Third-Party Logistics Providers as Supply Chain Orchestrators: An Evaluation in Hong Kong

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STATEMENT OF ORIGINALITY

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. When deposited in the University Library, I give consent to this copy of my thesis being made available for loan and photocopying subject to the provisions of the Copyright Act 1968.

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Ken T.K. NG
SYNOPSIS

The purpose of this document is to present the findings of a Doctor of Business Administration research project. The primary objectives of the project was to (1) assess, and evaluate the extent of logistics functions outsourced to Third Party Logistics Providers (3PLs) by large manufacturing, retailing and distribution organisations in Hong Kong, (2) assess, and evaluate the depth, scope, and degree of criticality of the services provided by 3PLs to their large customers in Hong Kong; and as a result, (3) assess the extent to which 3PLs in Hong Kong can be said to be undertaking strategic coordination or ‘orchestration’ of their customers’ supply chains, in other words to examine the extent to which Hong Kong 3PLs ‘orchestrate’ supply chains on behalf of their large customer organisations as a part of their logistics outsourcing strategy, and the extent to which 3PLs facilitate supply chain management best practices.

Data sources included responses to semi-structured face-to-face in-depth interviews, and secondary sources of data such as published literature on supply chain orchestration (Zacharia et al., 2011). The method used to conduct this research project was first a literature review which was then followed by semi-structured face-to-face in-depth interviews with senior executives of Third-Party Logistics (3PL) providers in Hong Kong. Data collected and analysed are primarily qualitative from undertaking a comprehensive literature review and semi-structured face-to-face in-depth interviews of medium and large Third-Party Logistics (3PL) providers and their major customers in Hong Kong.

Our research findings were: (i) the existing 3PL service providers are incapable of becoming supply chain orchestrators to manage the whole supply chain relationship for
their customers end to end at the moment in Hong Kong and (ii) the demand for appointing supply chain orchestrators is relatively low.
ABSTRACT

Keywords: 3PL; 4PL; Supply Chain Management; Outsourcing; Hong Kong; Orchestrator

Logistics outsourcing studies have been undertaken for many years (Lieb & Randall, 1996). Logistics outsourcing is not merely a means of cost saving but is a strategic tool for creating competitive advantage as inappropriate outsourcing decisions can lead to a variety of problems. However, most of the published literature is in English, and undertaken in the western context, particularly the U.S. and in Western Europe. As such, not much is known about outsourcing practices in Asia, in a rapidly emerging China and particularly in the context of Hong Kong.

Hence, this study focuses on the Hong Kong Special Administrative Region of the People’s Republic of China (SARPRC). The project assesses, and evaluates (1) the extent of supply chain management and logistics functions outsourced to 3PLs by large manufacturing, retailing and distribution organisations in the SARPRC (2) the extent/scope, strategicity, and criticality of the services provided by 3PLs to their customers in Hong Kong; and (3) the extent to which 3PLs in Hong Kong can be said to undertake strategic coordination or ‘orchestration’ of their customers’ supply chains and as a result facilitate supply chain management (SCM) best practice on behalf of their customers. Strategic coordination or ‘orchestration’ is defined in this thesis as a company taking over administrative and coordinative responsibilities for the activities of managing, coordinating and focusing the value-creating network within the supply chain (Christopher 2005). In addition, orchestration is critical for an efficient supply chain (Hacki & Lighton, 2001; Lee,
2005) due to supply chain orchestrators being able to take an organization’s performance to an advanced level. The supply chain orchestrator is just like a group leader who leads a group of individual musicians that work closely and well co-ordinately together to make the entire supply chain have more flexibility, agility and real options in effective, efficient and professional ways (Lyer & Zelikovsky, 2011). Furthermore, Zacharia et al., (2011) argued in their seminal article that 3PLs have evolved into significant leadership roles serving as a unique “orchestrator” within the supply chain to help facilitate supply chain management best practices.

Thus, the findings of this research project can be a useful starting point for managers to (1) recognize the potential contribution of 3PL firms and (2) take advantage of opportunities to address the need for increased competitive advantage by business organizations. While this is not a theory development project, the findings and contribution of this doctoral research project can also be a useful starting point for strategy and logistics scholars in (1) understanding the extent of network orchestration in the context of Hong Kong 3PLs as distinct from Western contexts, (2) understanding the extent of emergence, and level of empirical support that is available to justify and support the theory of supply chain network orchestration and supply chain network leadership as a pivot for supply chain success (Zacharia et al., 2011; Fung et al., 2009; Dhanaraj & Parkhe, 2006; Bitran et al., 2006) and (3) the project also contributes to a deeper and more enhanced scholarly understanding of the emerging phenomenon of supply chain network orchestration as first highlighted by Zacharia et al., (2011) in their seminal article.
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First and foremost, I would like to express my deepest gratitude to my DBA thesis supervisor, Dr Richard Oloruntoba, of the Newcastle Business School, who shared his extensive knowledge of outsourcing and supply chain management with me; he is not just an expert in his field but also an inspirational scholar who has motivated me to explore different ideas and provided support, dedication, patience and sincere guidance throughout this doctoral thesis journey. Without his supervision at various stages of my research, this DBA thesis would not have been completed.

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Finally, I also wish to thank those professional practitioners who participated in the semi-structured face-to-face in-depth interviews and shared their practical experience with me to complete this research study.

Ken T.K. NG, 10 August 2016
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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>3PL</td>
<td>Third Party Logistics Provider</td>
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<tr>
<td>4PL</td>
<td>Fourth Party Logistics Provider</td>
</tr>
<tr>
<td>SCM</td>
<td>Supply Chain Management</td>
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<tr>
<td>HK</td>
<td>Hong Kong</td>
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<tr>
<td>SARPRC</td>
<td>Special Administrative Region of the People’s Republic of China</td>
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<tr>
<td>RBT</td>
<td>Resource-based View Theory</td>
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<tr>
<td>TCE</td>
<td>Transaction Cost Economics</td>
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<td>NT</td>
<td>Network Theory</td>
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<td>CSCMP</td>
<td>The Council for Supply Chain Management Professionals</td>
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<tr>
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<td>Key Performance Indicators</td>
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<td>EBSCOhost Online Research Databases</td>
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<td>1PL</td>
<td>First Party Logistics Service Providers</td>
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<td>Asset Based Logistics Service Providers</td>
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<td>ITO</td>
<td>Information Technology Outsourcing</td>
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<tr>
<td>HAFFA</td>
<td>Hong Kong Association of Freight Forwarding and Logistics Ltd.</td>
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<td>LSPs</td>
<td>Logistics service providers</td>
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<td>LCL</td>
<td>Cargo Consolidation</td>
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