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**BUSINESS COOPERATION
OF LOGISTICS COMPANIES
WITH SMALL AND MEDIUM
ENTERPRISES – RESEARCH REPORT**

Introduction

The financial, technical, and organizational capabilities for small and medium enterprises are much smaller than those available to larger companies. The continuous increase in the level of competition, instability and the dynamics of the market situation complicate the activities of these firms, making it difficult for them to accomplish their own purposes (Zowada, 2011, p. 169). Faced with such conditions for the functioning, small and medium-sized businesses need to act quickly, concentrating its efforts on selected areas of activity, at the same time acquiring skills in the rest of the market. These are the conditions against which the concept of outsourcing, defined as the ability to use independent external entities as providers of goods and services instead of having to develop these areas of activity within the company (Perechuda, 2000, p. 116), becomes an interesting alternative to the other methods of achieving a competitive advantage. Logistics, therefore, like many other features implemented in the enterprise, can provide its core competency or be contracted out (to companies offering various types of logistics services).

This paper provides a summary of the pilot study on SME cooperation with the supply side of the logistics services market. The study was conducted among small and medium-sized companies (production, trade and service) operating within the voivodeship of Silesia, of which over 89% employed less than 49 employees, the annual sales of these companies in most cases do not exceed 2 millions, and the range of their activities was mostly regional or national (total 69%) rather than European – there were nine companies in this group*. The cognitive purpose of the study, set by the author itself, was to determine the mutual relationships between these two groups of companies as well as an attempt to verify the hypothesis about the necessity of cooperation of small and medium-sized businesses with companies that provide various types of logistics services.

1. Cooperation conditions and the choice of a logistic company

Logistics service provider is an external supplier that performs either all or a part of the company's logistics function (Kisperska-Moroń, Krzyżaniak, ed. 2009, p. 218). Such a broad approach to the concept of logistics service provider can cover both the companies providing simple services such as transport or

* The pilot study was conducted between September and November 2011. The participants filled out an electronic on-line questionnaire. An invitation was sent to 465 small and medium enterprises from Silesia. The degree of the sample implementation was approximately 11%. 49 responses were received.

storage, as well as larger companies, the so-called logistics operators (3PL) offering complex services often involving the acquisition of all customer's tasks and logistics processes. In a similar manner the meaning of the logistics service provider was interpreted by the respondents in the study (in most cases they were either the owners of the enterprises or persons who are in the management positions – in total these two groups accounted for more than 75% of respondents). A question about the fact of the use of logistics services was therefore understood as a question of the interest in the services both large logistics operators, as well as small bus companies providing basic services in the field of transport. In this case, the gathered responses confirm the author's assumption that the majority of small and medium-sized businesses use, to a smaller or greater extent, different types of logistics services provided by outside companies – about 84% of companies surveyed claimed to use the services of logistics companies. However, it arises the question about the reasons for such cooperation, its scope and nature as well as the interaction between the client and the service provider.

In this context, a question concerning the number of logistics companies that small and medium-sized enterprises cooperate with at the same time, seemed interesting. The responses helped to show the mutual relationship between logistics service providers and small or medium-sized companies – more than 60% of respondents work with only one or two companies providing logistics services (Figure 1). This may indicate a partnership relationship between businesses, or be the result of fierce competition between logistics companies for even such a small customer like a company in the SME sector. On the other hand, the answers of the respondents, who use the services of more than two logistics companies at the same time, were motivated by a desire for greater flexibility and independence of one service provider, or resulted directly from the reported needs of customers.

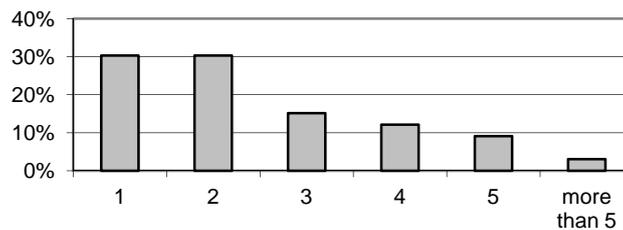


Figure 1. The amount of logistics companies that the SMEs cooperate with at the same time

Source: Own study.

At this point there is another question, namely, the preference of small and medium-sized enterprises for logistics partner. Most of the surveyed companies mentioned a large logistics company (over 45%). But a surprise as well as a positive prognosis for small and medium-sized logistics service providers development is the fact that to a similar group of respondents (20%) the size of logistics company either does not matter or, it is actually a small or medium logistics company that is a preferred partner. However, among the most often mentioned businesses, which work with SMEs, there are a lot of Polish companies in the world's leading logistics market. This group includes such well-known brands as: DHL, UPS, DPD, GLS, TNT, and Schenker or our native Siódemka (Figure 2).

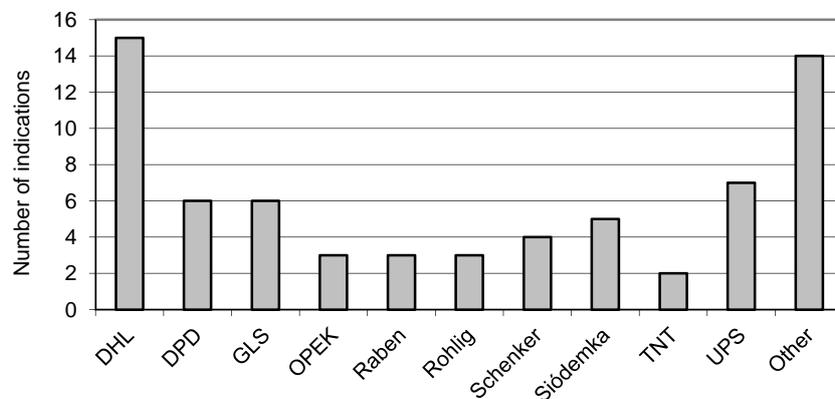


Figure 2. Logistics companies the most often indicated by the respondents

Source: Own study.

The last aspect, which should be noted, are the conditions which motivated the respondents when they made decisions regarding outsourcing of logistics services and specific criteria for choosing a logistics partner.

In the first case, the main reason appeared to be the desire to improve customer service – almost half of respondents believe so, an increase of company's flexibility and willingness to focus on core business – 39% and 42% of respondents thought so (Figure 3). Undoubtedly, these responses are part of a general tendency on creating companies that are flexible, able to adapt to changing market conditions and, at the same time, focus their efforts on selected areas of activity.

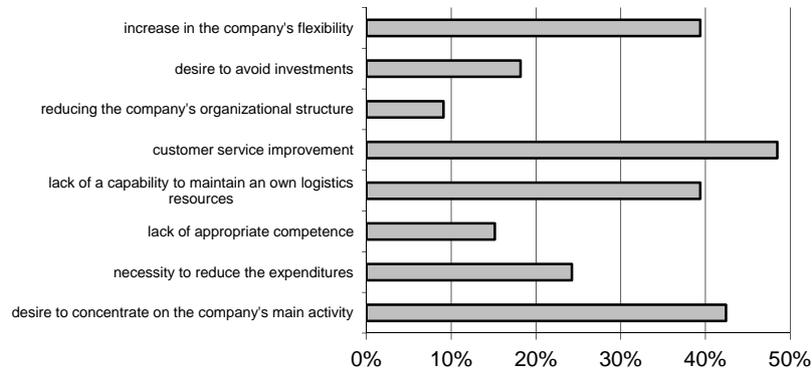


Figure 3. Main reasons for using the logistics companies services by the SMEs

Source: Own study.

On the other hand, no doubt especially for the SME sector, important for decisions regarding the use of outsourcing, is the issue of inability to maintain their own logistics (39% responses), and thus the lack of appropriate competence. In many cases, using external service of a logistics company is a necessity, which in the long run, however, as respondents pointed out, results in logistics customer service improvement.

What then determines the choice of a particular logistic company to cooperate with? These issues are presented in Figure 4.

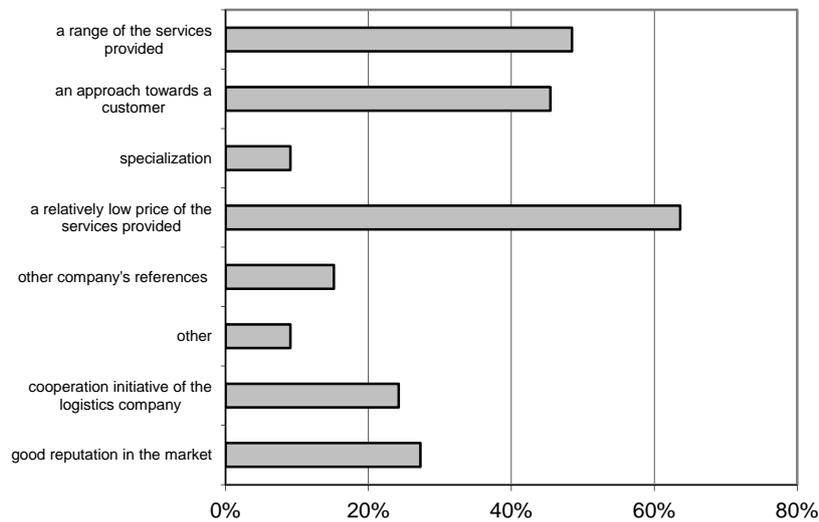


Figure 4. The criteria for the choice of a logistics service provider

Source: Own study.

Among the factors that are of a paramount importance when making the choice of a specific logistics company, the most frequent answers are: a relatively low price of services – such response was provided by 63% of respondents, the range of services and the approach of a service provider to the customer. Importantly, these are the factors that determined the very fact of selecting a particular company, and thus the items that respondents were able to take into consideration before collaboration with a certain logistics company. However, this does not mean that these elements, when assessing the cooperation carried out after a certain time after its establishment, will continue to be major factors, which at the same time does not exclude itself.

2. The subject and scope of cooperation

On the axis of “own solutions” – “outsourcing” there are many possible solutions. Decisions about outsourcing may be taken in relation to particular processes, and the development of cooperation can take place according to the gathered experience and to the increase in trust while dealing with logistics partner (Barszczewski, 2005, p. 27). When making decisions about logistics outsourcing, it must be remembered that the logistical problems of small and medium enterprises do not differ from the problems that exist in the field of logistics among larger manufacturing, commercial or service providing companies (Piniński, 2006, p. 156). Despite the small scale of economic activities and simple logistics processes, in small and medium-sized businesses all essential components of these processes are present, namely: the real processes of flow, information processes and cash flows (Skowronek, Sarjusz-Wolski, 2008, p. 33). The question therefore arises about the scope, frequency and repetition of outsourced logistics activities in terms of cooperation between a small or medium sized enterprise and a logistics service provider. The results of studies on this issue are presented in table 1.

Table 1

The services of logistics companies used by the SMEs.

Type of service/frequency	Do not use	Less often than once a month	Once a month	Few times a month	Once a week	Few times a week	On a daily basis
FTL transportation	28.58%	19.05%	14.29%	28.58%	0%	4.77%	4.77%
Groupage transportation	14.29%	9.53%	9.53%	19.05%	4.77%	19.05%	23.81%
Courier service	3.13%	3.13%	3.13%	21.88%	6.25%	37.5%	25%
Storage	70.59%	0%	5.89%	5.89%	0%	0%	17.65%
Completion, packing, labelling	62.5%	6.25%	0%	6.25%	0%	6.25%	18.75%
Special (e.g. ADR service)	93.34%	0%	0%	6.67%	0%	0%	0%

Source: Own study.

Examination of the results indicates that in terms of cooperation of small and medium-sized enterprises with logistics companies, the first group uses transport and courier services with varying frequency. These trends are confirmed by the respondents' answers in the area of logistics, which generates the highest costs in their company – more than 40% of the responses concerned the costs associated with transport. This can be due to the fact that a small number of companies from the examined sector, is able to maintain extensive transport facilities enabling quick and relatively inexpensive service of their customers at relatively large distances. For this reason, as well as for the lack of expertise to enable the achievement of economies of scale, most small and medium-sized businesses decide on gaining the required competence in this area from the market.

A completion of the question regarding logistics services, which are used by the studied companies, was the question of the recurrence of orders passed to logistics companies. Answers to this question helped to determine the attractiveness of the surveyed companies to the companies providing logistics services. Undoubtedly, recurring and more routine orders (more than 78% of responses, most of which concern transport services) allow for a relatively continued income, with limited involvement of service providers in adapting to the individualized customer's needs. On the other hand, the order of an individual matter make in the big logistics firms a disproportionate involvement of sources in relation to the obtained results, what in contrary was indicated by respondents as an opportunity for small and medium-sized logistics companies.

The results show that the majority of logistics services that are used by the studied companies refer to the so-called basic services and thus are primarily related to transportation, and much less to storage. It should be noted that several respondents admitted to using so-called value-added services (including packing, completing, labelling), slightly more said they use the services associated with IT support in the field of logistics processes, while three companies outsourced the support service in logistics consultancy (including various types of training).

3. The cooperation course and assessment

The separation of a certain activity of the company may not be the aim in itself. Such decision must be justified from the point of view of the company's adopted strategy and serve its implementation (Ciesielski, 2003, p. 135). A very important element becomes a feedback thanks to which the client – in our case a small or medium business, can and should continually analyse the course of cooperation with the logistics partner, and make the necessary adjustments if needed.

A positive surprise appeared to be the respondents' answers to the question, in which they were asked to assess the course of previous cooperation with the

company/logistics companies on a five-point scale. Most, over 63%, of small and medium-sized companies assessed it well, while one in four admitted that the cooperation with a company/logistics companies deserves the highest possible rating.

Importantly, almost every third respondent admitted that since the establishment of cooperation with the logistics company to date, the level of logistics services for its business has improved, or even greatly improved, while none of the respondents stated that the level of services offered by the logistics partner deteriorated – at worst it remained unchanged – almost 67% of responses. These results clearly indicate that the sector of small and medium-sized enterprises is located in the target customer group many logistics companies. To confirm this fact, it is worth noting that the cooperation of more than half of small and medium-sized enterprises was based on long-term rather than short-term contracts. It should be noticed that respondents had the right to indicate several answers to question about formalizing cooperation with logistics partner and some of them admitted to have a long or short term contract, while the rest of the orders are executed in the context of normal market transactions.

Among the criteria which guided respondents evaluating cooperation with logistics companies, according to the author’s earlier assumption, the quantitative factors and thus directly related to the financial side of such cooperation, resolve qualitative factors, which are passed directly to the level of logistic support for the final customers of small and medium-sized enterprises (Figure 5).

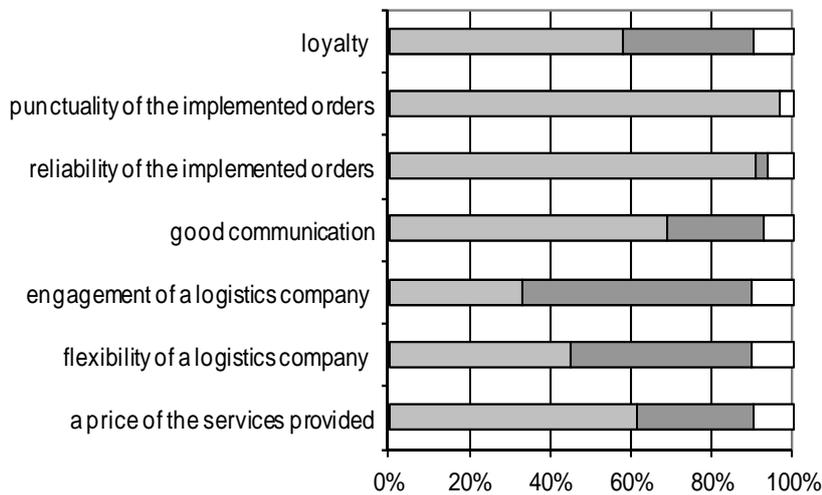


Figure 5. The evaluation criteria for logistics service providers.

Source: Own study.

Punctuality and reliability are the two main parameters determining the assessment of a particular logistics company. Among the open responses, predominated respondents' opinions that the punctual delivery of goods to customers is crucial and creates the image of the company in the environment. Elements that slightly yield to the factors directly related to the financial side of cooperation between small or medium enterprise and a logistics company are: partner's loyalty understood as a confidence in the implementation of each order under the previous agreement as well as a communication between these companies. Only 3% of the surveyed companies met a frequent refusal to comply with orders entrusted. Most respondents stated that this situation occurs either sporadically or not at all – more than half of the answers. This can indicate that small and medium enterprises (although usually smaller scale operations, and thus relatively small, compared to large-scale logistics companies' customers, scale of outsourced logistics processes) are in most cases regarded as important partners, which, due to their incomparably greater amount, each wishing to count on logistics market company should also seek.

Conclusions

Major logistical problems that can be met among small and medium-sized companies usually do not differ from the problems that occur in larger commercial, manufacturing or service companies. All decisions, including those concerning logistics have a common denominator, which is the criterion of rationality and efficiency. In this context, having adequate logistics competence, obtained from the market by working with various companies providing different types of logistics services, is increasingly common phenomenon in the small and medium enterprises sector.

There is a growing awareness of the logistics among the owners of companies in the studied sector. Logistics is not another feature implemented in an enterprise, but an effective tool of competition. Increasing the flexibility and punctuality, and thus a rise of the level of customer logistics service is, according to owners and managers of small and medium-sized enterprises, an argument in favour of making cooperation with external logistics partner. According to almost half of the survey participants, logistics plays a very important role in the activities of small and medium enterprises, and for every fifth examined company it is the most important. It is worth noting that most of owners and managers of the surveyed companies, recognize that cooperation with logistics partner, though mostly due to the need, finally results in the enterprises deve-

lopment. Over 75% of the respondents in fact see a positive correlation between the development of their company and co-operation with the logistics company.

This study does not fulfil the undertaken subject. Exploring the problem of cooperation of small and medium-sized enterprises with logistics companies should be continued. According to the author, the economic importance of small and medium-sized enterprises is a demand to take this test.

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