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Identifying the key success factors in third party logistic services: Sri Lankan context

D. G. T. M. Perera, A. Wijayanayake* and A. P. R. Wickramarachchi

Department of Industrial Management, University of Kelaniya, Sri Lanka
anni@kln.ac.lk*

To be more cost-effective as well as to maintain a sustainable competitive advantage, many enterprises tend to improve their business practices by having a strong relationship with third-party logistics (3PL) service providers. 3PL service providers mainly focus on warehousing, inventory management and control, planning, cross-docking and transportation. By outsourcing such processes, enterprises gain benefits such as reducing costs, improving product quality, and improving the flexibility of operations. Sri Lankan 3PL service providers also provide many services for their clients but compare to other countries Sri Lanka is facing more challenges including poor infrastructure, complex tax regulations, insufficient use of technology and limited service offerings. According to the World Bank's Logistics Performance Indicator ranking (LPI) for 2018, Sri Lanka is ranked 94th out of 160. Compare to the previous year Sri Lanka's rank has dropped down. This indicates a need for Sri Lanka to improve the quality of its logistics services. Better performance of the 3PL service providers is one factor which can contribute to improving the quality of logistics services. Therefore, it is important to investigate key success factors of 3PL industry in Sri Lanka which can support to increase the performance of 3PL service providers. The main objectives of this paper are to determine key success factors associated with the Sri Lankan 3PL industry and prioritize those key success factors. This study used the systematic literature review and expert's opinion to identify the key success factors of 3PL industry in Sri Lanka. In total, 20 key success factors were obtained, and those key success factors were grouped into four categories as organization strategy, management and process, human resources and customer orientation. The study used the Q-sort technique to group key success factors into four categories and Analytic Hierarchy Process (AHP) to identify the priorities of the key success factors. Survey analysis is conducted with four Sri Lankan 3PL service providers to collect the data. Data were collected through questionnaires from executives, middle and senior-level managers of 3PL firms who got more than least five years of experience in 3PL industry. Totally, 36 experts in 3PL industry have participated in the data collection process. The geometric mean was used to consolidate different experts' opinions to a single value in pairwise assessment matrix. The result shows that business expansion, technology and automation, internationalization of operations, management and leadership style are the most important key success factors in the Sri Lankan 3PL industry. These factors explain that most of the Sri Lankan 3PL service providers are currently in the growth stage of the 3PL industry and these key success factors will lead them to reach the maturity level. Therefore, managers need to focus more on these factors to increase the performance of 3PL companies. This is the first research that addresses the key success factors of 3PL industry in Sri Lanka. The outcomes of this study can help managers/practitioners to formulate flexible decision strategies for better performance in their 3PL firms and experience a competitive advantage against the competitors.

Keywords: Key success factors, Third-party logistics, AHP application