in SPSS software. Table 1 summarizes the results of respondent's education level and responsibilities, out of 437 respondents 240 were graduates, which is 54.9% of total; there were 174 post-graduates, which is 39.8% of the total respondents. The managers whose educations were M. Phil. were 23 out of 437, which is 5.3% of the total; there were no Ph.D. among respondents. And out 437 respondents, 31 were supervisors, 213 were middle managers, which is 48.8% of the total respondents. 178 were senior managers, and there were 15 others. The number of respondents who belong to particular industry who responded our questionnaires, in the above table respondents from Construction and material were 12, Electricity were 39, Household goods were 50, Chemicals were 35, Automobiles were 101, Food were 54, Beverages 42, Pharmaceutical 77, and Others were 27 that total becomes 437 which is our sample size.

Table 2 summarizes the results of statistical tests of reliability and factor analysis. The poll for this study considers 15 inquiries, which incorporates both independent variables and dependent variables. The test of reliability used is SPSS software according to the restrictions, the estimation of Cronbach's alpha will be more than 0.7, means 70%. The value of Cronbach's alpha in this research is 0.842 means 84.2%, that shows the research of the data is reliable or satisfactory.

Table 2 also summarizes the results of factor loading. The results show that rotated component matrix defines the correlation in the variables to the dependent variable. The worth which has the most elevated estimation of connection demonstrates the largest amount of relationship to the dependent variable. It makes gathering of every variable. We explore two components, which the number of items were a total of eight. All eight items were getting through exploratory factor analysis test. In this table, after Exploratory factor analysis, the reliability statistics for eight items produced .812, means 81%. The value of Cronbach's alpha should be more than 0.7, in the above table the data can be checked by the estimation of alpha and these outcomes likewise demonstrates the estimation of alpha for both independent variable and dependent variable is more than 0.7.

In the above table the first variable, "logistics capability", has 11 elements and the value of reliability is 0.76, means 76%. "Firm performance" is the second variable which has the value of 0.82, means 82% reliable, first variable has 11 items and second variable have four items. The overall model has 84% reliability. The data in this research are

Table 1: Respondents' Analysis

Table	Education Level, Responsibilities and association			
	Frequency	Percent	Valid percent	Cumulative percent
Graduate	240	54.9	54.9	54.9
Post Graduate	174	39.8	39.8	94.7
M. Phil	23	5.3	5.3	100.0
Total	437	100.0	100.0	
Supervisor	31	7.1	7.1	7.1
Middle Management	213	48.8	48.8	55.9
Senior Management	178	40.7	40.7	96.6
Other	15	3.4	3.4	100.0
Total	437	100.0	100.0	
Construction and material	12	2.8	2.8	2.8
Electricity	39	8.9	8.9	11.7
Household Goods	50	11.4	11.4	23.1
Chemicals	35	8.0	8.0	31.1
Automobiles	101	23.1	23.1	54.2
Foods	54	12.4	12.4	66.6
Beverages	42	9.6	9.6	76.2
Pharmaceutical	77	17.6	17.6	93.8
Others	27	6.2	6.2	100.0
Total	437	100.0	100.0	

Table 2: Reliability Statistics and Rotated Component Matrix

Table	Reliability Test and Factor Loading	
	Variable	No of items
Logistics capability	11	0.76
Firm Performance	4	0.82
Overall	15	0.84
Number of Factors	1	2
LC1		.590
LC3		.710
LC4		.866
C5		.681
FP1	.798	
FP2	.721	
FP3	.797	
FP4	.815	
Cronbach's Alpha	.812	
Eigen Values	3.629	1.390
% of Cumulative Variance	34.944	62.738
Kaiser-Meyer-Olkin Measure of sampling adequacy		0.787
Bartlett's Test of sphericity approx Chi Square		328.868
DF		28.000

acceptable because according to guideline the data of the study should be more than 70% reliable. Reliability tests should be more than 70%, which is acceptable cut of value and in this research Cronbach's alpha is more than 70% (Gupta, Aggarwal, Garg, Chhabra, & Bachhal, 2014).

The value of KMO should be more than 0.5, in the above table the data can be checked by the estimation of alpha and these outcomes likewise demonstrates the estimation of alpha for both independent variable and dependent variable is more than 0.5. While in the estimation of KMO, the outcome characterized that the estimation of KMO of independent variable is 0.787, which means 78.7% of variance. In the above table, significance is 0.000, which is acceptable, so all the factor analysis tests run through SPSS are accepted. According to the study, the KMO value should be greater than 0.5, which is 50%, KMO measures the strength of the factors (Kaiser et al., 1958).

Table 3 summarizes the results of model fitness that the value of CMIN/DF should be less than 5 (<5) and in this study model it is 1.318, which is less than 5. RMESA value should be less than (<0.05) and in this study it is 0.053. GFI value should be greater than >0.80 and in this model it is 0.954. AGFI value should be greater than >0.85 and in this model it is 0.902. NFI value should be close to 1 and in this model it is 0.934. TLI value should be close to 1 and in this model it is 0.971. CFI value should be greater than 0.95 and in this model it is 0.983, so it is significant. Byrne et al. (2010) also use CMIN/DF value less than 5(<5) (Bagozzi & Yi, 1988). AGFI value should be greater than >0.80 (Bagozzi & Yi, 1988). Bentler (1990) uses TLI value should be close to 1 and NFI value should also be close to 1. RMESA value should be less than <0.05 (Browne & Cudeck, 1992).

Table 4 summarizes that logistics capability has negative impact on logistics outsourcing, with value of -0.283 and its p- value is significant. Logistics capability has positive impact on firm's performance and its p-value

is significant. Logistics outsourcing has negative impact on firm's performance and its value is -0.027 and its p-value is insignificant and consistency in the result remain intact before the mediation and after the mediation.

H1: There is impact of logistics capability on firm's performance as it is clearly shown in Table 4, its value should be less than <0.05 and in this table it is 0.001.

H2: There is impact of logistics capability on logistics outsourcing as it is in the Table 4 that the value should be less than <0.05 and its 0.001

H3: There is no impact of logistics outsourcing on firm's performance as it's not less than <0.05, its value is 0.852

H4: Mediation is not applied because of insignificant result of the variable.

According to (Baron and Kenny 1986) the study presents the concept of mediation, the researcher suggested that first check the direct effect of independent variable on dependent variable if it is not significant or insignificant then there is no need to check further the role of mediator in the study.

5. Conclusion

The basic and important purpose of this research is to investigate the effect of logistics capability on the firm performance of the manufacturing companies in Pakistan. The purpose of this research is to draw an instrument, which is easy to understand for the study, a 7-point Likert scale was used, from 1 "poor" to 7 "excellent", and one question is about dichotomy of logistics outsourcing. Questionnaires were filled by the manufacturing companies in Pakistan. In this research, there were three variables: logistics capability, logistics outsourcing, and firm performance; logistics capability was the independent variable, firm performance was the dependent variable, and logistics outsourcing or

Table 3: Goodness of fit results

Table	Model fitness results						
	CMIN/DF	RMESA	FI	GFI	NFI	TLI	CFI
Criteria	<5	<0.05	0.80	0.85	Close to 1	Close to 1	>0.95
CFA model	1.318	0.053	0.954	0.902	0.934	0.971	0.983

Table 4: Regression Weights

Table	Regression Weights	
	Estimate	P
Logistics capability – Logistics outsourcing	-0.283	***
Logistics capability – Firm performance	0.430	***
Logistics outsourcing –Firm performance	-0.027	0.851

third-party logistics was a mediator in this study. This research questionnaire was adopted from the past studies (Cho et al., 2008). The questionnaire was distributed among 500 in manufacturing companies in Pakistan, out of which 474 returned this questionnaire and 437 valid questionnaires were retained.

After the questionnaires were received from the manufacturing companies, data were processed through different tests. First test applied on the study was reliability statistic to check whether data is reliable or not. Second test was factor analysis to check Kaiser-Meyer-Olkin test, to explore the component and check the items of component whether they are in a proper sequence or not. Third test was Confirmatory factor analysis to confirm whether they are right or not with their different values, and the last test applied in this study is structural equation model (SEM), in SEM we check the different mediations whether full mediation, partial mediation or no mediation.

In SEM we also check the relationship between the independent variable and dependent variable and the role of mediator. After all these different tests the study concludes that logistics capability affects the firm performance of the manufacturing positively, logistics capability has also a positive effect on the logistics outsourcing. This study also reveals that there is no effect of logistics outsourcing on the performance of the firm. This study also indicates that there is no concept of mediation between the independent variable (logistics capability) on dependent variable (firm performance) with the help of mediator (logistics outsourcing).

This study determines that logistics capability gives us the benefits of cost-effectiveness, improves quality, on-time delivery, customer involvement and satisfaction, less wastes, and employees motivation from these practices. Furthermore, it also means that the above-mentioned practices if they are implemented in a proper way will bring more benefits, which every organization or firms want to achieve. The above-mentioned practices are well implemented in the manufacturing firms in Pakistan. Cho et al. (2008) also obtain same results, logistics capability has a positive impact on firm's performance. Logistics capability had positive effect on the performance and focused on their information capabilities (Yuan et al., 2020).

On the other hand, logistics outsourcing had no effect on firm's performance of the manufacturing firms in Pakistan. If manufacturing firms outsourced their logistics to third-party logistics (3PL) it will not affect the firm's efficiency as this study was conducted in Pakistan where firms are capable to manage and distribute their goods according to their wants and needs. In Pakistan only, multi-national companies opt to outsource their logistics. This study also reveals this core point because in Pakistani manufacturing firms outsourcing means they lose logistics control and

governance due to outsourcing. Solakivi, Töyli, Engblom, and Ojala (2011) found that logistics outsourcing had no effect either positive or negative on the firm's performance in small medium industries, the researcher examined outsourcing mainly used by large firm industries. Another researcher also conducted a study about outsourcing and its impact on firm performance and the results were same – there was no impact of outsourcing on the firm performance (Jiang et al., 2006).

Final results indicated that logistics capability (independent variable) had positive direct impact on the performance of the firm (dependent variable), and logistics capability has indirect impact on logistics outsourcing (mediator), which do not impact the performance of the firm as in Pakistani context. Over all, the model was significant and showed no mediation concept. Cho et al. (2008) demonstrated in their studies logistics capability, logistics outsourcing on the firm performance and the result revealed that there was no concept of mediation between the independent variable (logistics capability) and in dependent variable (firm performance).

5.1. Recommendations

When the organization have a better ability to perform logistics on its own (logistics capability), the organization can perform better as the management is in control of the procedure to fulfill demands and select the carrier to be used to make the process more cost-efficient and effective for the benefit of the organization. The local small and medium enterprises is logistics-capable as they know the environment and the different situations of the city, but when multinational organizations start operation in Pakistan they have a lack of local knowhow that results in the outsourcing of logistics.

As Pakistan is a developing country, so information technology is also developing. In this case those organizations who are thinking of being logistics-capable hesitate as they have lack of knowledge in information technology, and it is also expensive to hire and apply outside solutions. It also possible that some organizations may have logistics capability in one city, but in other city they are not capable to offer logistics on their own, so they outsource the logistics in that city to grab market share. This also goes for local organizations who are thinking of expanding globally, as they do not have much expertise of the international environment. So, before committing to such huge investments it is recommended to consider needs and demand of international market to keep investments safe. It is also possible that, if logistics is outsourced, the company may not receive the needs and complaints of customers. In this case, organizations must stay in touch with customers to fulfill their demands and retain their customers.

As organizations must think carefully before doing outsource as it can be expensive in future so in this case organizations must take every aspect in consideration, whether they can afford it or not, in term of finance and management. As becoming logistics-capable is not an easy task so organizations must stay committed to it from the beginning to the end because any mistake can cause a mishap.

5.2. Limitations and Future Study Recommendations

Future research should increase the size of sample and population and also considers other variables, which will fill the analysis gap, which will enhance the firm's performance to a great extent.

This research is only based on Pakistan, so future research should be conducted on the other Asian countries. The study reveals that upcoming research should be conducted on logistics capability and other factors like operations and financial performance of the firm, which will produce more information on the manufacturing companies. The study should not be focused only on manufacturing industries, but also researchers should consider other companies like service industries. In Pakistan, service industries also increasing rapidly. Another area where logistics play an important role is in rural areas of Pakistan. Research should be conducted on how logistics is an important factor on those areas because mostly rural areas are agriculture based and their income is earned by selling agricultural produce, so they need logistics for selling their goods to market.

Another study should be conducted on the e-commerce of Pakistan because the field of e-commerce is rapidly growing, and its development play a vital role in the progress of Pakistan.

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