

**Drivers and barriers of logistics capabilities outsourcing to South African SMMEs by  
multinational retailers during their internationalisation stages**

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A research project submitted to the Gordon Institute of Business Science,  
University of Pretoria, in partial fulfilment of the requirements for the degree of  
Master of Philosophy (International Business).

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## **Declaration**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy in International Business at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Kholofelo Sadiki

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**Name & Surname**

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**Signature**

## **Abstract**

Globalisation of the marketplace has led to internationalisation becoming increasingly vital for companies' survival. This rapid increase in the level of internationalisation has seen many retailers look for expansion opportunities outside their borders. South Africa is a very significant market in Africa for multinational retailers and has seen many of them expand and explore opportunities there. This growth in multinational retailers entering and operating in the South African market has created challenges for SMMEs who have difficulties competing with larger logistics third party providers in the local market due to many multinational retailers outsourcing their logistics capabilities to global and larger third party logistics providers instead of local SMMEs. This research study seeks to understand the drivers and barriers of logistics capabilities outsourcing to South African SMMEs by multinational retailers during their internationalisation. SMMEs are the backbone of many economies, particularly emerging market economies such as South Africa. Throughout the globe, SMMEs are the largest business group and create more jobs than any other business group thus indicating their importance and relevance which justifies the need for further research. This research study followed a qualitative method which was underlined by an interpretive and inductive research approach to gather in depth insights from the participants. This provided an analytical lens to explore what influences the decisions to outsource logistics capabilities by multinational retailers with the aim to reveal how SMMEs can participate more in the supply chains of internationalising multinational retailers. Data analysis was done from the transcripts which allowed the researcher to develop codes which were grouped into categories/themes that related to the research questions. Available academic literature was compared and constructed with the findings revealing that: (i) the internationalisation process of multinational retailers in South Africa has two stages, which are the early and late stages, (ii) , (iii) selection processes and the ability to create partnerships with local providers have a significant influence on multinational retailers' decision to outsource to local SMMEs, (iv) in the early stages of the internationalisation process, due diligence has significant influence on multinational retailers' decision to outsource to local third party logistics providers, (v) standardisation of processes plays a significant role in influencing multinational retailers' decisions on outsourcing in the late stages of the internationalisation process.

## **Keywords**

Internationalisation, Multinational, Logistics, Outsourcing, SMME

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## List of abbreviations and acronyms

<b>3PL</b>	Third party logistics service provider
<b>BBBEE</b>	Broad based black economic empowerment
<b>DTI</b>	Department of trade and industry
<b>FMCG</b>	Fast moving consumer goods
<b>GDP</b>	Gross Domestic Product
<b>GIBS</b>	Gordon Institute of Business Science
<b>LCS</b>	Logistics customer service
<b>LSP</b>	Logistics service provider
<b>OLI</b>	Ownership, Location and Internalisation advantages
<b>SMME</b>	Small, medium and micro enterprises
<b>UP</b>	University of Pretoria

## **CHAPTER 1: INTRODUCTION TO THE RESEARCH**

### **1.1: Background to the research problem**

We live in a dynamic, evolving world, with the globalisation of the marketplace and where internationalisation is becoming increasingly vital to companies' survival (Freixanet & Renart, 2020). This rapid increase in the level of internationalisation is caused in particular by developments in technology, information technology, communications and transportation technology; which requires companies to engage in entrepreneurial activities across national borders in order to remain competitive, reduce costs and grow revenue (Smallbone & Do, 2018). Globalisation is the worldwide interaction and integration of people, companies and governments; it describes relationships, interconnectedness and interdependence between national, local and intergovernmental organisations (Kano, 2017). Internationalisation on the other hand, is the incremental involvement of companies in this large web and it is perpetuated by a need to respond to globalisation forces (Fumasoli, 2019). Due to the globalisation of the marketplace, companies must use strategic tools and techniques on both an international and domestic scale to enhance their competitive position over the long run (Godos-Díez, Cabeza-García & Fernández-González, 2018). Therefore, a company's internationalisation strategy is a critical set of processes that helps the company expand globally to achieve an improved competitive advantage/position, benefit from economies of scale, realise profit growth and drive innovation (Narula, Asmussen, Chi & Kundu, 2019). Increasing globalization has made internationalisation a more important type of corporate strategy, which in turn promotes more dynamic and competitive business environments (Buckley & Casson, 2019).

One industry that has evolved substantially due to increasing globalisation is retailing (Eriksson, Norrman & Kembro, 2022). Over the past three decades, the international market has grown increasingly important to retailers, leading to 64.8% of the world's top 250 largest retailers operating abroad or in foreign markets with sales operations in these foreign markets (Deloitte, 2021). Today, multinational retailers also have greater insight into their foreign client base, whose behaviours and expectations are increasingly aligned with those of their domestic client base (Salmon & Tordjman, 2020). In the South African context, real estate specialists such as CBRE (2021) indicate that South Africa is able to attract global retailers to its shores because it is the largest retail industry in the Sub-Saharan Africa region and the 20th retail market in the world (CBRE, 2021). Several foreign retailers have opened their doors in South Africa in the

past decade including; Australia's Cotton On, Topshop of the United Kingdom, and Forever 21 of the United States (Statistics South Africa, 2021). Furthermore, South Africa is an attractive country for multinational retailers as it is sixth in the world for the number of shopping centres, with over two thousand shopping centres offering 23 million square metres of shopping space (CBRE, 2021).

## **1.2: Changes in retail internationalisation**

The increasing interest in international markets by retailers has led to the complexity and dynamic change in the retail industry and the fastest evolution in supply chains in the 20th century (Eriksson, Norrman & Kembro, 2022). Today, customers expect to receive their products in a timely manner and without interruption, regardless of where they purchase them (Arslan, Klibi & Montreuil, 2021). However, customers are usually unaware of the complexity of retail supply chains (Fernie & Sparks, 2018). From going to the store and picking up the goods that they want, or using an array of devices to order goods online from home, office, or anywhere for that matter; customers are unaware of the work and networks that go into making these goods available on time and at the right place. The complexity of delivering 'this' experience requires retailers to navigate a great deal of complexity (Verhoef, Kannan & Inman, 2015). Traditionally, the supply chain was viewed as a static system (Christopher, 2016) or as a system that "consists of all parties involved, directly or indirectly, in fulfilling a customer request" (Chopra, Sodhi & Lücker, 2021). Supply chains have often been described as "the value-creation engine of the modern organisation" (Wieland, 2021) and have been dominated by the notion that success in supply chain management is through the design of a customised supply chain that supports the organisations' needs for improved customer service and gained competitive advantage over competitors (Chopra, Golwala & Chopra, 2022).

Today, the role of supply chain management has evolved significantly to support and attend to ever changing and high customer needs, demands and satisfaction (Chopra, Sodhi & Lücker, 2021). Since March 2020, when the COVID-19 pandemic quickly spread across the world, retail supply chains have evolved at an exponential rate (Chopra, Golwala & Chopra, 2022). Years before COVID-19, retail supply chains evolved from a single level approach where inventory was controlled separately at each stage into multi-level supply chains that optimized inventory across an entire network; and most recently, have incorporated omni-channel strategies into retail supply chains (Ge, Pan, Shen, Wu, Yuan & Zhang, 2019). customers today benefit from

omni-channel supply chains which provide a seamless shopping experience (Eriksson, Norrman & Kembro, 2022). There are many advantages and disadvantages to each of the earlier supply chain methods. Customer delivery times were limited and journeys to receiving a final product were longer with traditional supply chain methods (Kain & Verma, 2018). With today's omni-channel supply chain, customers are able to access a standardized delivery service regardless of whether they choose to shop on laptops, mobile devices, over the phone or in-store (Eriksson, Norrman & Kembro, 2022). Multinational retailers are of particular importance in this research study because, the complexity and dynamic change in the retail industry that has resulted in the fastest evolution in supply chains, unlike any other industry in the 20th century (Eriksson, Norrman & Kembro, 2022). Retailers who are prepared to adapt their supply chains will be able to meet these various customer expectations, and to achieve improved competitive advantage/position, benefit from economies of scale, realize profit growth and drive innovation (Chopra, Golwala & Chopra, 2022). This evolution of the retail supply chain has changed as much as the shopping experience itself (Boone, Ganeshan, Jain & Sanders, 2019). In order to respond to customer needs and gain competitive advantage, retailers are increasingly challenged by the need to adapt and shift their supply chains, and particularly their logistics methods, networks and capabilities generally to mirror the way that customers decide to shop (Eriksson, Norrman & Kembro, 2022). As customers shift their shopping and buying habits, it only makes sense for supply chains to shift and adapt to these new customer demands (Kain & Verma, 2018). The logistics needs and capabilities of retail networks have been significantly impacted by omni-channel retailing and its fast growth thus shifting the logistics requirements for the future (Wang, Asian, Wood & Wang, 2020). Businesses cannot underestimate the complexity of making inventory available quickly, therefore the supply chain network design is a strategic consideration for retailers as well as inventory management, transportation and the role of information in order to drive competitive advantage, economies of scale and increase profit growth (Ge, Pan, Shen, Wu, Yuan & Zhang, 2019).

In addition to the challenges to multinational retailers and problems outlined above, the increase in retail internationalisation over the last decade has also been driven by the need to improve competitive advantage as the barriers to entry or legal trading barriers are reduced, seeking new markets to realise economies of scale as domestic markets become saturated, exploring potential for profit growth and innovation (Zahoor & Lew, 2021). As multinational retailers internationalise and enter new foreign markets, they become more knowledgeable about the

market and its client base, thus uncertainty in the internationalisation process is reduced and commitment decisions increase in a sequential way and follow a systematic process that begins with a competitive advantage in a domestic market, then extends to exporting, licensing, opening branches and eventually investing in production resources abroad (Vahlne, 2020). In the Uppsala model of internationalisation, the process of internationalisation is described as a gradual development, occurring in distinct stages (Igwe, Rugara & Rahman, 2021). As the multinational retailer's decision to commit to a foreign market increases, it implies they are learning more about that market and therefore progressing through the stages of internationalisation (Li & Fleury, 2020). A company's first step or the early stages of internationalisation involves export inquiries, licensing and establishing branches, and the second or late stages involves investing in production resources and operating fully owned subsidiaries in the foreign country (Schweizer, & Vahlne, 2022). This process of internationalisation has been studied by various scholars who have confirmed that logistics is the core of the internationalisation process especially for retail internationalisation where logistics facilitates and involves the setup of warehouses and distribution facilities abroad thus ensuring that customers' expectations are met through the availability of products and on time delivery (Haag, 2019).

### **1.3: Logistics complexities in the retail internationalization process**

With the development of retail internationalization, retailers now have more channels to reach their target markets (Fernie & Sparks, 2018). In addition to brick-and-mortar stores, retailers may sell their products online, via their websites, or through other physical retail partners. The traditional in-store retail shopping experience is still preferred by some customers however many customers also want to directly order products online and expect delivery within a few days meaning that many customers prefer both channels and experiences (Arslan, Klibi & Montreuil, 2021). Therefore, managing supply chain logistics capabilities to satisfy customers requires thorough planning, flexibility and innovative strategies in order to maximise the potential of each of these opportunities while minimizing risk and allowing for flexibility to ever-changing global landscapes (Wieland, 2021). Online purchases accounted for 17.8% of all sales in 2020 and are expected to reach 21% in 2022 indicating a two year ecommerce market share growth of 17.9% (Statista, 2022). Growth is expected to continue, reaching 24.5% by 2025 as global retail sales grow and take up more retail market share (Gartner, 2021). According to Shopify's annual report on the future of commerce, by 2023, online retail sales will

hit six trillion dollars and 22.3% of total retail sales will be taken up by ecommerce websites (Shopify, 2022). South Africa ranks at 41st in the global ecommerce marketplaces, with a revenue of 5 billion dollars in 2021, this places South Africa ahead of Iraq and behind the Philippines in the rankings (Deloitte, 2021). According to Stats SA, between 2019 and 2020, South Africa ecommerce grew by 66%, mainly because restrictions on traditional retail stores resulted in a 30% drop in in-store shopping (Statistics South Africa, 2021). The South African ecommerce market grew 19% in 2021, contributing to the worldwide increase of 15% (Deloitte, 2021). Just like in South Africa, global ecommerce sales are expected to increase over the next few years and with a yearly growth rate of eight percent between 2021 and 2025, South Africa is even expected to outperform the global average of six percent (Goga, Paelo & Nyamwena, 2019).

The retail sector has accelerated towards an omni-channel supply chain as a result of global ecommerce sales (Hubner, Holzapfel, Kuhn & Obermair, 2019). Order fulfillment has become more complicated because of the seamless customer experience across numerous sales channels and touchpoints (Verhoef, Kannan, & Inman, 2015). Therefore, many retailers are faced with the problem of seeking new ways to configure their logistics networks/capabilities in order to meet customer requirements, gain competitive advantage and drive revenue growth (Kembro, Norrman & Eriksson, 2018). The success of retailers has been linked to the omni-channel supply chain transformation of logistics networks/capabilities in previous research (Wollenburg, Hubner, Kuhn & Trautrim, 2018). Logistics capabilities have varying definitions and descriptions. For this research study logistics capabilities will be defined as a resource that can be exploited by organisations to become more efficient (Barney & Hesterly, 2015), and to differentiate themselves from competitors (Chase, Jacobs & Aquilano, 2006). Esper, Fugate & Sramek (2007) added that competitive advantage can be achieved through the logistics services' differentiation, which would affect customer satisfaction and thus generate competitive advantage (Esper, Fugate & Sramek, 2007). This implies that increased strategic importance is placed on decisions about logistics capabilities such as what, where, who and how to configure logistics networks and the various material-handling nodes (Wollenburg, Hubner, Kuhn & Trautrim, 2018). Operational performance and the efficiency of logistics capabilities is affected by logistics network elements such as logistics infrastructure, location, knowledge and logistics information (Lyu, Chen & Huo, 2019); and by exploiting the full potential of logistics capabilities, an organisation can achieve high levels of competitive advantage (Daugherty, Stank & Ellinger,



1998). Within the logistics capabilities construct, this research study will place focus on logistics location as a key variable of logistics capabilities in retail internationalisation. The focus will further take an interest in South Africa as a logistics location and the participation of local logistics providers, particularly SMMEs in the supply chain networks of multinational retailers based in South Africa.

As retailers internationalise into foreign markets, evidence and research confirms the critical role logistics capabilities plays in supporting multinational retailers in the stages of the internationalisation process (Salmon & Tordjman, 2020). This is because in the early stages of the internationalisation process, multinational retailers rely heavily on local logistics capabilities in the foreign market due to the multinational retailer's limited knowledge of the market and the uncertainty in the internationalisation process (Aslam, Blome, Roscoe & Azhar, 2020). In the later stages of the internationalisation process where knowledge of the market has increased and uncertainty in the internationalisation process has reduced, multinational retailers tends to become more aligned to the home/parent company and integrated more closely to its global strategic operations and thus rely more on their global/offshore logistics capabilities (Aslam, Blome, Roscoe & Azhar, 2020). Although international business scholars have studied the role of logistics in the retail internationalisation process and in both the early and late stages of retail internationalisation; very limited literature seems to exist to understand how logistics capabilities and design evolve and adapt over time as multinational retailers internationalise and are successfully expanding abroad in more foreign markets (Prataviera, Creazza, Dallari & Melacini, 2021). An increasing number of multinational retailers are outsourcing their logistics capabilities and activities to offshore/global logistics providers and reducing the use of local logistics suppliers, particularly in the late stages of their internationalisation (Ascani & Lammarino, 2018). This is because, unlike the early stages of internationalisation that require agile supply chains which are highly responsive and can handle unpredictability; the late stages of internationalisation require lean supply chains that ensure the identification and elimination of waste in order to drive competitive advantage and add value to customers (Aslam, Blome, Roscoe & Azhar, 2020). Empirical studies have proven the hypothesis that supply chains and in particular supply networks, which include logistics capabilities; follow a sequential process which is consistent with the Uppsala model of internationalisation (Camuffo, Furlan, Romano & Vinelli, 2006). Therefore, when uncertainty reduces due to increased knowledge and commitment decisions increase; the sequential supply network internationalisation process

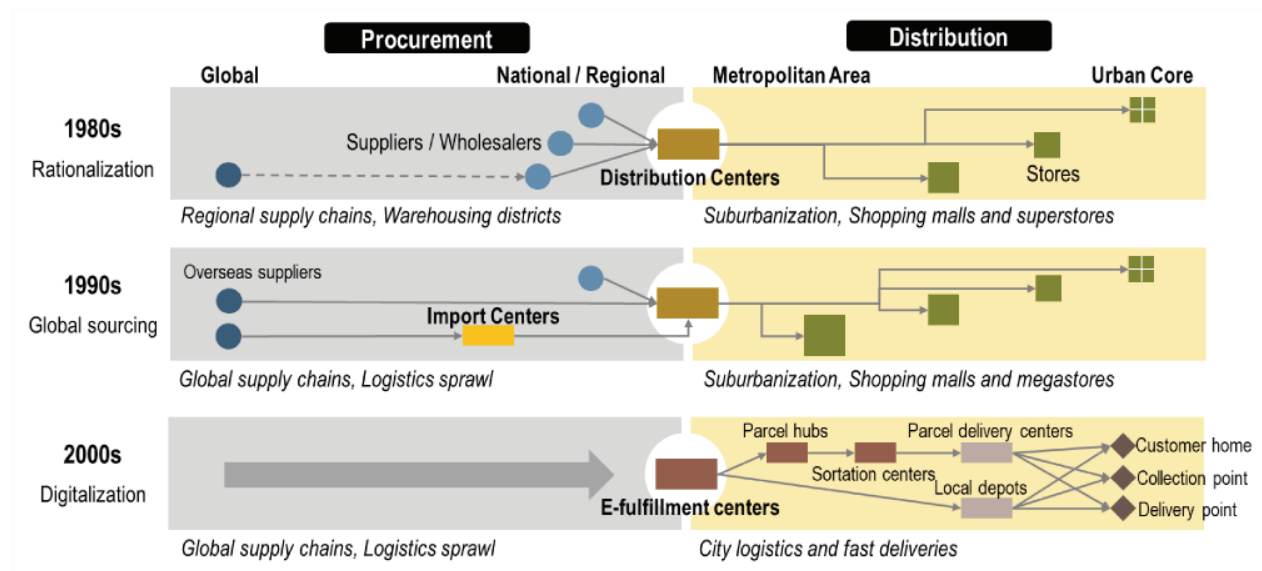


leads to more outsourcing of the supply chain to offshore/global providers in the later stages of internationalisation as multinational enterprises look to recreate abroad the supply networks they have in their home country (El-Sahli, Gullstrand, & Olofsdotter, 2022). For local providers and local economies, particularly SMMEs in developing countries who are critical for driving economic growth, unemployment and alleviating poverty, this poses a great challenge (Narula, 2019). The problem is that, because of their critical role in job creation, poverty alleviation and growth; protecting, enabling and securing scope for SMMEs in multinational enterprises' supply networks is important not least because their survival and recovery is likely to be a pace setter for the economy as a whole (Mckinsey, 2022).

#### **1.4: Outsourcing decisions in retail internationalisation**

Complex, dynamic and competitive global business environments and supply chains require that organisations deploy key strategic approaches to thrive and remain competitive, outsourcing is denoted as one of these important and key strategic approaches (Adams, Nyuur, Chima & Debrah, 2018). Buckley, Munjal and Requejo (2022) considered outsourcing as a competitive strategic phenomenon in both domestic and international marketplaces. Outsourcing is the practice of migrating business processes, for example, overseas (business process outsourcing) in order to lower costs without sacrificing quality (Buckley, Munjal & Requejo, 2022). This research study is concerned with the outsourcing activities in retail internationalisation. Outsourcing can often be misinterpreted with offshoring (Pang, Zhang & Jiang, 2021). Outsourcing refers to the process where an organisation enters into an agreement with a third party to perform a specific function in which the third party is a specialist. Whereas, offshoring refers to the process where an organisation takes complete business processes and activities and transfers them to a different country from the country (or countries) where they are located (Pang, Zhang & Jiang, 2021). Therefore, offshoring refers to transferring work to be done in a different country and outsourcing refers to contracting work out to an external third party. Logistics outsourcing refers to the practice of shifting one or more organisational logistics activities to an outside organisation abroad (Gambal, Asatiani & Kotlarsky, 2022). According to Mathien (2020), outsourcing logistics capability is the process of contracting out people and/or activities in logistics to a third-party supplier abroad, who in turn manages these people, activities, and services for an agreed fee over an agreed time period in exchange for them. As global retail supply markets have continued to expand, organisations now have the opportunity to reassess which logistics functions and capabilities should remain in-house and which could

be outsourced or offshored (Gambal, Asatiani & Kotlarsky, 2022). Globalisation and ecommerce have significantly impacted the retail sector in such a way that the logistics for the sector have dramatically evolved in recent decades (Gambal, Asatiani & Kotlarsky, 2022). This logistics evolution has created new and more effective forms of distribution and outsourcing of logistics. According to Akbari (2018), these can be summarized in three phases as depicted in figure 1 below.



**Figure1: The Evolution of Retail Logistics**

*Source: Adapted from Jones Lang Lassalle (2013)*

**Phase 1- Rationalization (1980s).** The rationalization of logistics during the 1980s was spurred by the emergence and expansion of large retailers such as Wal-Mart, which established distribution centres in suburban areas (Buckley, Munjal & Requejo, 2022). These distribution centers were commonly located in the same region allowing them to be utilized as warehousing and sorting facilities between suppliers and stores. **Phase 2- Global sourcing (1990s).** The growth of outsourcing and offshoring broadened the geographical reach of many overseas suppliers and long distance transportation as sourcing strategies became global (Akbari, 2018). As such, a significant increase in retail imports started to become containerised leading to a spring up of import centers that were located nearby container port facilities. The import centers acted as holding sites to de-stuff import containers and arrange domestic distribution. **Phase 3- Digitisation/ E-commerce (2000s).** New logistics structures were created as a result of the

growth of web-based retail sales (Lyu, Chen & Huo, 2019). E-fulfillment centers were developed to fulfill online orders (Gambal, Asatiani & Kotlarsky, 2022). Shipments are then sent to hubs that consolidate shipments or sortation centers to arrange them by region/locality, following which deliveries are sent directly to postal routes or carriers' local delivery systems (Akbari, 2018). Following their arrival at the delivery center, parcels will be placed on specific routes for local delivery using small vehicles such as vans; this is referred to as the 'last-mile logistics' (Gambal, Asatiani & Kotlarsky, 2022). The last mile destination point would be the customers' preferred address (home/work address), a collection point/ pickup location, or a delivery point such as a postal box or even the lobby of a residential building. Today, by working with trusted logistics partners, retailers can instantly adapt to an omni-channel supply chain, in order to have products delivered directly to customers with speed and efficiency (reference). Therefore, the selection of logistics partners in outsourcing decisions is a key catalyst behind retail internationalisation (Akbari, 2018). According to the DHL's global connectedness index of 2021, 18% of retailers have indicated that they will entirely outsource fulfillment in the next three to five years, which is an increase from 12% (DHL, 2021). With growing global ecommerce, 65% of surveyed retailers confirmed that they expect to outsource more of their order fulfillment to third-party companies or logistics providers in coming years, according to a DHL survey of 900 "decision-makers responsible for logistics/supply chain management and e-commerce distribution strategy" (DHL, 2021). In developing countries such as South Africa, the increase in logistics outsourcing to third-party companies by retailers should increase the participation of local third-party companies or logistics providers and particularly small to medium sized enterprises (Mvubu, & Naude, 2020). In South Africa, though a wide range of businesses depend on third-party companies or logistics providers, outsourcing warehousing and logistics is increasingly necessary in three industries, with retail being number two on the list after manufacturing (Nel, De Goede & Niemann, 2018). A growth rate of over 8% during the forecast period of 2020-2025 is expected for the third party logistics (3PL) market in South Africa (Van der Westhuizen & Niemann, 2022). Van der Westhuizen and Niemann (2022) claim that intra-continental trade, shifting consumption patterns and increased ecommerce orders are driving the increase in growth in the market and thus generating a higher demand for logistics services. In the coming decade, the under-developed logistics sector in South Africa will experience drastic changes driven by the increase in outsourcing of logistics services by organisations as well as increasing customer expectations of better service (Van Staden, Niemann & Meyer, 2020). Although a growth in the logistics market in South Africa is expected,

only 45% of retailers in South Africa use local third-party companies or logistics providers with multinational retailers accounting only for 15% of the usage of local third-party companies or logistics providers and only 2% of which are small to medium enterprises (Nel, De Goede & Niemann, 2018). With such low levels of participation by local logistics providers in multinational retailers in South Africa, understanding the drivers and barriers that influence the decisions relating to the use of local or offshore/global logistics providers is important to ensure the protecting, enabling and securing of scope for local logistics providers and SMMEs in particular (Swanepoel, Karrapan, Sishange & Kilbourn, 2017). Within the logistics capabilities construct, this research study will place focus on the selection of logistics providers and look to investigate the drivers and barriers that influence the decisions to use local or offshore/global logistics providers in the early and late stages of the retail internationalisation process (Aslam, Blome, Roscoe & Azhar, 2020). This research study will therefore investigate these drivers and barriers and further review their applicability in the South African context in order to contribute and enrich existing research on retail internationalisation and logistics capabilities. This research study seeks to add to current research on retail internationalisation to improve retail multinationals' logistics capabilities in the stages of internationalisation in order to achieve competitive advantage, leverage economies of scale, overcome increased competition, developments in technology and e-commerce, as well as respond to changing customer needs. This research study will also offer practical suggestions for adoption by stakeholders, in particular local governments and providers of logistics services in developing countries in order to promote increased participation of local logistics suppliers and particularly, small to medium-sized suppliers, in the early and late stages of the internationalisation process of multinational retailers in South Africa (Narula, 2019). For logistics directors around the world, the challenge is to align logistics capabilities with corporate objectives over time in each foreign market (Haag, 2019).

### **1.5: SMME scope and context**

An economic system that is more inclusive is important in ensuring the economic participation and inclusion of millions of people, generating job opportunities and supporting the growth of businesses. Small, Medium and Micro Enterprises (SMMEs) play a significant role in creating a more inclusive economic system that will alleviate poverty, create jobs and ensure economic growth. The world bank's research on SMMEs indicates that majority of businesses worldwide are SMMEs, therefore accounting SMMEs as the largest and most important creator of jobs

and global economic development (World Bank, 2021). The SMME sector represents 90% of businesses and more than 50% of employment worldwide and formally employs between 50% and 60% of people and up to 75% of people in the informal labour force (World Bank, 2021). With a contribution to GDP of 8%-10% on average in developing economies, SMMEs directly support efforts for economic development and poverty alleviation thus their participation in the economy is critical (Munro, 2013). According to the World Bank's estimates, the growing global workforce will lead to 600 million jobs that need to be created or absorbed by 2030 (World Bank, 2021). This will require that governments around the world prioritise inclusion and growth of SMMEs and ensure that obstacles such as access to market and finance are eliminated as they are the most cited obstacles facing SMMEs in developing economies (World Bank, 2021).

Across many countries and industries, the common definition of SMMEs is different and not simplistic (Phago & Tsoabisi, 2010). Some define SMMEs based on the differences in the number of employees or labour, revenue and profits, turnover and so on as the key distinctions used to define SMMEs. Researchers such as Kuratko and Hodgetts (1995) have determined that both qualitative (structure of management and decision making, controls and independent ownership and financial processes) and quantitative (market share, turnover, number of people employed, size of capital invested, net worth, value added, and volume of production) elements must be encompassed in order to define SMMEs correctly and adequately. Similarly, the DTI's definition of SMMEs is aligned to that of Kuratko and Hodgetts (1995) and emphasises that "elements such as entrepreneurial orientation, management and ownership, labour status, informal or semi-formal economy, and the size of an entity are to be reviewed to determine if an enterprise is an SMME" (DTI, 2022).

Today, the speed of globalisation is aggressively intensifying because of high adoption of information and communication technology, the close interaction of economies as the world becomes more and more borderless, financial liberty and ease of movement of capital (Mallinson, 2021). As it is also a key factor for organisations' competitiveness, Mallinson (2021) explained that the globalised environment entices organisations to heighten competition thus providing both opportunities and threats for organisations (Mallinson, 2021). Both developed and developing countries can benefit from globalisation in the form of globalisation of production where goods from other countries who have lower production costs can be sourced; as well as the globalisation of marketplaces because of reduced trade tariffs and barriers that increase

cross-border trade (Erixon 2018). Although the benefits of globalisation have been noted, it is also necessary to examine its impact on SMMEs who have a low technology base, low entry barriers and relatively low fixed costs of production (Prasanna, Jayasundara, Naradda Gamage, Ekanayake, Rajapakshe & Abeyrathne, 2019). Globalisation has created many challenges for SMMEs due to the rapid increase in multinational organisations, information technology, communication technology, competition in the market, global economic crises such as: trade dumping, international terrorism, and religious conflicts and trade wars; as well as changing customer needs and preferences (Naradda Gamage, Ekanayake, Abeyrathne, Prasanna, Jayasundara, & Rajapakshe, 2020). Thus, as global market competition intensifies in the globalisation era, SMMEs have been prioritised more than other types of businesses because SMMEs contribute more significantly to the economies of developing nations (Epede & Wang, 2022). The threat of Multinational organisations in particular has been noted in more recent literature because the emergence of multinational organisations influences the domestic SMMEs more (Mutalemwa, 2015). This is because the SMMEs' productions are excessively localised and segmented, they lack innovative capabilities and global marketplace reach therefore, larger and 'well-performing' multinational organisations and retailers can penetrate the market making it difficult for SMMEs to be competitive and sustain their current sales in the market (Mutalemwa, 2015). The current global economy is characterised by liberation and reduction in trade barriers, evolving technology, customers' preferences and growing demands for high quality and differentiated goods and services that are of international standards (Sceulovs and Gaile-Sarkane 2014). Although researchers have studied the positive spillover of multinational organisations to SMMEs in host/local economies, in such a globalised and competitive environment, SMMEs find it challenging to be competitive even in their domestic market (Epede & Wang, 2022). Therefore, SMMEs are crucial to societies and countries as they contribute to national, local and community economies, poverty alleviation and the sustainability of livelihoods, thus ensuring their sustainability and participation in the broader economy and global value chains is critical (UN, 2022).

### **1.6: Research purpose**

The purpose of this research study is to contribute to research on retail internationalisation and logistics capabilities by obtaining a more precise understanding of the drivers and barriers that influence the decisions relating to the localisation or internationalisation of logistics providers by multinational retailers. The aim is to contribute on the existing body of literature by:



- Applying the internationalisation theory and process lens in this research study and applying it consistently throughout.
- Expanding the contextual diversity of the internationalisation theory and process by focussing purely onto a South African and an SMME context.
- Observing the drivers and barriers that influence the decisions of multinational retailers to use local or offshore/global logistics providers in retail internationalisation.
- Observing these drivers and barriers during the early and late stages of the retail internationalisation process.
- Drawing conclusions and making practical suggestions for stakeholders in logistics capability provision, impacted by internationalisation in developing countries.

### **1.7: Research aims and objectives**

With increasing globalisation, digitisation, and advances in technology particularly in IT, eCommerce, marketing and logistics, multinational enterprises are exploiting these advancements to expand as well as reshape themselves in order to gain competitive advantage over rivals, exploit economies of scale, realise profit growth and drive innovation (Narula, Asmussen, Chi & Kundu, 2019). Multinational enterprises are therefore facing a variety of critical logistical challenges as a result of these changes that have led to more complex logistics needs and systems (Haag, 2021). As multinational retailers look to achieve their internationalisation goals, understanding the drivers and barriers that influence the decisions relating to the localisation or internationalisation of logistics providers in retail internationalisation is imperative for developing countries (Aslam, Blome, Roscoe & Azhar, 2020). The aim of this research study is two-fold, firstly, to identify and understand the drivers and barriers of retail internationalisation that influence the decision making on the localisation or internationalisation of logistics providers. Secondly, the research study aims to understand which drivers and barriers are influential during the early and late stages of the retail internationalisation process.

The objective of this research study is to determine the findings in a South Africa context in order to assist governments or policy makers; and logistics leaders in the development of strategies to increase the participation of local logistics providers, particularly SMMEs, in the early and late stages of the internationalisation of multinational retailers operating in South Africa. Although SMMEs face many obstacles, they are crucial to economic growth (Epede & Wang, 2022). Because of this, the integration of SMMEs into global value chains provides

opportunities for their businesses and their economies, as well as a unique chance to reduce poverty in developing countries on a large scale (Zahoor & Lew, 2021). Protection of local providers and SMMEs is critical and detailed in the South African national development plan that suggests that approximately 90% of jobs could come from SMMEs by 2030 (South African government, 2022). For this research objective, the Uppsala internationalisation model will be used to analyse the drivers and barriers that influence the decisions relating to the localisation or internationalisation of logistics providers in the retail internationalisation of multinational retailers that have been operating in South Africa for several years. This research approach will allow for better understanding of the links between internationalisation theory, internationalisation stages and logistics capabilities decisions in the South African context.

### **1.8: Research questions**

Therefore the main research question is: what are the drivers and barriers that influence the decisions for the outsourcing of logistics providers during the various stages of retail internationalisation

- **Sub Question 1-** What are the different stages of the internationalisation process of multinational retailers in South Africa?
- **Sub Question 2-** What are the drivers and barriers that influence the decisions to use local or offshore/global logistics providers for multinational retailers in South Africa?
- **Sub Question 3-** What are the drivers and barriers for use of local logistics providers, particularly SMMEs, in each stage of the internationalisation process of multinational retailers in South Africa?
- **Sub Question 4-** Which of these drivers and barriers are more influential on the decisions to use local or offshore/global logistics providers during the early stages of the internationalisation process of multinational retailers in South Africa?
- **Sub Question 5-** Which of these drivers and barriers are more influential on the decisions to use local or offshore/global logistics providers during the late stages of the internationalisation process of multinational retailers in South Africa?

### **1.9: Theoretical contribution**

The underpinning theory for this research study is internationalisation theory with a dynamic capabilities focus. International business literature has extensive research on internationalisation theory and dynamic capabilities as well as their application in the retail



industry (Haag, 2019). Various International business scholars have conducted studies on the examination of “the supporting role of logistics in retail internationalisation” (Haag, 2019) and although these studies cemented prior research that acknowledges the vital role that logistics plays in retail internationalisation it limited its analysis to the early stages in retail internationalisation (Prataviera, Creazza, Dallari & Melacini, 2021). Studies and contributions from scholars, such as Marchet, Melacini, Perotti & Tappia (2016), provided that “the shaping of logistics strategies in the internationalisation process is investigated in order to shed light on how companies align their international logistics capabilities over time to fit their internationalisation choices”; and examined that change over time. However, international business literature reviews show that logistics capabilities are not a new construct to the field but in spite of its importance and relevance, we do not have an adequate understanding of how logistics capabilities and design evolve and adapt over time as multinational retailers internationalise and are successfully expanding abroad and increasing commitment in foreign markets (Haag, 2021). This research study will contribute to the body of work on logistics capabilities by contributing to international business literature through the understanding of the drivers and barriers that influence the decisions relating to the use of local or offshore/global logistics providers. This research study will seek to assist retail multinationals to systematically adapt their logistics capabilities in the stages of internationalisation in order to achieve competitive advantage, leverage economies of scale, overcome increased competition, developments in technology and e-commerce, as well as respond to changing customer needs (Gaur, Pattnaik, Lee & Singh, 2019). By further reviewing the findings in the South Africa context, this research study could contribute to the body of work on retail internationalisation in developing countries (Narula, 2019).

### **1.10: Business contribution**

The pressures of increased foreign competition and globalisation have persuaded many companies to grow their business to international markets. Mainly with the aim for improved competitive advantage, cost efficiencies through economies of scale, profit growth and innovation (Buckley & Casson, 2019). Decisions on where and how to locate logistics have become increasingly important for the internationalisation strategy of a organisation and are critical to obtaining competitive advantages (Narula, Asmussen, Chi & Kundu, 2019). From a business applicability perspective, understanding the drivers and barriers that influence decisions relating to logistics capabilities, may allow logistics leaders and managers to

continuously tailor strategies and logistics capabilities over time to suit their business' evolution. Secondly, this research is relevant in providing insights on structuring decision making and developing new strategies for managing logistics capabilities abroad in order to obtain competitive advantage and be successful in these foreign markets over time (Haag, 2019). Thirdly, logistics leaders and managers can gain better understanding to help develop processes and strategies that can support the increased participation of local logistics providers; particularly SMMEs, in the early and late stages of the internationalisation process of multinational retailers in South Africa (Narula, 2019).

### **1.11: Chapter conclusion**

As trade barriers fall, South African industries are facing a more competitive environment (Narula, Asmussen, Chi & Kundu, 2019). This global environment has led to domestic subsidiaries increasingly being incorporated into their parent companies' global strategic operations thus leading them to increasingly use offshore/global logistics providers (Ratajczak-Mrozek, 2017). Where the South African retail industry is concerned, there is decreasing use of local logistics providers and local technology (Mckinsey, 2022). This is not feasible for many South African logistics providers, particularly SMMEs, who already have to contend with a contracting economy. In 2019, the South African retail industry contributed 15% to the overall Gross Domestic Product of South Africa and employed an estimated two and a half million people, which is 22 percent of the national labour force (Statistics South Africa, 2021). Statistics South Africa reported that retail trade rose by 2% from a year earlier in August of 2022. With this rise in retail trade, increasing SMMEs' scope and participation in the overall logistics networks of multinational retailers throughout all the stages of the internationalisation process is important for reducing unemployment, alleviating poverty and boosting local economic performance as a whole (The African Logistics, 2021).

### **1.12: Structure of the research report.**

This research study has seven chapters. Below is a brief overview of the structure and the elements of each chapter. Chapter one provides the outline and introduction to the research and sets the scene for the research study and provides the need for the research as well as the problem which determines the research questions. Chapter two details the existing literature that relates and is relevant to internationalisation theory and dynamic capabilities theory. Chapter three provides the five research questions derived for this research study. Chapter four

explains the research methodology. Chapter five details the data analysis and findings from the qualitative research. Chapter six is the discussion of the findings that are highlighted in Chapter five and compares these to the literature presented in Chapter two. Lastly, Chapter seven wraps up the findings, research contribution, limitations, implications for key stakeholders and areas for future research.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1: Introduction**

Chapter one provided the overview and introduction and set the context for the research study by detailing the need and problem for the research. In this chapter, the existing literature that supports the research questions and design is reviewed. The literature review is an analysis of previous academic studies done and assists to formulate associations between earlier academic studies or research and current research. It therefore is important for analysing the academic studies against the research questions. The literature review assists to precisely categorise the problem statement by identifying the inconsistencies and restrictions that may exist in past academic studies which new research may close. This literature review chapter begins in section 2.2 and 2.3, with a theoretical framework that draws on literature pertaining to internationalisation and dynamic capabilities theories respectively. The following sections 2.4 and 2.5 explore the literature on logistics capabilities as well as outsourcing with a focus on logistics outsourcing. Finally, section 2.6 provides a summary of the chapter and highlights the key points explored throughout the chapter.

In introducing the theory and exploring the literature, it is important to revisit the context to which this research study is set as well as the problem it seeks to examine. This research study is interested in understanding more closely the outsourcing of logistics capabilities by multinational retailers during the internationalisation stages. Multinational organisations are emerging across many geographies due to global competitive pressure. In light of the fact that internationalisation requires extensive resources, expertise and management's time, organisations should select strategies that provide superior performance and competitive advantage in the new markets (Nyambuto, 2021). Over the last few years, retailers from around the world have flooded into South Africa searching for new markets. The expansion of the middle class, growing consumerism, and supportive infrastructure are contributing factors to multinational companies' interest in South Africa (CBRE, 2021). As multinational retailers look to achieve their internationalisation goals of competitive advantage, economies of scale, profit growth and improved innovation; understanding the drivers and barriers that influence the decisions relating to the localisation or internationalisation of logistics provision in retail internationalisation is imperative, particularly for developing countries (Aslam, Blome, Roscoe & Azhar, 2020).

Given the increasing role of multinational retailers in South Africa, it is important to enhance the understanding of their contribution to economic development, where SMMEs play an important role. An increasing number of multinational enterprises are outsourcing their logistics capabilities to offshore/global logistics providers and reducing the use of local logistics providers and particularly SMMEs in the late stages of their internationalisation (Ascani & Lammarino, 2018). This research study seeks to use theoretical analysis to get a better understanding of the drivers and barriers that result in this phenomenon in order to assist governments or policy makers; and logistics leaders in the development of strategies to increase the participation of local logistics providers, particularly SMMEs, in the early and late stages of the internationalisation of multinational retailers operating in South Africa (Salmon & Tordjman, 2020). International business literature reviews show that despite the importance and relevance of logistics, we do not have an adequate understanding of how logistics capabilities evolve and adapt over time as retailers internationalise (Haag, 2021). Therefore, international business literature on this topic will enable multinational retailers to systematically adapt their logistics capabilities in the stages of internationalisation so as to gain competitive advantage, overcome increased competition, developments in technology and e-commerce, as well as respond to changing customer needs (Gaur, Pattnaik, Lee & Singh, 2019).

## **2.2: Internationalisation theory**

### 2.2.1 Introduction

The process of internationalisation, and in particular those factors that affect it, have been extensively discussed in the past, leading to the development of a number of theories explaining why companies internationalise. The initial internationalisation theories such as Dunning (1980)'s eclectic paradigm can be viewed as 'economic' while the latter theories are characterised as 'behavioural' (Haag, 2019). As per the latter (behavioural), the internationalisation process develops as a set of progressive activities or decisions as well as, an ongoing process of learning and analysing the market (Narula, Asmussen, Chi & Kundu, 2019). As the various internationalisation theories have been studied extensively, this research study will focus on Dunning's eclectic theory, which is one of the economic theories that are a major contributor to the study of internationalisation. On the behavioural side of internationalisation theory, this research study will focus on the Uppsala model of internationalisation. These two theories of internationalisation will provide clarity and shed light

on the research problem as they are the underlying theories of trade and investment and provide overall insights into the why, how and where organisations engage in international business (Zapletalová, 2021).

### 2.2.2 Uppsala model of internationalisation

The Uppsala model is at the heart of the behavioural branch of internationalisation research. Johanson and Vahlne (2020) assert that the Uppsala model has behavioural and dynamic approaches that examine a company's journey specifically on how it progressively gains, integrates, utilises and increases its commitment as a result of its learning and knowledge about the foreign markets and operations (Igwe, Rugara & Rahman, 2021). The Uppsala model defines Internationalisation as a logical, linear and sequential process of internationalisation (Li & Fleury, 2020). As described in the Uppsala model, companies follow the following internationalisation stages when expanding abroad over time: exporting, exporting through independent agents, establishing foreign sales operations or subsidiaries and establishing manufacturing or production facilities (Johanson & Vahlne, 2009).

#### 2.2.2.1: The stages of the internationalisation process

The stages of the internationalisation process can be explained through the concepts of 'state' and 'change'. The 'state' concept refers to knowledge and commitment to foreign markets. While shifts within the stages of the internationalisation process are referred to as the 'change' concept, and entails strengthening one's position in foreign markets through commitment decisions, and experiential knowledge of current operations (Ratajczak-Mrozek, 2017). As these concepts of 'change' and 'state' interact, greater market power and a higher level of performance leads to a greater level of market knowledge and commitment (Li & Fleury, 2020). The process of company internationalisation and the motivations behind it have been extensively studied (Buckley & Casson, 1976; Dunning, 1988; Hennart, 1982), leading to well defined and acknowledged internationalisation stages and clear descriptions of the stages and their dynamics. Thus, “cementing the Uppsala model as the most comprehensive and fundamental contribution” (Johanson & Vahlne, 2009) . As a result, company commitment and continuous learning are key factors in describing progression and evolution throughout the internationalisation process.

#### 2.2.2.2: The network theory of internationalisation

Since its first introduction to international business scholars, the Uppsala model has been challenged and further adapted to enhance its applicability to the modern business environment (Blankenburg, Eriksson & Johanson, 1996). One of the key theories that led to the revised Uppsala model 2009 is the network theory of internationalisation which examines how influential and important relationships are for performance in the internationalisation process when a company enters a foreign country or market (Ratajczak-Mrozek, 2017). This revision of the Uppsala model explains the multinational enterprises' change from internalisation to the integration of networks and introduces the concept that advantages do not exist at organisational level but rather that it is the entire network that provides a value added product or a service to the market (Gaur, Pattnaik, Lee & Singh, 2019).

#### 2.2.2.3: Conclusion

The relationship between the Uppsala model, which defines Internationalisation as a logical, linear and sequential process of internationalisation; and the network theory of internationalisation has been thoroughly studied (Aslam, Blome, Roscoe & Azhar, 2020). Several studies have highlighted the relation between the degree of internationalisation and the internationalisation of networks as an increasingly disruptive phenomenon (Ratajczak-Mrozek, 2017). Because a majority of international business studies denote a steady instead of a dynamic approach to internationalisation and focus more on the foreign market internationalisation process rather than the supplier internationalisation process (Camuffo, Furlan, Romano & Vinelli, 2006), this research study will provide valuable insights for the overall body of work as the focus is to contribute to the body of work on logistics capabilities through the understanding of the drivers and barriers that influence the decisions relating to the use of local or offshore/global logistics providers in retail internationalisation; which is related to the supplier internationalisation process (Verbeke & Asmussen, 2016).

### 2.2.3: Dunning's eclectic theory

#### 2.2.3.1: Introduction

Apart from its catalytic role for growth in economies, foreign direct investment is integral in providing both developed and developing countries with foreign capital (The World Bank, 2017). The international competition to attract more investment to maximise its positive effects is

intensifying today, and the eclectic theory provides insight into the triangular and related processes of ownership, location, and internalisation advantages in regards to the appropriation of foreign direct investment to an economy (Moradlou, Reefke, Skipworth & Roscoe, 2021). John Dunning pioneered and developed this framework for internationalisation called the eclectic framework which details that internationalisation is based on 3 factors known as OLI advantages: ownership, location, and internalisation advantages (Cantwell, 2015). In terms of its basic conception, the eclectic paradigm, or OLI framework, is composed of three components: ownership advantages, location advantages, and internalisation advantages. The decision to become a multinational may be driven by potential sources of these advantages (Dunning 1988, 2000). The OLI framework is a framework that follows three steps that companies can use when making decisions on the benefits of pursuing foreign direct investment; this is because it assumes that companies will weigh the cost of completing actions internally or in-house with the avoidance of transaction costs in the open market (Akwetey, 2002).

#### 2.2.3.2: The different OLI advantages

Ownership advantages (O) explains why some companies can proceed with internationalisation, and others cannot. When internationalising into foreign markets, a company must have specific ownership advantages, also referred to as competitive or monopolistic advantages in order to be competitive (Buckley & Casson, 2019). In this theory, the more significant the competitive advantages possessed by a multinational enterprise relative to its competitors or domestic competitors, the more likely it is that they will increase their investment commitment in international production (Mariotti, Mosconi & Piscitello, 2019). It then denotes that companies investing abroad should have some sort of advantages over their local counterparts, and these advantages may be related to their assets and transaction skills (Cantwell, 2015). As the ownership advantage is greater and results in a competitive advantage in the foreign market, the multinational retailer will increase its investment commitment in the foreign market and open a subsidiary (Aslam, Blome, Roscoe & Azhar, 2020). The location advantages (L) indicate the location of the company in the international market. This means that when organisations are required to utilise their immobile natural resources in conjunction with their competitive advantages to be competitive overseas, rather than at home, the more likely that the ownership advantage will be exploited resulting in increased investment commitment in the foreign market (Dunning, 2015). Multinationals will be looking to avoid or exploit the location advantages which include; the abundance and availability of resources, political and legislative factors relating to



allocation of resources, geographical factors, tax laws, laws relating to licensing of technology, registration and protection of patents, and exchange rate policies (Asmussen, 2009). The Internalisation (I) advantages are the varying entry mode decisions that a company makes to operate in international markets such as exports, licensing, joint venture and Wholly-owned subsidiaries (Mariotti, Mosconi & Piscitello, 2019). For a company to decide on a wholly-owned subsidiary, it means that the benefit for the company of transferring its ownership advantages to a foreign market is better than selling through exporting, licensing or franchising (Li & Fleury, 2020). This also means that the parent/home country company can maintain control and dominance over the subsidiary with the aim to ensure it gains competitive advantage over its local competitors through improved productivity and reduced costs (Gaur, Pattnaik, Lee & Singh, 2019). The internalisation advantages therefore explain that companies will not only seek to establish a wholly-owned subsidiary in the foreign market, but they will intend to maintain control, influence and dominance over the subsidiary.

#### 2.2.3.3: Conclusion

As a framework, the OLI paradigm helps to understand the ownership advantage, location preference, and internalisation advantages that retail multinationals seek in order to gain competitive advantage, leverage economies of scale, deliver profit growth and improve innovation in foreign markets (Rugman, Verbeke & Nguyen, 2011). This framework provides the clarity that when ownership and location advantages are high, there is reduced uncertainty and existence of monopolistic ownership advantages, multinational enterprises will increase their investment in the foreign market by establishing a subsidiary (Aslam, Blome, Roscoe & Azhar, 2020). However, the OLI paradigm is inadequate in explaining what the drivers and barriers are for localisation or outsourcing decisions during this internationalisation process (Aslam, Blome, Roscoe & Azhar, 2020).

### **2.3: Dynamic capabilities theory**

#### 2.3.1: Introduction

Dynamic capabilities theory focuses on the competitiveness of an organisation in a dynamic, rapid and unpredictable market (Groggaard, Rygh & Benito, 2019). Teece and Pisano (1994) introduced the theory of dynamic capabilities to strategic management literature (Freixanet & Renart, 2020). Prior to this introduction in the 1980s, Porter (1985)'s five forces were the

dominant concept in explaining competitive advantage and competitive positioning. According to Porter (1985), “an organisation's market positioning determines its competitive advantage” (Porter, 1985). In spite of this, Porter's five forces haven't been found effective in promoting competitive advantage due to its neglect of organisations' resources (Barney, 1991).

### 2.3.2: Resource based view

In response to this, various scholars argued and said that organisations' resources are crucial to achieving competitive position, hence the introduction of ‘the resource-based’ (RBV) theory by Wernerfelt (1984) was monumental and was further embraced by Barney (1991) (Haag, 2021). During the 1990s, “this paradigm became the dominant paradigm in the field of strategic management” (Ketchen & Giunipero, 2004). However, resources-based theories (RBV) typically failed to explain how business environments with higher levels of dynamicity sustain competitive strength or advantage over time (Eisenhardt & Martin, 2000). To achieve long-term competitiveness in the market, organisations cannot rely on their existing resource base. Instead, organisations need to be able to adapt their resource base for better utilisation as well as manage the dynamic nature of the market (Gaur, Pattnaik, Lee & Singh, 2019). To be competitive and sustain competitive advantage over time, companies must have the capability of creating, expanding, and modifying their resources (Teece, 2007).

#### 2.3.2.1: Dynamic capabilities theory

Dynamic capabilities in an environment of dynamic and ever changing business is essential to enable organisations with the ability to make existing resources adaptive in order achieve long-term competitive advantage (Aslam, Blome, Roscoe & Azhar, 2020). Companies gain experiential knowledge over time, while undergoing internationalisation through learning-by-doing (Johanson & Vahlne, 1977). As retailers expand abroad, their logistics capabilities also change, which necessitates adaptability and integration of logistics resources (Gaur, Pattnaik, Lee & Singh, 2019). Strategic management scholars have focussed their research on understanding the sources of competitive advantage for organisations and how organisations can sustain this competitive advantage (Barney, 1991). Barney's (1991) framework summarised that sustainable competitive advantage can be obtained exploiting their internal strengths and responding to external environmental opportunities and threats (Barney, 1991). Building on earlier work on dynamic capabilities in multinational organisations, researchers have clarified that dynamic capabilities help organisations leverage and survive in

changing global conditions and global value chains (Gattorna, 2021). In today's globalised business environment, selection and deployment of capabilities is critical for leveraging changing global conditions and global value chains; being able to leverage these better than others is a key ingredient to competitiveness and gaining competitive advantage (Grant, Banomyong, & Gibson, 2021). This has become an increasingly critical requirement for the success of organisations (Gattorna, 2021).

#### 2.3.2.3: Conclusion

With the increase in demands and uncertainty in the global market, organisations need to ensure that their resources are flexible and dynamic if they are to achieve competitive advantage (Teece, 2007). Dynamic capabilities theory and Porter's competitive advantage theory enables the understanding of how logistics capabilities and design evolve and adapt over time as multinational retailers internationalise and are successfully expanding abroad; with the aim to gain competitive advantage, improve efficiency and profits, leverage economies of scale and deliver differentiated customers satisfaction (Haag, 2021). This research study is founded on Internationalisation theory from a dynamic capabilities viewpoint or angle. Although dynamic capabilities theory in the context of internationalisation is useful in explaining the need for change and evolution of the multinational enterprises's resource base to gain competitive advantage in changing business conditions; it is limited in explaining the drivers and barriers for this adaptation of existing resources throughout the internationalisation process (Aslam, Blome, Roscoe & Azhar, 2020). Therefore it is necessary to focus more deeply and look at specific capabilities that are applicable to this research study such as logistics capabilities and outsourcing.

### **2.4: Logistics capabilities and retailers**

#### 2.4.1: Introduction

Logistics and supply chain management concepts are not new to scholars. Over the course of history, in war times, logistics strengths and capabilities have been described as the bases on which wars were won and lost (Rushton, Croucher & Baker, 2022). Many historians have argued that the defeat of the British in the American War of Independence was mainly due to logistics failures, similarly, logistics played a crucial part in the Second World War (Christopher, 2016). The invasion of Europe by the Allied Forces was a skillful logistics exercise and whilst it

was understood that logistics played a crucial role, it is only recently that many organisations have come to realise the crucial impact that logistics can have on achieving competitive advantage (Montoya-Torres, Muñoz-Villamizar & Mejia-Argueta, 2021). In today's world, the concept is the same except the war is that of competitiveness, global presence and satisfying customers around the world. In this same 'war' environment, logistics strengths and capabilities could determine the success, sustainability or death of organisations (Stonehouse & Snowdon, 2007). The Covid-19 pandemic heightened the importance and critical role logistics plays in enabling supply chains within and across borders, to accelerate and enable trade and help organisations get their products to customers (Twinn, Qureshi, Conde, Guinea, Perea Rojas, Gupta & Luo, 2020). As such, logistics systems have a direct impact on the growth of economies, creation of jobs and organisational competitiveness (Montoya-Torres, Muñoz-Villamizar & Mejia-Argueta, 2021).

#### 2.4.2: Defining logistics

During its early stages, logistics was often confined to its two functions of transportation and warehousing. In a subsequent study, Christopher (2018) outlined logistics as "the process by which materials, parts, and finished inventory are moved and stored so they can be used by the organisation and its customers" (Christopher, 2018). As such, logistics should not be considered as another name for transport because transport forms part of integrated logistics management and accounts for 40% of all logistics costs (Topolšek, Čižiūnienė & Ojsteršek, 2018). Other more recent names associated with logistics include; physical distribution, business logistics, materials management, product flow, supply chain management, demand chain management to name a few. Many industries have their own definitions of logistics, therefore logistics is a diversified and dynamic function that must be adaptive and flexible to changes and various constraints or demands imposed on it (Rushton, Croucher & Baker, 2022). Thus, there are different terms that are often interchanged in the academic and the business world. There is also a multitude of definitions that can be found on the internet or in textbooks, some of the most recent definitions are:

“Logistics is the management of the flow of goods between point of origin and point of destination to meet customer and corporate requirements” - Collins Dictionary, 2020

“Logistics management is the part of supply chain management that plans, implements and controls the efficient, effective forward and reverse flow and storage of goods,

services and related information between point of origin and the point of consumption in order to meet customers' requirements" - Council of supply chain management professionals (USA), 2021

"Logistics is defined as the time related positioning of resources. It is also described as the 'five rights'. Essentially, it is the process of ensuring that goods or a service is: in the right place, at the right time, in the right quantity, at the right quality and at the right price" - Chartered institute of logistics and transport (UK), 2021

There are many ways of defining logistics, but the underlying concept of logistics which will be adopted in this research study is that, logistics refers to the strategic management of materials, finished inventory, and associated information flows, both within an organisation and across its marketing channels, so that current and future profits can be maximized by fulfilling orders cost effectively (Nilsson & Christopher, 2018). Logistics' undertaking is to provide the best service to the customer at the lowest cost because the way companies reach and serve their customers has become a key competitive advantage (Hagg, 2019). Logistics companies or service providers offer services such as: transportation, freight forwarding, warehousing, and inventory management which enable organisations to connect to their markets and in this complex, multi located world of global manufacturing, they play an essential role (Amr, Ezzat & Kassem, 2019). More than 200 suppliers in 43 countries provide components for Apple's iPhone, for example, as a result, the flow of goods between and within countries requires that today's global value chains become more resilient and efficient (Ferne & Sparks, 2018). Since logistics systems cover the total framework within which cargo is moved, planned, managed, and executed, they are more than just transportation of goods and are primarily concerned with the supply chain and how goods move in a supply chain (Amr, Ezzat & Kassem, 2019). Planning an organisation's logistics system in a systematic way is the crucial role of modern logistics which takes into account all of the vital elements of the logistics system such as: warehousing, inventory management, packaging, and information flow, as well as transport; modern logistics must respect costs and service levels while considering all of these factors (Rushton, Croucher & Baker, 2022). Well developed logistics systems enable increased competitive advantage by driving better efficiency, reducing operating costs and delivering higher service quality (Gattorna, 2021).

### 2.4.3: The importance of logistics in the retail internationalisation process

Internationalisation activities and logistics have a close relationship, particularly in the retail industry. Logistics is both a driver of internationalisation but is also challenged and modified by the same internationalisation that it drives; this is because logistics drives internationalisation as a key enabler however, the increase in internationalisation is stretching the logistics industry due to its extraordinary pace. The fast changing trend of internationalisation and globalisation have resulted in many retailers expanding their businesses beyond their home country or geography into new countries and regions (Haag & Sandberg, 2019). Retailers' expansion or internationalisation beyond domestic domains, country or borders by establishing online stores or physical stores, is strongly and often driven by the need for growth in revenue and other incentives, seeking new customers as competitions leads to saturated domestic markets and easing trade barriers (Corstjens & Lal, 2012). Internationalisation or expansion in the retail industry is a topic that has been substantially researched because it is a critical determinant of business success for retailers (Haag, 2019). Some examples of the topics that have been addressed extensively by scholars on retail internationalisation or expansion are: Corstjens and Lal (2012)'s research on internationalisation incentives, Swoboda, Schwarz and Halsig (2007)'s research on market selection, market channels research (Agatz, Fleischmann and Van Nunen 2008; Huang and Sternquist 2007), Picot-Coupey, Burt and Cliquet (2014)'s research on entry mode strategies and Swoboda and Elsner (2013)'s research on retail format. Additionally, business and marketing-oriented research streams concede that logistics is a pivotal precondition and key requirement for successful expansion (Abrahamsson & Rehme, 2010); and has thus been proclaimed as 'the backbone of the internationalisation process' (Marchet, Melacini, Perotti & Tappia, 2016).

Internationalisation encompasses and brings forth a variety of challenges that are institutional, cultural and organisational (Wrigley & Lowe, 2010). These logistics challenges are also heightened by internationalisation as logistics operations tend to become more complex with internationalisation (Marchet et al. 2016). This is because of the multiple sales markets across different countries, regions and geographies that need to be serviced by the logistics operations. To achieve this, current logistics operations need to be able to handle increased product volumes across many store networks that cover several countries, regions and geographical areas all the while adapting to local regulations and achieving reduced costs and increased customer service. Global retailers, such as Wal-Mart, Carrefour, Tesco, H&M, and GAP manage

to increase and grow their turnover in foreign markets by increasingly conducting and implementing their logistics activities and operations on an international scale (Swoboda, Foscht, & Cliquet, 2008). These complexities in logistics operations during internationalisation are recognised by researchers and practitioners as causing significant challenges for expanding organisations (Straube, Bohn & Ma, 2008). In recent years, these challenges have been studied by social science researchers and scholars interested in retail internationalisation (Burt, Johansson, & Dawson, 2017). These researchers revealed the concept of embeddedness as a practical concept that can be used to better understand the challenges related to geographical expansion (Frasquet, Dawson, Calderón & Fayos, 2018). Simply defined, the concept of embeddedness explains how rational and economic actions interact as well as the embedded social structures and behaviours (Hess 2004). There is recognition that economic actions are, in some way, always influenced, impacted or even restricted by the social structures and behaviors surrounding the actions of individuals and organisations. This means that embeddedness and internationalisation have a close interrelation that denotes embeddedness as a vital component to market competitiveness during internationalisation (Wrigley & Lowe, 2010), therefore all functions within the organisation, including logistics, must contribute to such an embeddedness (Frasquet et al. 2018). Thus, incapability to create pertinent and appropriate embeddedness could lead to challenges and hinder successful internationalisation and geographical expansion (Burt, Johansson & Dawson, 2017). As logistics is the targeted topic for this research study, focus will be given on how logistics contributes to embeddedness during internationalisation and thus contributing to market competitiveness and successful internationalisation. Three types of embeddedness have been outlined by Hess (2004) who noted societal, network and territorial embeddedness as the three key embeddedness types frequently used and applied by scholars in internationalisation research. These three types of embeddedness will be presented below from the lens of existing logistics research on retail internationalisation.

#### 2.4.3.1: Societal embeddedness

Societal embeddedness describes the internationalising organisation's domestic market culture, institutional and economic environment as well as its own organisational history and previous experience of geographical expansion outside its domestic market (Burt, Johansson & Dawson, 2016). The societal embeddedness described by Hess (2004) is that it is the 'genetic code' of the organisation and is thus seen as the characteristic of the internationalising organisation that is constantly moulded by its experiences.



Centralisation and standardisation has been emphasised by researchers as a method for efficient internationalisation and geographical expansion, scholars such as Tacconelli and Wrigley (2009) revealed through their study of “western retail multinationals’ expansion strategies into the Chinese market” that, although retailers had customer centric activities and offerings their strategies and activities relating to logistics and supply chain remained centralised and conformed to the home market. Centralisation and standardisation is expected to offer cost control, greater visibility and leadership allowing for effective and efficient management and coordination of the logistics resources required in the internationalisation process (Swoboda & Anderer 2008). Wood and Reynolds (2014) conferred that centralisation is beneficial as it ensures the streamlining, standardisation and uniformity of logistics operations that facilitates economies of scale which is critical for the organisation’s internationalisation strategy. An organisation’s internationalisation strategy is a critical set of processes that helps the organisation expand globally to achieve an improved competitive advantage, benefit from economies of scale, realise profit growth and drive innovation (Narula, Asmussen, Chi & Kundu, 2019). Centralised and standardised operations also enable agility to allow for easier transition and adjustment to local and new conditions experienced in new countries and geographical regions (Sandberg, 2013). Flexibility is also improved because the standardisation and centralisation of logistics operations enables for resources to be combined and pooled together allowing for cost savings and a greater capability to customise activities and offerings and thus gain greater customer satisfaction. Logistics should therefore be considered as both a driver of cost efficiency as well as a route for growth and market expansion (Sandberg & Abrahamsson, 2022). Successful societal embeddedness, therefore requires the expanding organisation to centralise and standardise its logistics operations as in the home markets in order to create economies of scale, reduce costs and have greater visibility, control and leadership over the logistics operations.

#### 2.4.3.2: Network embeddedness

Network embeddedness refers to the organisation’s intra- and inter-organisational relationships as well as the horizontal and vertical relationships that altogether mould the resources, information and technology that is required by the organisation for the expansion or internationalisation process (Burt, Johansson & Dawson, 2017). Therefore network embeddedness describes the connections and relationships within the network as well as the shape, construct and holistic progression and transformation of the network (Hess 2004).



The individual firm's perspective of the network embeddedness is generally defined and modelled against elements relating to how stable and durable the relationships are, as well as the shape or design of the relationships (Hess 2004). Unlike territorial embeddedness which is described below, network embeddedness is concerned with both the relationships at the new market as well as those pertinent relationships that exist throughout the organisation including those in the home market (Frasquet et al. 2018). Of particular importance is the transfer and capture of knowledge which is a crucial characteristic of network embeddedness (Creazza, Dallari & Melacini, 2010). In retail internationalisation, knowledge transfer and how it is dispersed across various stores in multiple geographical regions is essential and can only be achieved using appropriate information and technology systems (Lowe & Wrigley, 2010). Additionally, transportation and distribution networks are a key feature of network embeddedness, they play an essential role in supporting internationalisation to ensure that goods and services have an effective mechanism of getting from supplier to point of sales to the end customer (Haag & Sandberg, 2019). Creazza, Dallari and Melacini (2010) substantiate this and claim the importance of these networks in leveraging logistics based strategies in terms of internationalisation choices and customer satisfaction. In these networks, appropriate embeddedness of transport and distribution networks is essential because they are concerned with how new markets should be supplied (Marchet et al. 2016). Embeddedness is also confronted with the reality that the execution of some or all transportation and distribution activities could be handled by third-party logistics providers or suppliers, meaning these services could be outsourced; as such, internationalisation is closely related or aligned to these third-party logistics providers or suppliers and important outsourcing decisions relating to logistics need to be dealt with, such as: 'who should be doing what, by when and how' (Swoboda, Foscht & Cliquet, 2008). As such, an embedded relationship with third-party logistics providers or suppliers is essential particularly in new geographies or regions. Researchers such as Coe and Hess (2005); Lowe and Wrigley (2010); Fernie and Sparks (2019) have evidenced and observed that the most effective strategy to enhance embeddedness in the relationship with third-party logistics providers or suppliers, is the use of third-party logistics providers or suppliers from the retailer's home or domestic market. Therefore, although outsourcing to third-party logistics providers or suppliers is essential for retail internationalisation, the preferred strategy as per researchers and scholars is to outsource to third-party logistics providers or suppliers who are from the retailer's domestic market; or those third-party logistics providers or suppliers who are also the outsourced third-party logistics providers or suppliers in the home or domestic

market (Sandberg & Abrahamsson, 2022). Of interest for this research study is to understand the drivers and barriers of logistics capabilities outsourcing by retail multinationals in South Africa, with particular interest in outsourcing to third-party logistics providers or suppliers who are SMMEs. Although researchers have studied the positive relation between outsourcing to domestic market third-party logistics providers or suppliers and increased network embeddedness, in such a globalised and competitive environment, third-party logistics providers or suppliers in the new market, particularly those who are SMMEs, maybe excluded from the supply chain and find it challenging to be competitive even in their domestic market (Epede & Wang, 2022). SMMEs are the backbone of societies contributing to the growth of national, local and community economies as well as sustaining jobs and livelihoods, particularly in developing countries, and thus ensuring their sustainability and participation in the broader economy and global value chains is critical.

#### 2.4.3.3: Territorial embeddedness

Territorial embeddedness emphasises that the internationalising or expanding retailer needs to be adaptive and be cognisant of local norms, customs, culture and consumption behaviours, business practice norms, supply networks, logistics and distribution channels, etc in order to be anchored or embedded in the particular space, region or country (Wrigley & Lowe, 2010). This has been referred to as 'spatial embeddedness' by Hess (2004). Territorial norms and locally oriented business rules and regulations emphasise the need for internationalising or expanding retailers to be adaptive and flexible to local market dynamics such as customer norms and behaviours, as well as what Coe and Lee (2006) referred to in their study of "the joint venture between Samsung and Tesco in South Korea" as 'strategic localisation', which stresses the requirement for local product offerings, local sourcing, use of local labour and localisation of decision-making.

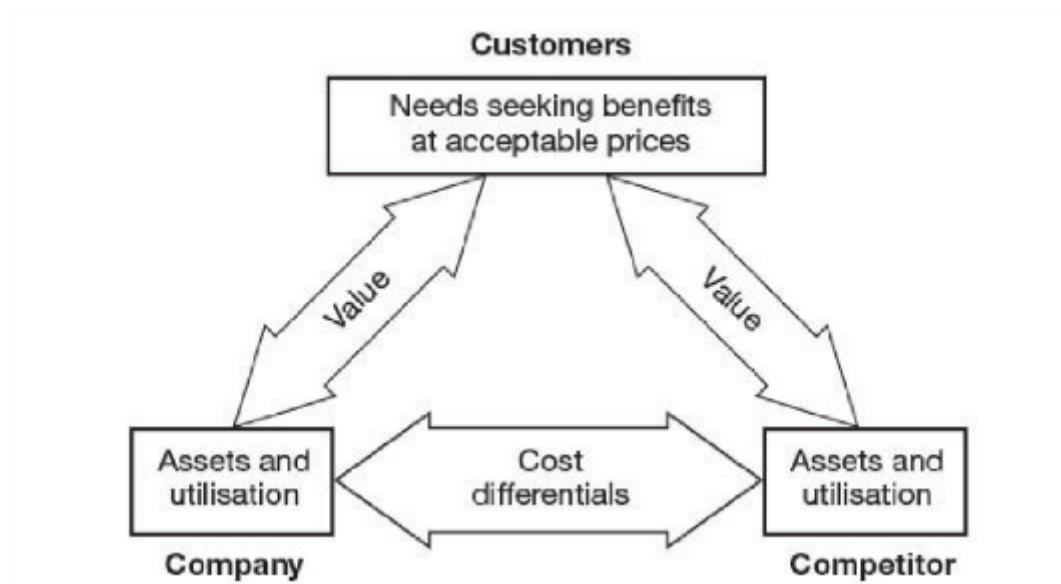
From a logistics perspective, territorial embeddedness may result in a localised distribution network and design due to the need to adapt to local requirements (Haag & Sandberg, 2019). In order to increase territorial embeddedness, Coe and Hess (2005) outline that the emergence of regional and local sourcing systems in the new geographical location or region may be apparent. Local supply networks could be created in order to mitigate uncertainty and adapt to local norms, culture, business practices and customer preferences (Wrigley, Coe & Currah 2005). This embeddedness in the geographical location or region is key in determining local

logistics performance as well as, the market entry timing, store format and layout as well as store location. More broadly, 'strategic localisation' through localised networks and partnerships has been confirmed as a critical input for mitigating risks, challenges and hurdles of internationalising or expanding in foreign markets (Tacconelli & Wrigley, 2009). Therefore, "the use of local third-party logistics providers in new foreign markets may enhance territorial embeddedness, but may also decrease network embeddedness" (Haag & Sandberg, 2019). Tacconelli and Wrigley (2009)'s study of "the logistics strategies of western retail multinational organisations expanding into the Chinese market", they found that retailers followed varying logistics strategies during their internationalisation or expansion revealing that territorial embeddedness can be entrenched and managed in varying ways. In their research, some of the retailers such as Tesco and Wal-Mart followed the network embeddedness approach and transferred their logistics solutions and third-party logistics providers or suppliers from their home markets in order to take advantage of the economies of scale and scope provided by centralisation, while Carrefour and other retailers adjusted the network embeddedness approach and adopted a decentralised logistics strategy where outsourcing to local third-party logistics providers or suppliers was prioritised (Tacconelli & Wrigley, 2009). In the later, territorial embeddedness was prioritised ahead of network embeddedness and societal embeddedness to some degree. This research study has a keen interest in understanding the drivers and barriers that determine the embeddedness approach for internationalising or expanding retailers which in turn informs the outsourcing decisions for logistics capabilities.

#### 2.4.4: Logistics as a source of competitive advantage in retail

Dynamic customer expectations, Social and environmental issues as well as the increase in e-commerce and online retailing are the most important challenges for retailers and their logistics systems in this decade and beyond (Grant, Banomyong & Gibson, 2021). In the retail industry, logistics has become an important competitive advantage over the past few decades because of the drive for cost reductions, productivity increases, customer centric and solutions based offerings, value adding products and services and supply chain process optimisation to successfully and efficiently deliver products to customers who are increasingly demanding in this globalised market. (Freitag & Da Silva, 2021). NielsenIQ South Africa's 2021 state of the retail nation analysis indicates that total annual retail sales in South Africa amount to R516 billion with 11.8% of this being online sales (NielsenIQ, 2022). The retail sector creates value for manufacturers by making commercialised products available to a wide range of customers,

transferring information about their needs in relation to the products they offer, including taking risks for perishable products that have a higher risk of losses, promoting manufacturers' products and offering customers services and conveniences that make the products desirable for consumption (Fernie & Sparks, 2018). Therefore, it is apparent that logistics is a major source of competitive advantage in the retail industry. Competitive advantage is achieved by having a superior position over competitors in delivering against customer preferences by effectively managing the logistics operations and supply chain (Gattorna & Gattorna, 2010). This effective management requires an intricate linkage between the company, its customers and its competitors; which is referred to as the 'three Cs'. Figure 2 illustrates this three way linkage or relationship.

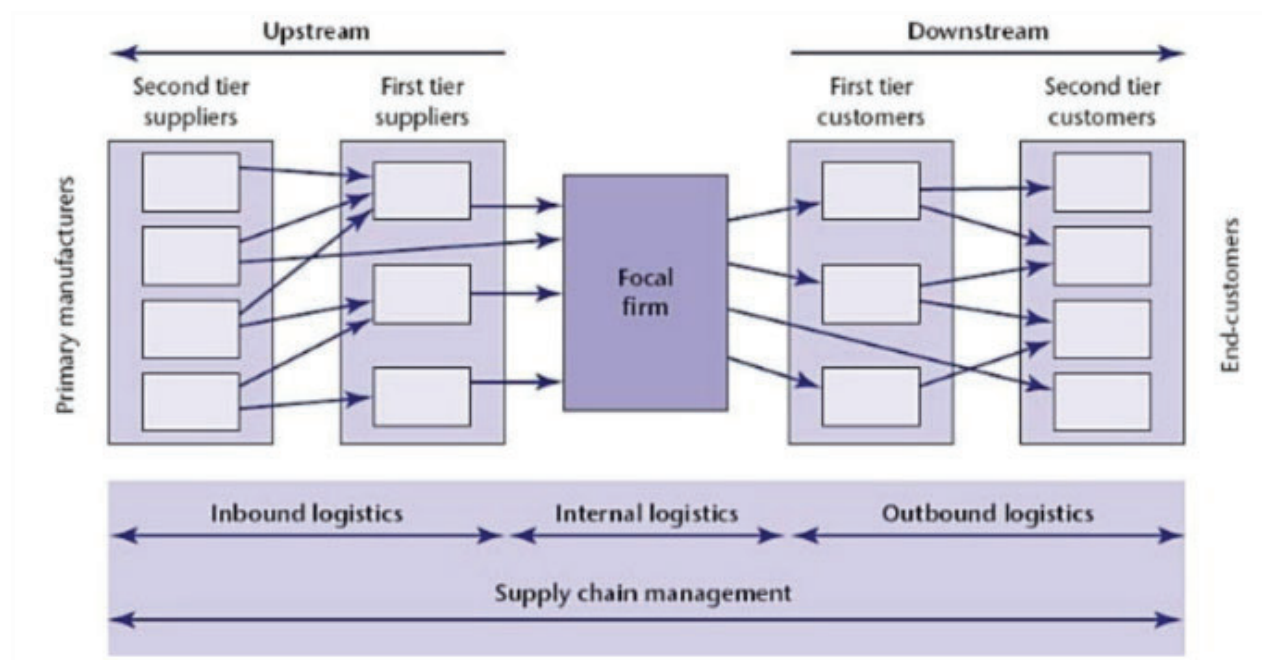


**Figure2: The three Cs**

*Source: (Ohmae, 1983)*

The source of competitive advantage is achieved by the ability of the organisation to positively differentiate themselves against their competitors in the eyes of the customer and also from operating at a lower cost and thus at a greater profit (Christopher, 2018). Competitive advantage theories have been extensively researched by many scholars with the most influential scholar on the topic being Porter (1985). One concept in particular that Porter (1985) has highlighted throughout his research and writing is the importance of competitive relativity in achieving success in the marketplace and the concept that by performing strategically important activities

(such as logistics) cheaper or more efficiently than its competitors, organisations can achieve competitive advantage (Porter, 1985). Therefore, successful organisations either have a value advantage, cost advantage or a combination of the two. Cost advantage gives a lower cost while value advantage product or service a differential additional value over competitive offerings (Porter, 1985). Porter also proposed a model for global strategy indicating that cost advantage or value advantage can be operationalised globally as either global cost leadership or global differentiation targeted at the total global market or a specific segment of the global market (Porter, 1986). The significance of this global strategy is explored in Porter’s writing and work that advises that the manner in which organisations configure and coordinate their value chains across borders is a key component to achieving global competitive advantage (Porter, 1990). Figure 3 illustrates the value chain or supply chain (also referred to as supply network) that organisations must manage in order to create value across the network and derive competitive advantage and customer satisfaction (Rushton, Croucher & Baker, 2022). We are currently in the era of ‘supply chain competition’ as organisations’ value delivery systems need to be more responsive and resilient to fast changing market dynamics as well as more consistent and reliable in delivering the value required by the supply chain and customers (Nilsson & Christopher, 2018).



**Figure3: The Supply Network**

Source: (Rushton, Croucher & Baker, 2022)

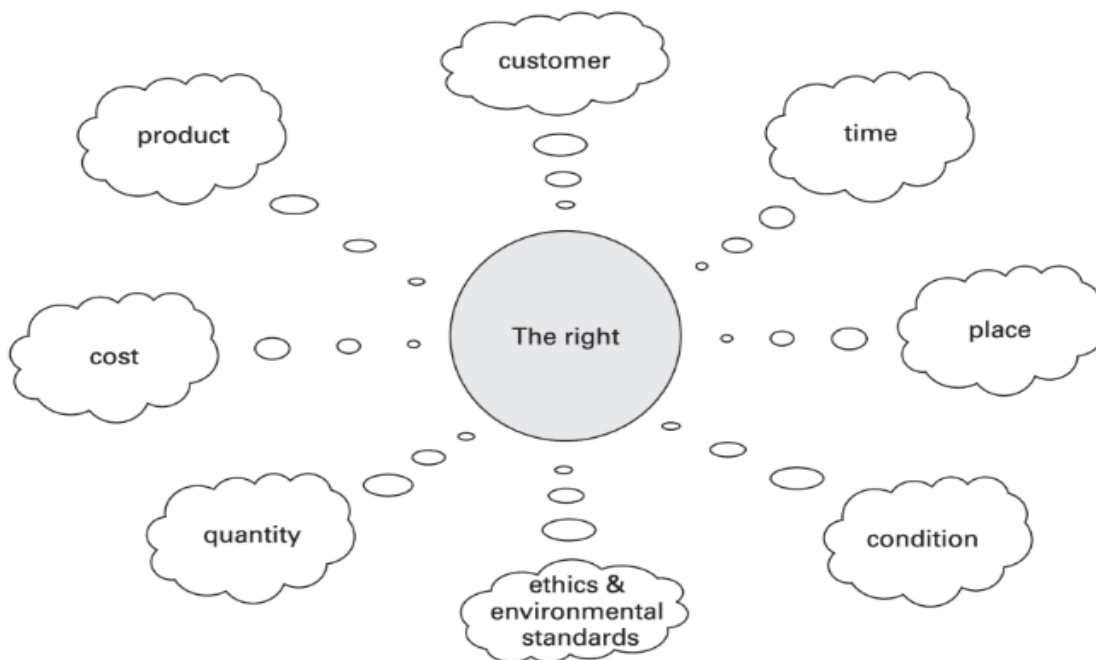
#### 2.4.5: Logistics and customer service

Traditional retailing has experienced the biggest disruption in history in the last five years, this is largely due to the advancements in technology and information systems that have enabled customers to interact differently with retailers through the application of technology, thus requiring retailers to create a customer centric supply chain and logistics network that will be adaptive and responsive to customer needs (Rushton, Croucher & Baker, 2022). Traditionally retailers used a very broad assumption of what customers want, in recent times, retailers need to take into account the real requirements of customers and that these requirements may differ between the various market segments serviced by the retailer (Daugherty, Bolumole & Grawe, 2018). Thus meaning that customer service provision is very complex and also closely related to distribution and logistics processes because customer service provision is influenced by various distribution and logistics factors such as: user friendly ordering, stock visibility, various and convenient delivery options, delivery reliability and tracking (Chiarini & Douglas, 2015). For this research study, customer service and its importance is introduced with specific interest to logistics related customer service elements, also referred to as logistics customer service (LCS). Traditionally, the responsibility for customer experience was held to front line selling agents and individuals, however studies have indicated that logistics benefits or hurdles are in fact the root cause of many service successes or failures that affect customers (Daugherty, Bolumole & Grawe, 2018). Terry (2014) argues that increased responsibility and expectations placed on logistics customer service (LCS) have become the norm rather than the exception in today's supply chains because customers' demands for fast service as well as flexible and convenient delivery options that are centered around individual needs have become normal as a result of the increase in omnichannel retailing and e-commerce. Customers are the reason why organisations exist and capturing new customers in new markets is a common and key driver of internationalisation, therefore satisfying customers better than competitors is a vital requirement for organisational performance and competitive advantage (Creazza, Dallari & Melacini, 2010). To describe the key components of logistics customer service, the eight rights of customer service must be considered as logistics plays a key role in the achievement of the eight rights of customer service (Sople, 2012). As depicted in figure 4 below, the eight rights of customer service are: 1. the right product as per the order 2. for the right customer 3. delivered at the right time 4. delivered to the right place 5. delivered in the right condition 6. the right cost/price 7. the right quantity 8. the right ethics and environmental standards. The objective of the organisation in the internationalisation process is to claim meaningful gain from logistics management, Sople



(2012) claimed that this gain can be realised in scenarios where the cost of implementing logistics activities is lowered while customer service and satisfaction levels are improved ensuring that the organisation achieves superior performance and competitive advantage.

Satisfying the customer is the key to achieving competitive success and organisations that fail to appreciate this may lose significant market share (Creazza, Dallari & Melacini, 2010). Service is a key factor of differentiation and researchers and scholars have determined that it is closely aligned to customer loyalty; therefore excellent customer service drives differentiation amongst organisation's offerings and proves that logistics is crucial for delivering good customer service (Christopher, 2018).



**Figure4: The eight 'rights' of customer service**

*Source: (Rushton, Croucher & Baker, 2022).*

#### 2.4.6: Conclusion

In the new rules of competition, organisations cannot behave in isolation or independent in competition with others because the modern supply chain competition requires organisations to deliver customer centric and superior customer value by managing their core processes and networks more effectively and better than their competitors (Stonehouse & Snowdon, 2007).

These core processes include activities such as logistics management, new product development, supplier development, customer management and supply chain agility to name a few (*Rushton, Croucher & Baker, 2022*). As organisations internationalise it is important for them to holistically manage and coordinate the supply chain more competitively through the value it adds and the costs that it reduces overall. Logistics is a key enabler of organisations' internationalisation and plays a critical role in the supply chain thus its capabilities help the organisation expand globally to achieve an improved competitive advantage/position, benefit from economies of scale, realise profit growth, drive innovation and improve customer satisfaction (Narula, Asmussen, Chi & Kundu, 2019).

## **2.5: Outsourcing of logistics capabilities**

### 2.5.1: Introduction

Outsourcing is the process whereby an organisation hands over functions performed internally or in-house to an independent and external entity to perform (Ellram & Billington, 2001). Foogooa (2008) described outsourcing as the process that involves utilising a third party service provider to deliver goods and services and therefore allowing and freeing up internal resources to focus on core or investment activities. This definition suggests that a more beneficial outcome can be derived from an outsourcing arrangement to the organisation receiving the outsourced service (Jain & Natarajan, 2011). As outsourcing expenditure grows globally, top management have been prompted to pay more attention to the cost saving benefit and varying models or options of outsourcing (Capgemini Consulting & Langley, 2016). In the globalised world, rising competition puts pressure on profits therefore, outsourcing has emanated to be a key strategy for cost reduction and control as well as improved productivity and performance (Waugh & Luke, 2011). The growth of outsourcing as a key strategy is observed in local and international markets and according to Elango (2008)'s study, it is claimed that the majority of the world's large organisations have embarked on outsourcing to some extent. Generally, the growth in internet and communication technologies is driving outsourcing and both small and large firms can take advantage of this to meet their business and organisational goals (Capgemini Consulting & Langley, 2016). The developments of the outsourcing concept are discussed below.



### 2.5.2: Developments in outsourcing

Transactional cost theory had one of the first significant traces of outsourcing with Coase (1995) arguing that “transactions should be organised within a firm if the cost is lower than it would be if organised in the external market”. Penrose and Penrose (2009) reiterated this view through the resource- based view theory by highlighting that organisations can enhance their competitive advantages by acquiring capabilities externally. Hatonen and Eriksson (2009)’s study details the aspects of the history and developments of outsourcing and determined three key phases, which were named: “the big bang phase”, “the bandwagon phase” and “the barrier-less organisation phase”. The phases are detailed below in Table 1.1. The big bang era describes the beginning of the 1980s where outsourcing was a popular and fashionable strategy and in this period, multiple organisations adopted and embraced it as their new management strategy (Hatonen & Eriksson, 2009). In this era , organisations began to outsource non core business processes to external companies and started reducing their operational costs. The bandwagon phase saw firms no longer outsourcing only for cost cutting purposes but also for acquiring or enhancing capabilities which led to ‘strategic outsourcing’ becoming a buzzword as most organisations looked at embarking on local and international outsourcing with the aim to gain competitive advantage and surpass their competitors (Hatonen & Eriksson, 2009). From the 2000s, Capgemini and Langley (2016) asserted that unlike in prior phases and years where the priority was on costs and capabilities enhancement, the main objective of outsourcing became transformational for the organisation to ensure organisational survival. This is referred to as the barrier-less era of the organisation where boundaries between organisations were removed and ceased to exist because of the advancement of information and communication technologies (Ross, 2015). Table 1 details the characteristics across the three phases.

**Table1: The outsourcing evolution**

<b>Characteristic</b>	<b>Phase 1- Big bang</b>	<b>Phase 2- Bandwagon</b>	<b>Phase 3- Barrier-less organisation</b>
<b>Era</b>	1980s to 1990s	1990s to 2000s	2000s and beyond
<b>Motivation</b>	Lower costs	Cost reduction, competence development, process improvement	Organisational revolution
<b>Slogan</b>	Outsourcing	Strategic outsourcing	Transformational outsourcing
<b>Scope</b>	Local and/or domestic	Cross border/ International	Truly Global
<b>Relationship Strength</b>	Transactional	Strategic partnerships	Collaborative development
<b>Long Term Goal</b>	Profit maximisation	competitive advantage	Organisational survival
<b>Main Theories</b>	Transaction cost economics	Resource-based view	Organisational theories

*Source: Hatonen and Eriksson (2009)*

In an increasingly competitive environment where outsourcing is a business norm, organisations are focussing more on their core competencies and engage in outsourced agreements in order to leverage the knowledge, skills and capabilities from external organisations or third parties. Edvardsson and Teitsdottir (2015) noted the role of outsourcing as greater than just controlling costs as it is a strategic mechanism that allows the organisation to concentrate on its core competencies while gaining from outsourced external expertise which allow for enhanced customer focus and satisfaction. However, outsourcing is not a quick solution and needs cautious considerations by organisations and leadership as a strategic option that enables increased competitiveness and sustained competitive advantage for the organisation (Waugh & Luke, 2011). Careful selection of outsource activities is required to ensure that competencies not “significant to business positioning” are outsourced to external experts or third party providers (Foogooa, 2008). Therefore outsourcing should be strategic due to its engagement and coordination of multiple service providers who need to perform specialised functions or tasks where both parties must attain a win-win relationship that is not only focussed on cost reduction (Gandhi, Gorod & Sauser, 2012). Therefore the selection of the activities to outsource as well as the suitable third party

service providers should be made or service provider must be carefully considered in order to attain greater competitiveness from the outsourcing partnership. Recently, the majority of competencies and activities that are selected for outsourcing by many organisations are: security and manguarding service, catering and beverages services, facilities management services, ICT, accounting and finance, logistics, human resource management and medical services. This research study is interested in logistics activities and how they are outsourced in order to understand the benefits and disadvantages of logistics outsourcing. Logistics outsourcing strategy benefits and disadvantages are discussed in detail in section 2.5.3 which introduces the concept of logistics outsourcing.

### 2.5.3: Logistics outsourcing

Rapid globalisation has led to a changing and dynamic customer needs and vigorous competitiveness amongst organisations (Leuschner, Carter, Goldsby & Rogers, 2014). This competitive environment requires that organisations must seek and secure opportunities to remain competitive, improve profits and their performance (Godsmark & Richards, 2019). Waugh and Luke (2011) submit that retained competitiveness in organisations can be achieved through logistics as it advances the opportunity to reduce costs and improve customer satisfaction. Akbari (2018) claimed that effective and efficient management of logistics can be beneficial to organisations and be delivered by the use of third party logistics service providers (3PLs) to manage logistics activities efficiently. When defining the intermediaries who perform logistics functions that should be performed by either the shipper or customer, Blom and Niemann (2022) referred to these as third party logistics service providers (3PLs). According to Van der Westhuizen and Niemann (2022), logistics outsourcing is when organisations use 3PLs to perform part or all of their logistics activities. Logistics outsourcing is further explained as the process involved with transferring logistics activities and services to 3PLs in order to benefit from and enhance logistics performance. This research study will consider the definition of logistics outsourcing as the delegation or transfer of logistics activities in full or partly to external 3PLs who will perform these activities efficiently and effectively (Van der Westhuizen & Niemann, 2022). By following a logistics outsourcing strategy, organisations can benefit in many ways through cost reduction, access to innovations and the freeing up of resources so that management can focus their time on other investments and core business activities which lead to greater operational flexibility and access to skilled staff (Hilletoft & Hilmola, 2010). Additionally to these benefits, great productivity and overall organisational performance is

attainable as logistics outsourcing allows for goods to be delivered at a lower cost and according to the key rights of customer services (at the right condition, place and time) ensuring increased customer satisfaction and competitiveness (Pienaar & Vogt, 2009). Waugh and Luke (2011) claimed that meticulously carrying out the logistics outsourcing process is key to achieving the benefits outlined. This requires taking care when distinguishing the correct objectives for logistics outsourcing, choosing the appropriate and extent of logistics activities to outsource, top management involvement, choosing the most suitable 3PL, contract negotiation and developing a win-win and sustained partnership with the selected 3PL. Therefore, the general objective for logistics outsourcing can be encapsulated as: lowering costs (Waugh & Luke, 2011), lowering investment in logistics assets (Langley & Capgemini, 2014) and customer service improvement (Solakivi, Töyli & Ojala, 2013). Liu, Huo, Liu and Zhao (2015) classified three logistics outsourcing categories: 1. “basic logistics outsourcing” 2. “customised logistics outsourcing” and 3. “advanced logistics outsourcing”. Table 2 provides a summary of these and the considerations required when choosing a suitable 3PL.

**Table2: Types of logistics outsourcing**

Type of Outsourcing	Target of 3PL service	External resource	Implementation by 3PL service provider	Activities
<b>Basic outsourcing</b>	Efficiency	Physical assets	Standardised/ low-level specific skills	Transport, warehousing, production, purchasing and sales
<b>Customised outsourcing</b>	Flexibility	Specific assets and special skills	Modular programmes/ processes	Re-labelling, packaging
<b>Advanced outsourcing</b>	Responsiveness	Tacit knowledge and integrated capabilities	Packaged solutions	Mode and carrier selection

Source: Liu, Huo, Liu and Zhao (2015)

Another classification was presented by Hsiao, Kemp, Van der Vorst and Omta (2010) which outlines logistics outsourcing in the form of levels of outsourceable logistics activities where two activity levels are identified: 1. the activities in the planning level are identified as setting of goals, strategic formulation and the appointment of tasks and scheduling; 2. the activities in the execution level relate to daily operational activities. Table 3 provides details of the type of

logistics activities selected for outsourcing at each level, aligning to the classification system of Hsiao, Kemp, Van der Vorst and Omta (2010).

**Table3: Levels of outsourceable logistics activities**

Category		Example of Activities
Planning Level	Level 4	Downstream logistics management
	Level 3	Inventory management or transportation management
Execution Level	Level 2	Enhanced warehousing services
	Level 1	Transportation or warehousing

*Source: Hsiao, Kemp, Van der Vorst and Omta (2010)*

Langley and Capgemini (2014) also provided a categorisation of logistics outsourcing from their study, namely: 1. operational and repetitive activities. 2. value-added services and 3. strategic and IT-intensive services. Table 4 details the activities in each category.

**Table4: Variety of outsourced logistics services**

<b>Logistics outsourcing category</b>	<b>Outsourced logistics activity</b>
<b>Category 1</b> <b>Operational and repetitive activities</b>	Domestic transportation
	International transportation
	Warehousing
	Freight forwarding
	Customs brokerage
<b>Category 2</b> <b>Value-added services</b>	Reverse logistics
	Cross-docking
	Freight bill auditing and payment
	Product labelling, packaging, assembly, kitting
	Transportation planning and management
	Supply chain consultancy services provided by 3PLs
<b>Category 3</b> <b>Strategic and IT-intensive services</b>	Information technology (IT) services
	Order management and fulfilment
	Inventory management
	Fleet management
	LLP (lead logistics provider) /4PL services
	Customer service
	Service parts logistics
	Sustainability/green supply chain services

*Source: Langley and Capgemini (2014)*

#### 2.5.4: Logistics outsourcing and selecting logistics service providers

As discussed in the section above, logistics outsourcing has become a key strategic decision for organisations operating in a highly competitive market and retail multinationals in particular, have centered logistics outsourcing as increasingly critical for their internationalisation success (Haag, 2019). Logistics outsourcing as a global trend allows for the outsourcing of various

logistics activities such as; transportation, distribution, packaging, labeling, warehousing, freight forwarding and order fulfillment. Therefore the requirement for logistics providers (3PL) has become a crucial need for organisations that are looking to improve their delivery of customer service, increase productivity and operational efficiency, reduce the cost of logistics and ultimately improve competitive advantage. As claimed by Sahu, Datta and Mahapatra (2015); “a 3PL is an entity that performs upstream and downstream supply chain activities to meet end user requirements in an effective and efficient manner”. Therefore, selecting the appropriate logistics third party service provider is crucial for the sustainability and success of the partnership and it should therefore be a strategic key decision by management (Waugh & Luke, 2011). In fact, Barthelemy and Adsit (2003) claimed that selecting the wrong logistics service provider is “one of the sins of logistics outsourcing”. This means that the selecting criteria for logistics providers should be clear, measurable and be based on the 3PL’s ability to reduce overall logistics costs, provide flexibility and improved quality of service, drive agility and responsiveness, enhance innovation and guarantee financial strength and stability (Selviaridis & Spring, 2007).

Certain factors are the considered by an outsourcing firm when selecting potential 3PLs, these factors include: references, recommendations and industry experience which is based on the 3PL’s previous and proven performance as well as the ability to offer a quality service, financial strength and stability, process efficiencies and innovation, customer satisfaction levels as well as human resources (Banomyong & Supatn, 2011). Scholars have presented that due to the diverse nature of the factors to be considered when selecting potential 3PLs; a multi-dimensional evaluation process and criteria is also required (Rafiq & Jaafar, 2007; Banomyong & Supatn, 2011). Alkhatib, Darlington and Nguyen (2015) modelled a widely accepted evaluation process which details the selection criteria for evaluating 3PLs: 1. Performance related criteria which appraises the 3PL’s strength and financial stability, levels of customer satisfaction, process efficiency, and learning capabilities. 2. Resources and capabilities criteria appraises the 3PL’s physical and tangible resources such as assets, IT assets and resources and any physical resources as well as; human capital, partnerships and relational resources which are the 3PL’s intangible resources. 3. Logistics service criteria measures and evaluates the 3PL’s service offering and their ability to meet customer’s needs and requirements. Table 5 below details these three key criteria or dimensions.

**Table5: Multi-dimensional evaluation and selection of 3PLs**

Dimension		Measures
<b>Performance</b>	Financial Strength	Profitability, return and cash, flexibility, costs
	Customer Satisfaction	Quality and reliability, service flexibility, customer sustainability
	Logistics Processes	Logistics capability, logistics productivity, timeliness, process sustainability
	Learning and Growth	Human talent, innovation and development, resources sustainability
<b>Resources and Capabilities</b>	Tangible Resources	1. Physical resources: warehousing, transportation, production and packaging, improvement and maintenance  2. IT resources: Physical IT, communication, information system (IS) and internet-based technology
	Intangible Resources	1. Human resources: education and training, knowledge and experience, skills and capabilities  2. Relational resources: collaboration, long-term relationships, information sharing 3. Structural resources: databases and software, image and reputation, firm's culture
<b>Logistics Service</b>	Inventory and Warehousing	Flow-in activities, flow-out activities
	Transportation	Inbound transportation, outbound transportation (including last mile)
	Postponement	Assembly, packaging, labelling
	E-Logistics	Freight payment and quality checks, order management, service centre, carrier selection

Source: Alkhatib, Darlington and Nguyen (2015)

### 2.5.5: Conclusion

This section reviewed the literature on the importance of using 3PLs as well as their evaluation and selection. Organisations outsource to 3PLs in order to focus on their core activities, reduce costs in order to attain cost efficiencies as well as enhance levels of customer satisfaction. The use of 3PLs enables organisations to acquire logistics resources externally thus allowing for the enhancement of logistics capabilities, increased market coverage, logistics flexibility and innovation, improved customer service levels and consequently improved performance and competitive advantage (Langley & Capgemini, 2014). Through logistics outsourcing,



organisations can circumvent escalating and high fixed costs and heavy expenditure in physical logistics assets and facilities, such as construction or leasing of warehouses, procurement or leasing of trucks, track and trace technologies, technologies to manager stock and inventory and recruitment and employment of staff with relevant experience; allowing them to free up funds and investment to their core activities (Alkhatib, Darlington, Yang & Nguyen, 2015).

## **2.6: Chapter conclusion**

This chapter has evaluated the literature on various concepts about the internationalisation process and stages, organisations' dynamic capabilities with interest and focus in logistics capabilities as well as logistics outsourcing. A theoretical structure has been built for this research study, based on the internationalisation theory and dynamic capabilities theory. The literature review has established that organisations follow a logical, linear and sequential process of internationalisation when expanding abroad; this process is explored using the Uppsala model which details that this sequential process starts with: exporting, exporting through independent agents, licensing, establishing foreign sales operations or subsidiaries and end with the establishment of a wholly owned subsidiary, manufacturing, warehousing or production facilities. This sequential process is broken down and defined as the early stage and late stage of the internationalisation process.

The chapter then explores dynamic capabilities theory in the context of internationalisation which is useful in explaining the need for change and evolution of the multinational organisation's resource base to gain competitive advantage in changing business conditions. Following the review of the dynamic capabilities theory, logistics is introduced as a key and important organisational capability and function because it drives the ability to lower costs and enhance the ability to meet customer needs and improve levels of customer satisfaction. However, scholars such as Godsmark and Richards (2019) noted the difficulty experienced by various organisations in attaining and acquiring the required resources and expertise to achieve the expected efficiencies and effectiveness in a logistics operation; this is why logistics outsourcing strategies can be adopted to improve overall operational productivity and performance. This chapter ended with a discussion on Logistics outsourcing and the selection of 3PLs as a strategic decision that organisations must make for cost efficiencies, increased acquisition of capabilities form external 3PLs which will lead to improved organisational competitiveness. Suggesting that when an organisation implements an outsourcing strategy and

selects the most capable 3PL, increased productivity, higher customer satisfaction and competitive advantage can be achieved (Solakivi, Töyli & Ojala, 2013).

Chapter three outlays the five research questions that are generated from this literature review.

## CHAPTER 3: RESEARCH QUESTION

### 3.1: Research questions

Given the synergies in logistics capabilities and the internationalisation process of retailers, the drivers and barriers for the outsourcing of logistics capabilities in retail multinationals' internationalisation process awaits research attention (Salmon & Tordjman, 2020). The noted limitation in the amount of research and understanding of the drivers and barriers and how they affect SMMEs in developing countries, particularly in South Africa, the main research question that seeks to mitigate and address the identified research gap is: "What are the drivers and barriers of the outsourcing of logistics capabilities by multinational retailers in South Africa?" The main research question was further subdivided into the following sub-questions.

#### 3.1.1: Research question 1

**What are the different stages of the internationalisation process of multinational retailers in South Africa?**

The literature about internationalisation highlights 2 stages of the internationalisation process which are the early and late stages of internationalisation and are determined by the level of commitment given by the internationalising organisation to the foreign market in the form of firm establishment. Amongst the many contributors to various internationalisation process theories is Uppsala, The Uppsala model defines Internationalisation as a logical, linear and sequential process of internationalisation (Li & Fleury, 2020). As described in the Uppsala model, companies follow the following internationalisation stages when expanding abroad over time: exporting, exporting through independent agents, establishing foreign sales operations or subsidiaries and establishing manufacturing or production facilities (Johanson & Vahlne, 2009).

#### 3.1.2: Research question 2

**What are the drivers and barriers that influence the decisions to use local or offshore/global logistics providers for multinational retailers in South Africa?**

The literature about logistics capabilities highlights a close and integral relationship between internationalisation activities and logistics particularly in the retail industry. The literature also discussed the efficiencies that can be obtained from using third party logistics service providers

(3PLs) to manage logistics activities; this is referred to as logistics outsourcing (Akbari, 2018). The literature about logistics outsourcing in retail multinationals indicates three key embeddedness factors that motivate the outsourcing decision and which 3PL to use in order to contribute to market competitiveness and successful internationalisation (Hess, 2004), these are: 1. societal embeddedness which describes the internationalising organisation's domestic market and its culture, norms, institutional and economic environment as well previous expansion experiences outside its domestic market (Burt, Johansson & Dawson, 2016). 2. network embeddedness which describes the relationships enclosed in the network as well as its shape and transformation as a holistic network (Hess 2004); and 3. territorial embeddedness which indicates that the internationalising retailer needs to adjust to and be cognisant of local norms, consumption behaviours and practices, business practices, supply networks, logistics and distribution channels, etc in order to be anchored or embedded in the particular space, region or country (Wrigley & Lowe, 2010).

### 3.1.3: Research question 3

**What are the drivers and barriers for use of local logistics providers, particularly SMMEs, in each stage of the internationalisation process of multinational retailers in South Africa?**

SMMEs are significant contributors to the development of any country because of the role they play in providing employment, alleviating poverty and significantly contributing to the GDP of a country. However, as retail multinationals internationalise and focus on driving embeddedness as a key factor that motivates the outsourcing decision and which 3PL to use, SMMEs are compromised because of the need for centralisation and standardisation which is driven by social, network and territorial embeddedness to drive down costs and increase competitive advantage. In such a globalised and competitive environment, SMMEs struggle to compete and retain business even in their local and domestic market (Epede & Wang, 2022). Hence the question looked to understand the drivers and barriers in order to integrate SMMEs into the global value chain as they have a unique chance at reducing poverty in developing countries on a large scale (Zahoor & Lew, 2021).

#### 3.1.4: Research question 4

**Which of these drivers and barriers are more influential on the decisions to use local or offshore/global logistics providers during the early stages of the internationalisation process of multinational retailers in South Africa?**

Question four is concerned with understanding the drivers and barriers of logistics capabilities outsourcing at the early stages of the internationalisation process. This is to assist in further understanding what underpins the outsourcing decisions at the early stages of the internationalisation process so that 3PLs and SMME logistics providers in particular, can take advantage of the drivers and navigate the barriers so as to secure more of the multinational retailer's supply chain and gain competitive advantage locally against the offshore/global logistics providers. The early stages as defined in chapter two refer to the internationalisation stage where ownership and location advantages are low such as: exporting, licensing, using distributors.

#### 3.1.5: Research question 5

**Which of these drivers and barriers are more influential on the decisions to use local or offshore/global logistics providers during the late stages of the internationalisation process of multinational retailers in South Africa?**

Research question five is concerned with understanding the drivers and barriers of logistics capabilities outsourcing at the late stages of the internationalisation process. This is to assist in further understanding what underpins the outsourcing decisions at the late stage of the internationalisation process so that 3PLs and SMME logistics providers in particular, can take advantage of the drivers and navigate the barriers so as to secure more of the multinational retailer's supply chain and gain competitive advantage locally against the offshore/global logistics providers. The late stages as defined in chapter two refer to the internationalisation stage where ownership and location advantages are high such as: establishing foreign sales operations or subsidiaries, establishing a wholly owned subsidiary, manufacturing, warehousing or production facilities. SMMEs by their nature and definition are small, uncomplicated and not cumbersome or suffocated when making decisions as they have minimal red tape and bureaucracy making them more agile and adaptive to the needs of local customers, thus having the ability to offer a dynamic capability that larger offshore/global logistics providers cannot

reproduce because of their cumbersome and formally managed and tedious governance procedures.

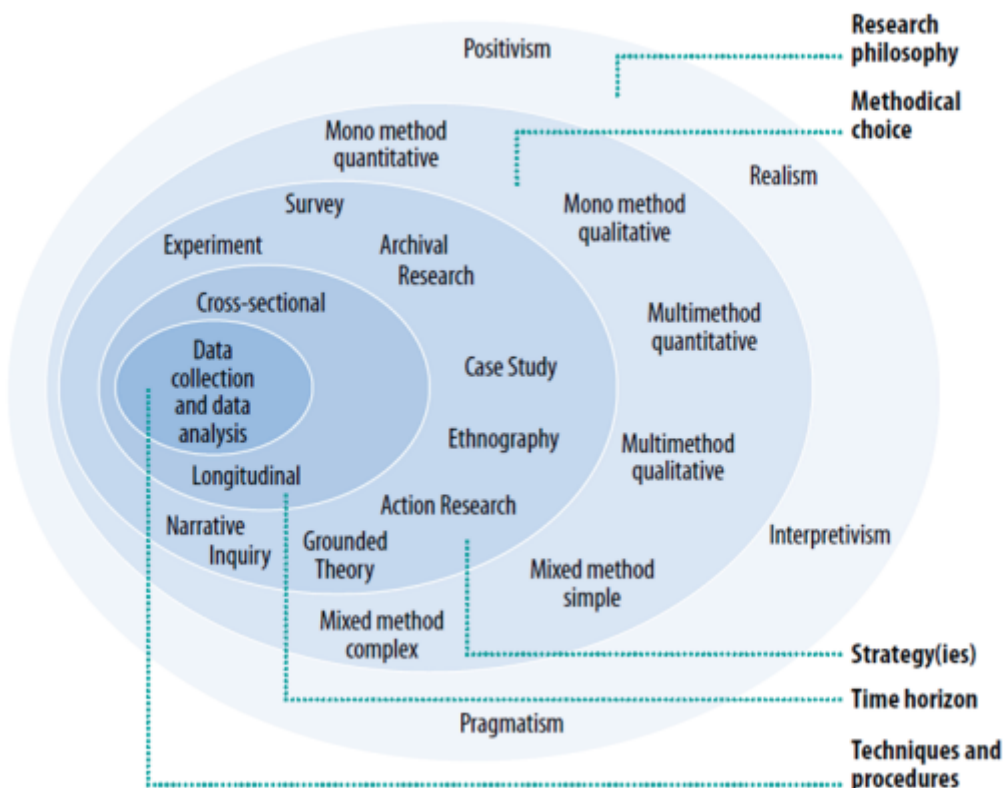
Chapter four follows and provides the detail on the research methodology that was involved for this research study.

## CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

### 4.1: Introduction

This chapter will discuss and detail the research methodology and design (refer to figure 5) with the specific elements involved in achieving the research aims stated in section 1.7, which are firstly, to identify and understand the drivers and barriers of retail internationalisation that influence the decision making on the localisation or internationalisation of logistics providers and secondly, to understand which drivers and barriers are influential during the early and late stages of the retail internationalisation process. This chapter begins with a discussion on the appropriate research philosophy for the research study, followed by detailing the research design and strategy.

**Figure5: The research onion**



Source: Saunders, Lewis and Thornhill (2009).

The subsequent following sections provide descriptive details of the relevant population for the research study as well as the sample from which conclusions from the population were drawn. The measurement instrument used to administer the research is described in section 4.8 below detailing the main sections of the instrument, and the process of data collection from the sample. The multi-faceted data analysis approach utilised in the research study is outlined in the next section of the chapter providing details of the preliminary data analysis describing the process of preparation, coding and screening of the data. The data validation section outlines the approaches on how the data from the measurement instrument was validated and analysed in order to infer conclusions from the data. Finally, the last section of this chapter acknowledges the limitations of the method, instrumentation and analysis and provides suggestions for future research.

#### **4.2: Research philosophy**

International Business research uses diverse theoretical disciplines because of its paradigm-agnostic nature. Therefore, International Business research does not predispose itself to a bias for a specific research philosophy (Doz, 2011). Due to the rapid transformation of the global economy, changes in the formal and informal institutional environment as well as increasing internationalisation of organisations; scholars and researchers in international business are constantly tackling the dilemma of continuously changing research settings. The international research agenda evolution shifted significantly over the years: From 1945 to the end of the 1950s, explaining FDI or foreign direct investments flows was the key focus. This changed towards the popularity of multinational organisations. Buckley (2002) drove internationalisation and globalisation on the agenda. To mitigate the dynamic international environment and how international business is done, international business researchers often “make use of a broad spectrum of theoretical explanations and borrow theories from other disciplines to explain international research problems” (Buckley & Lessard, 2005).

The research study was informed by an interpretivist philosophy. In interpretivism, efforts are focused on understanding human behaviour and gaining deeper insights through seeking experiences and perceptions of a particular social setting (Bell, Harley & Bryman, 2022). That is because of the ontological stance that was adopted (Alharahsheh & Pius, 2020). In brief, “ontology is the nature of reality” as defined by Hudson & Ozanne (1988). Therefore, ontology was principally the question of what constitutes a phenomenon. It referred to the identification of



existing types of knowledge that provided an answer to the research question (Alharahsheh & Pius, 2020).

### **4.3: Research design**

The research design detailed how the research was undertaken (Gao, Gao, Zhuang & Sun, 2022). The research problem and questions were suggestive for the appropriate research design. The interpretivist paradigm as an overarching philosophy informed the proposal to arrive at conclusions through a comparative analysis; as the research question aimed to determine the elements that drove the phenomenon to act the way it did (Yin, 2009). In social science, comparative research aims to compare, contrast, and examine aspects of different cultures or countries (Bell, Harley & Bryman, 2022). Three comparative analysis types are available and include: quantitative, qualitative and fuzzy where; “Quantitative comparative analysis is variable-oriented, qualitative comparative analysis is case-oriented and fuzzy comparative analysis is collection-oriented” (Shahrokh & Miri, 2019). Since an interpretive philosophy was adopted, a qualitative study was suitable and undertaken in order to avail the ability to extract in depth information from participants which a quantitative study could not obtain because of its focus on statistical data gathering.

The method compared multiple cases with and aimed to highlight existing theory and provided insights on the theory and thus was effective in producing insights where there was lack of previous research on the phenomenon (Patel & Davidson, 2011). Because the number of cases examined exceeded one, it was then a multiple-case study research design, which took two or more organisations as cases for comparison (Bell, Harley & Bryman, 2022). Due to the volumes of ‘rich’ and ‘deep’ data that was produced as a result of the comparative research design, the constant comparative method in conjunction with open coding (where the gathered data was coded into emergent themes or codes) were used (Schneider & Wagemann, 2010). Constant comparative analysis was applied for this research study where initial coding of data was done, emergent themes identified and the repetitive process of continuously revisiting the data after initial coding to the point that no new themes were appearing (Hewitt-Taylor, 2001). The research design was appropriate for this research study because the aim was to understand the phenomenon in two different stages of the internationalisation process by setting out to detail the drivers and barriers of logistics capabilities outsourcing in the stages of the retail internationalisation process. Narrations and interviews are the two techniques that were

employed in order to collect discernments on the process of logistics capabilities outsourcing of multinational retailers, thus suiting an exploratory qualitative approach. The researcher was able to acquire new information on the research topic because of the exploratory qualitative approach which also enabled the generation and uncovering of new data that complemented the current and known international business literature. Some of the key considerations for the comparative research design were scale, scope and the challenge of causality (Shahrokh & Miri, 2019). The scale indicated the degree of focus that the study places on its comparands and ensured that the comparison is balanced and compared 'apples with apples' (Weber, 2014). The scope referred to the distance between the items being compared by the study where the comparison as a contextual scope meant the researcher expected connections between the comparands (Freiberger, 2021).

#### **4.4: Research strategy**

The nature of the research question lent itself to a qualitative study as the research study set out to detail the drivers and barriers of logistics outsourcing in the early and later stages of the retail internationalisation process (Haag, 2019). Qualitative research intends to "portray the reality of the area or phenomenon under investigation and enhance understanding of the situation" (Hewitt-Taylor, 2001). It does not involve the quantification of facts (Bell, Harley & Bryman, 2022). A qualitative research strategy was applied in the research study as the study was trying to identify and understand inherent patterns rather than to impose preconceived ideas on the data (Bell, Harley & Bryman, 2022). The research study was not looking to test theories that are specified at the onset but rather was looking to generate theories inductively (Bell, Harley & Bryman, 2022).

A multi case-study approach was chosen for the research study because of the comparative research approach. Through studying cases, an in-depth study of the phenomenon in question was performed as well as the comparison of two or more cases, resulting in a better understanding of the circumstances that contributed to the theory (Bell, Harley & Bryman, 2022). "Case studies are empirical descriptions of a phenomenon" (Yin, 2003) and are suitable for providing rich empirical research (Haag, 2019). To gain better understanding of the circumstances (drivers and barriers) of the phenomenon being studied, combining empirical data from multiple case studies and applying the comparative approach was appropriate for this research study because the aim of the research study was to improve the understanding of the

drivers and barriers of logistics outsourcing between the early and later stages of the retail internationalisation process. Broader and richer sources of information can be gained through the use of qualitative case studies. This research study adopted a qualitative research method in order to allow for closer valuing of the responses received from participants and provide a detailed understanding of the drivers and barriers of logistics capabilities outsourcing in South African retail multinationals.

#### **4.5: Research population**

The focus of the research study was on collecting information and data from a heterogeneous set of multinational retailers who were conveniently chosen and who had wholly owned subsidiaries that were domiciled in South Africa. Due to the qualitative nature of the research study, there was no requirement to facilitate and enable generalisability to the population that the sample was selected from (Bell, Harley & Bryman, 2022). Purposive sampling with some snowballing was used where direct interaction to the research questions being asked was a key selection criteria of the units selected to serve as the population for this research study (people, organisations, documents, departments, etc.) (Alharahsheh & Pius, 2020).

Given that the research study was looking to understand the drivers and barriers of logistics capabilities outsourcing in the different stages of retail internationalisation, the selected population or candidates identified for the research study were multinational retailers that were in the early stages as well as those that were in the late stages of their internationalisation process. The early stages of the internationalisation process involve internationalising through export inquiries, licensing, online stores and establishing branches, while the late stages involve investing in production resources, warehouses, distribution centers and operating fully owned subsidiaries in the foreign country (Schweizer, & Vahlne, 2022). Thus, the research population was multinational retailers who had wholly owned subsidiaries that are domiciled in South Africa. The requirement for the selected population to have wholly owned subsidiaries that were domiciled in South Africa was to allow for the collection of data on all the stages of the internationalisation process because the multinational retailer would have gone through the early and late stages of the internationalisation process. Multinational retailers that operated in South Africa through an importer, distributor or licensee, for example would have only gone through the early stages of the internationalisation process and thus not have provided rich insights on all the stages of the internationalisation process (Whitelock, 2002).

The mechanisms used to select the multinational retailers that formed the population were identified through; the researcher selected from their own personal networks, followed by searches on professional business links such as LinkedIn® and enquiries sent to logistics and supply chain industry bodies. These mechanisms were helpful because the participants would have particular knowledge/experience of the internationalisation journey and process due to their intimate operational experience and strategic planning within the firm ensuring the data that needs to be collected is attained. Selected multinational retailers had to have top, senior and middle management teams who were available and able to provide data and knowledge about the internationalisation journey and process. The management teams were interviewed in order to capture the information and knowledge of their logistics operations throughout their internationalisation journey; as this was a key focus of the research study. To minimise memory bias, the research study compared multinational retailers that have recently internationalised into South Africa in the last five years as a set of case companies and these were studied as 'the early stage multinational retailers'. Another set of case companies was studied which contained multinational retailers who had internationalised into South Africa for longer than five years and these were studied as 'the late stage multinational retailers. This ensured that the recently internationalised case companies (less than five years) provided insights on the early stages of the internationalisation process while the later case companies (longer than five years) provided richer insights on the late stages of the internationalisation process.

#### **4.6: Unit of analysis**

In qualitative research, the particular circumstances of the study were considered by the researcher (Bell, Harley & Bryman, 2022). The unit of analysis describes the section of content for which decisions made during the development of codes were based (Roller & Lavrakas, 2015). The level of analysis is the drivers and barriers of logistics capabilities outsourcing of the different heterogeneous sample of selected multinational retailers domiciled in South Africa. The participants and individuals selected to represent their organisations are the unit of analysis and in this research study, these individuals included top and senior management/leaders who have current or previous strategic involvement in the organisation and its internationalisation process.

#### **4.7: Sampling techniques and sample size**

Qualitative researchers' discussions of sampling have most often aligned to purposive sampling as it has a lengthy developmental history where the simplicity and straightforwardness, as well

as its complexity are of interest to researchers (Bell, Harley & Bryman, 2022). Purposive sampling required that the research questions drive the units that were sampled therefore cases or participants were strategically sampled ensuring the research questions posed were relevant to those sampled; essentially selecting units of analysis (people, organisations, documents, departments, and so on) directly related to the research questions (Bell, Harley & Bryman, 2022). Given that purposive sampling is not a random sample and also not a convenient sample, the inclusion and exclusion criteria for the units of analysis needed to be clear and meet the research goals (Fainshmidt, Witt, Aguilera & Verbeke, 2020).

The purposive sampling technique used for this research study was snowball sampling where the first group of participants or respondents was selected; following their interview, they were requested to suggest or refer more respondents that met the population of interest and these referrals were interviewed (Fletcher, Zhao, Plakoyiannaki & Buck, 2018). The snowball sampling technique was selected as it provided access to populations not easily reached through other sampling methods (Bell, Harley & Bryman, 2022). Purposive sampling and the snowball sampling technique was also selected as it was a simple and cost effective process (Fletcher, Zhao, Plakoyiannaki & Buck, 2018).

The sample size for the research study was 12 top and senior management employees within the logistics, supply chain, finance and procurement departments of multinational retailers with wholly owned subsidiaries domiciled in South Africa. The sample size was selected and ensured theoretical saturation was reached and; together with the constant comparative analysis approach, the sample size allowed for saturation as the collected data was revisited after initial coding until no new themes were generated or observed (Bell, Harley & Bryman, 2022).

#### **4.8: Data collection process**

Analysing qualitative data may often be a challenge as it is incumbent on extensive knowledge of the research topic and requires that a logical and organised format be followed (Bell, Harley & Bryman, 2022). The source of data for the research study was the interviewees who, on account of each one's unique personality and traits, different insights and experiences were recorded from the questions that were asked. Interviews provided a mechanism to collect the data. The data was collected using semi-structured interviews and reviews of any secondary data material

that was available to the public through annual reports, company websites and news sources. The interview guide followed a semi structured format (Appendix 4) with open-ended questions and the interview questions were based on literature covered from the literature review outlined in chapter two.

To ensure the interview guide was structured towards answering the research questions and followed an organised and logical format, it was divided into three sections; internationalisation stages oriented questions, logistics operations oriented questions and the last section included questions about the selection of logistics providers or suppliers in the context of retail internationalisation in South Africa. The sections of the interview guide allowed that the interview could be answered by different participants or respondents from the same organisation where the logistics manager answered the logistics operations oriented questions while the supply chain operations manager or managing director answered the internationalisation stages questions. The internationalisation stages oriented questions looked to understand the internationalisation journey and asked about: the main driving forces of the internationalisation, the organisation's past experience with internationalisation, the organisation's establishment process for foreign markets, the phases involved in the internationalisation, the length of the phases, the individuals involved at each phase and their roles/tasks, the decision making process as well as the lessons learned from previous internationalisation processes. The logistics operations oriented questions pertained to: the flow of finished products to the foreign market, the parts of the logistics operations that are handled by external parties, the management of logistics operations, systems and processes involved in the logistics operation as well as the role of logistics in the internationalisation process. The selection of logistics providers questions sought to understand the: selection process followed when selecting logistics partners for foreign markets, individuals involved in setting, reviewing and approving the selection process, selection criteria used in the selection process as well as the selection of local logistics providers that are SMMEs. Because of this, the interview guide was sent to the participants in advance which allowed them to be aware of the interest of the study. The snowball sampling method was a challenge because of the lean teams that existed within the targeted participants' organisations, therefore, participants were not able to refer colleagues for further interviews or to answer certain sections of the interview guide which they had no or limited knowledge or recollection. Because of the lean team structures as well as the extent of centralising of the total logistics function in retail multinationals, snowballing was not used

across the board. Following the Covid 19 pandemic, many multinational retailers outsourced their logistics functions fully due to the complexity of global supply chains and the risk of uncertainty in the future. This has led to logistics, supply chain and procurement resources being retrenched in foreign markets as the full outsourcing of logistics solutions models pick up momentum. For the research study, this led to the inability to fully apply the snowballing sampling technique thus delaying the data collection process for the researcher as new participants had to be approached for interview requests through LinkedIn® and logistics professional bodies such as the chartered institute of logistics and transport: South Africa (CILTSA); with more than forty percent of the approached participants reviewing the interview guide and declining the interview stating that they did not have full knowledge regarding the study's interest. Semi structured interviews were conducted online over Zoom and not in a physical or face to face setup. The key benefits of using interviews is that it allowed for direct engagement with the participants which was effective for the acquisition of rich, detailed and in depth information and data thus making it allowable for only a few participants to be required (Schneiderman & Plaisant, 2009). The interview style followed the principles of a semi structured interview therefore an open interview style was adopted for this research study where the research questions guided the semi-structured engagement. The virtual interviews were effective as they were held on booked and pre-planned dates and times which were convenient for the participants and allowed for flexibility as some were held on weekends and after hours to meet participants' availability. Participants were able to conduct interviews at any location of their choice as the interviews were held virtually and this flexibility allowed for effective and insightful conversations between the researcher and the participants. The interviews were conducted on a one-on-one or individual basis in order to create a comfortable and safe space for the participant to encourage robust, open and transparent engagement. The interviews had an allowance for a duration of 60 minutes to avail enough time for the amount of information the participant would be willing to share. Although the interview guide provided the structure required for the interview, participants were allowed to narrate their knowledge and experiences as they recalled and experienced it within the context of the section of the interview guide being discussed. This meant that not all questions were asked in sequential order and some questions were not asked as the participants would have answered it as they were providing their narration of another question.



The data collection process led to data collected from interviews with the majority of the participants coming from multinational retailers that have internationalised into South Africa for longer than five years, therefore, most of the data came from 'the late stage' multinational retailers. Few participants were from 'the early stage' retail multinationals as the covid 19 pandemic led to the closure of many 'the early stage' retail multinationals in South Africa, seeing them transition to fully digital/online sales and closing thousands of stores and subsidiary offices (News24). Although there were fewer 'early stage' participants, the participants interviewed from the 'late stage' retail multinationals were all involved in the 'early stage' of their organisations' internationalisation journey and on average have over ten years of service with their organisation. These participants have also been involved with other expansions in their organisations, with more recent expansions being into other markets in the African continent such as Kenya and Ghana. This ensured that richer insights on the early and late stages of the internationalisation process were provided by the same participants. Secondary statistical data available to the public such as annual reports, company websites and news sources was used to learn more about the participants' organisations and their overall operations.

Not all the interviews were recorded or transcribed automatically as the Zoom platform used had challenges during many of the interviews. To ensure consistency and quality of the data participants were requested to repeat their answers in instances where the researcher did not capture all the points in time due to the participant's rate of answering or speaking. The researcher requested confirmation when an answer was provided in narration that referred to another question and not necessarily the question directed to the participant in that moment.

The interview process took place over a seven weeks period in order to accommodate the availability of the participants or interviewees as well as to solicit additional participants as the snowballing sampling method was not effective for the research study. How this collected data is kept is very important and confidentiality is focussed on how the participants' data is concealed and protected after it has been collected (Kennedy, 2008). At the beginning of all interviews, the participants were reassured of the anonymity and confidentiality of the process as well as the freedom and right that allows them to withdraw, at any stage, from the interview process if they wanted to. Letters of consent were sent by the researcher and received by all participants prior to the interviews, also reiterating the strict confidentiality conditions under which the interviews are held. In this research study, the data was uploaded to the GIBS research data repository for



secure storage without any identifiers. This data will be stored and protected by GIBS faculty for a period of at least ten years.

#### **4.9: Data analysis**

Braun and Clarke (2006) said that “thematic analysis is a powerful tool for identifying, analyzing and reporting trustworthy patterns within data in qualitative research”. Thematic analysis is a systematic approach to data analysis and is a commonly used method of analysis in qualitative research because it eliminates and seeks to ensure that biases do not creep into the analysis. It helps with understanding and getting higher order meaning in the gathered perceptions of interviewees and accentuates themes from the descriptive narratives provided. For this research study, Atlas.ti. Version 9.0 coding software programme ([www.atlasti.com](http://www.atlasti.com)) was used for thematic transcription after the collection of data. Atlas.ti. Version 9.0 coding software programme was provided by GIBS and used under the license of the University of Pretoria. The raw data was organised using Atlas.ti. Version 9.0 coding software program to allow for the connection and comparison of the thematic issues within and across all data. The thematic analysis outlined two definitive types of coding which are descriptive and analytical coding. Descriptive coding outlines the insights in the research study by coding and categorising the information thus creating attributes to clarify them. Analytical coding is the selection of the source content so as to explain and review what the data means in order to generate new ideas and categories (Creswell & Creswell, 2018). Thematic analysis was used to ensure that all transcripts were analysed and coded. A coding schedule was established with codes that are based on relevant literature (Bell, Harley & Bryman, 2022). Codes were further split into categories by research question and eight key themes ultimately being identified. To ensure structure and logic the data was analysed within-case analysis and cross-case analysis. This two-staged approach to data analysis led to a pattern-matching technique that was used to observe and detail connections and similarities between the case companies being studied (Yin, 2003).

#### **4.10: Data quality**

“For the findings of a study to be trustworthy, both reliability and validity need to be carefully considered” (Patton, 2014). Patton (2014) denotes that the relationship between reliability and validity is very intricate as validity is achieved as a result of reliability. Reliability questions and tackles the trustworthiness of the performed measurements so that if the research study was to be repeated again in a future date, the same result will be observed. In qualitative research,

reliability is a challenge to achieve therefore data quality checks to avoid biases, reviews by peers or colleagues and clearly defined constructs were used in enhancing the reliability of the research study (Bell, Harley & Bryman, 2022). A semi structured interview guide was used to collect empirical data in the research study (refer to appendix 4). Data quality was met as the answers from different participants from the same organisation were quality checked thus smoothing out the data quality checks (Patton, 2014). Because the snowballing sampling technique was not applied across the board for this research study, the researcher used a top down approach in terms of hierarchy level ensuring that where snowballing is not possible, the highest/most senior management level in the organisation is interviewed. This systematic approach guaranteed that the reliability was improved as repetition was easy and the probability of the same result being observed is higher (Haag, 2019). For the research study, the researcher used platforms such as Google Scholar and the GIBS info centre portal to download and attain scholarly and academic articles relating to the research topic. The ratings and rankings of the journal articles was checked using the Chartered Association of Business schools (CABS)'s academic journal guide 2021 so that high quality journals from acclaimed authors who are well recognised in the international business field were used and referenced.

#### **4.11: Ethical considerations**

As part of scheduling all interviews, the consent letter as well as the interview guide was emailed to the identified participants in advance and indicated to them that they needed to sign the consent letter confirming that they have not been coerced into the interview and are therefore participating out of their own free will and on a voluntary basis. Reassurance and disclosure was provided to all participants by the researcher reiterating that all information would be kept confidential and anonymous without any disclosure of actual participant names or company names. The researcher also notified all participants of their rights and freedom to withdraw at any stage from the interview process.

#### **4.12: Limitations of the study**

The methodology applied in the research study was subject to certain limitations as it focused on retail multinationals only and not on a broader industry inclusive study of all retailers. Therefore, when analysing the conclusions, readers should take care not to make the assumptions to be applicable to the larger retail market. It is also important to note that the research study utilised a comparative research approach which can only observe and apply, not

test theory, therefore very limited generalisations can be made (Bell, Harley & Bryman, 2022). Since this research study collected data at a set point in time, it was not possible to review and analyse the change and transformation of the construct over time therefore time was a limitation for this research study (Graue, 2015). To circumvent this, a non time bound study could have been employed to analyse the different internationalisation stages over a period of time. Broader generalisations should not be attempted for this research study due to the use of purposive sampling.

The methodology deployed as well as the design of the research study may have been impaired by the fact that the researcher is inexperienced in the field of academic research. Whilst the sample size of 10 interviews may be sufficient for the research study, future studies of a larger sample size across all retail multinationals in South Africa. The larger sample will allow for the validation and testing of similarities in the findings. The research study ended with data obtained in the majority, from 'late stage' retail multinationals therefore broadening the research context to include other developing countries outside of South Africa may provide additional insights from 'early stage' retail multinationals.

#### **4.13: Chapter conclusion**

The research methodology and design used to achieve the stated research aims (refer to 1.7) is outlined in this chapter using four verticals: method, instrumentation, analysis and limitations. In terms of the method, an interpretivist philosophy was adopted. The research setting was limited to South Africa. The sample size of 10 individuals was interviewed over a seven week process. A semi structured interview guide was developed for the collection of data and was guided by the literature review and research questions. Following the data collection and gathering, a process of analysis of the data was conducted. To conclude, we acknowledged ethical considerations and limitations when inferring conclusions from the data.

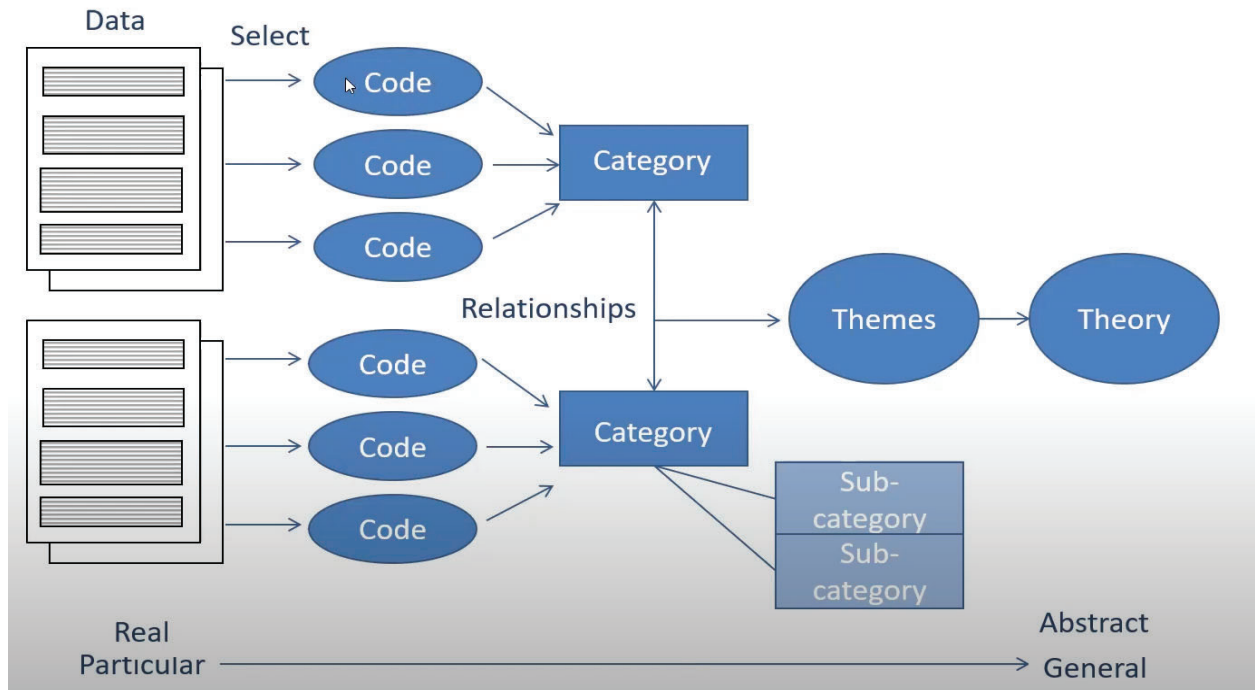
## **CHAPTER 5: FINDINGS**

### **5.1: Introduction**

Chapter four provided a comprehensive and systematic description of the research design and methodology used for this research study. The research study employed a qualitative research study approach encompassed within the interpretive paradigm which enabled for a case study style of research to be selected by the researcher. Purposive sampling method was chosen for the identification of the most suitable participants who can provide in-depth and rich details and narration of their experiences of the internationalisation process as well as outsourcing of logistics capabilities within their organisations. Semi-structured interviews were conducted to generate data. The interviews were held via virtual meetings using the Zoom platform, transcribed and then analysed.

Data analysis starts with close familiarity with the data by the researcher (Braun & Clark, 2006). This may aid with overcoming any preconceptions or bias by the researcher from prior analytical interests, hence the need for the researcher to absorb themselves closely to the data so as to fully understand the content. An inductive logic of analysis was used because the explanation and findings are built from the data, where the researcher moves from the data, to the codes, categories, themes and finally linking these to the theory that is outlined in Chapter two to answer the research questions discussed in chapter three. A thematic analysis approach was used where the initial codes are created in the first phase. The initial codes were key in assisting to distinguish the unique and relevant features of the raw data at the first stages of reading the data. Following this, the categories were then classified or grouped into themes. Categories relate to the grouping of the data with common ideas that were found to be distinctive to the phenomenon of the research study. The process of thematic analysis was a repetitive one and involved repeatedly analysing the interview transcripts to discern patterns and trends which aided in coding and building of categories and themes from the codebook. The codebook was developed from data analysis. Continuous and vigorous analysis and purification of each theme allowed for the themes to be named and tied back to the underlying research questions. Figure 6 below shows this data analysis process for qualitative research studies in graphical form.

**Figure6: The qualitative analysis process**



Source: Saldana (2015). *The Coding Manual for Qualitative Researchers*.

Figure 6 above outlines the qualitative data analysis process that was followed for this research study; however, the main steps in the qualitative data analysis process are detailed in table 5 below which denotes the nine steps that the researcher followed. The data analysis steps include preparing and organising the transcripts/data, reviewing and reading through the transcripts before coding, selecting the relevant data and defining quotations, coding or labelling the data, classifying or grouping the codes together that present similar patterns, identifying the relationships between the categories, presenting the findings and finally comparing the findings to the literature discussed in chapter two of this research study.

**Table6: Steps in the analysis process**

Step	Name	Explanation
Step 1	Preparation	Prepare and check the transcripts to ensure data is captured and transcribed correctly.
Step 2	Organising	Labelling each interview or transcript in a way that it is recognisable. Use acronyms to identify each interview.
Step 3	Review	Review and read through the transcripts before coding.
Step 4	Selection	Select the data that is directly relevant to answer the research questions, both in context and content. This is also referred to as defining quotations.
Step 5	Coding	Coding or labeling a piece of the data. The label is a meaningful summary of what is being said in the data. The code needs to accurately represent the data but remain abstract.
Step 6	Classification	Categorisation or grouping of the codes together that present similar patterns to create meaning out of the data.
Step 7	Relationships	Looking at how the categories relate to each other in order to determine the themes. Relationships are the associations or sequences that connect the categories to each other.
Step 8	Presentations	Presenting a detailed and rich description of what was found in the data. The description must relate directly to the quotations used to support the description.
Step 9	Discussion	Cross comparison of the findings to the literature.

Source: Cresswell, 2003

Chapter five communicates the data analysis process in line with the participants' responses in the interviews and subsequently the research questions. Results and findings of the data analysis process are assembled and provided in a format that follows the research questions and themes that were generated as part of the data analysis. The findings discussed in this Chapter as well as the interview guide used in data collection are structured to align with the research questions discussed in Chapter three. Table 6 provides an overview and code description for each participant together with the product or commodity that their organisation sells.

**Table7: Participant code list**

Code	Product/Commodity	Participant code name	Position in company
P1	Oil & Gas	Participant 1	Head of Finance Operations for Middle East, Africa and India
P2	Pharmaceuticals	Participant 2	Head of Supply Chain Management
P3	Cement	Participant 3	Category Manager- Africa
P4	Oil & Gas	Participant 4	Safety & Operations Lead- ESA
P5	FMCG (Fast Moving Consumer Goods)	Participant 5	Head of Procurement
P6	FMCG (Fast Moving Consumer Goods)	Participant 6	Head of Supply Chain Management
P7	FMCG (Fast Moving Consumer Goods)	Participant 7	Head of Procurement
P8	Beauty Products	Participant 8	Senior Supply Chain Specialist
P9	Tech	Participant 9	Category Manager- MEA
P10	FMCG (Fast Moving Consumer Goods)	Participant 10	Supply Chain Manager

Source: Author's own

## 5.2: Analysis of transcripts

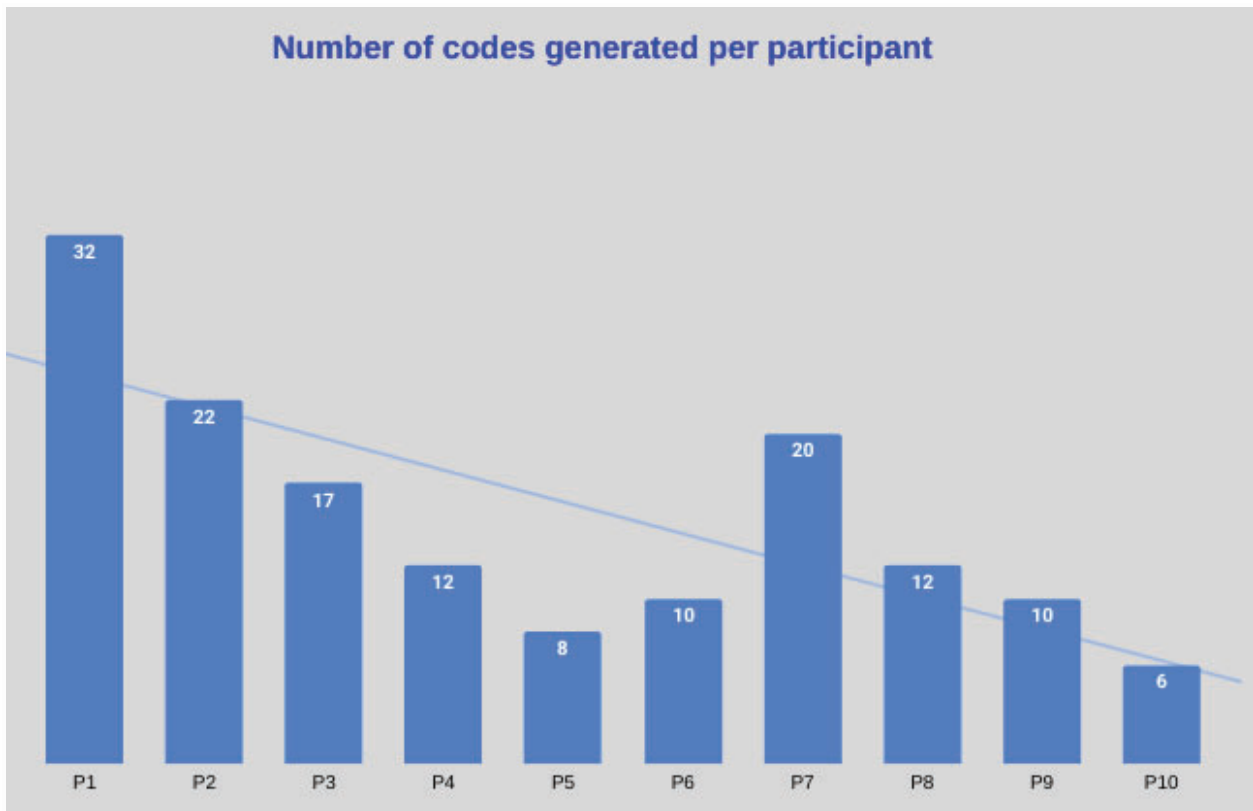
### 5.2.1: Word cruncher analysis

The interviews were all transcribed in accordance with the consent forms signed by the participants therefore, transcribed interviews did not contain confidential participant and company details. For effective data analysis, the transcripts were imported into Atlas.ti which is the GIBS approved software programme for qualitative data analysis. Atlas.ti was used to analyse the data and execute a thematic analysis. The commencing analysis of the data sets was done using the wordcruncher tool in Atlas.ti. Words that were not relevant to this research study were put on the stop list with the removal of all irrelevant nouns and verbs while retaining the integrity of the data. Figure 7 below shows the word cloud.









**Figure9: Data saturation test**

Atlas.ti was used to review the transcripts and multiple codes were generated from there. Further analysis was done where similar codes were combined to create a consolidated data set of new codes that are relevant for this research study and research questions. Data saturation is deemed to have been reached at the point when no additional new codes were generated, thus concluding the interviews as no new data would be generated by continuing with further interviews.

The data saturation analysis for this research study does not follow a straight line reduction from the initial to the final interview. This is because of the unique nature of each multinational retailer and the business landscape in which they operate. Thus, the data saturation analysis confirms trustworthiness of the results.

### **5.3: Research questions**

The main dataset of analysis for this research study is the data collected from the transcripts of the participants' interviews. The semi structured interview guide was designed in such a way that it followed a logical format that allowed for the research questions to be addressed. The interview guide was divided into three sections; internationalisation stages oriented questions which aimed to answer research question one, logistics operations oriented questions which aimed to answer research question two and three; and the last section included questions about the selection of logistics providers or suppliers in the context of retail internationalisation in multinational retailers in South Africa which aimed to answer research questions four and five.

Each research question is tabulated below to present how the data was structured and then analysed to generate the codes, categories and themes that emerged and were placed against each of the five research questions of this research study. Each theme and category's findings are presented and then substantiated with discussions on the findings from the data. Participants provided their responses in varying manner however the majority provided a brief background of their company and their own background and experience in order to provide context.

#### 5.3.1: Research question 1: What are the different stages of the internationalisation process of multinational retailers in South Africa?

This research question explores the different stages of the internationalisation process of multinational retailers in South Africa. The participants' responses revealed two themes that are presented and discussed below. These key themes on the different stages of the internationalisation process are explained in Table 7 below:

**Table8: Codes and categories: themes 1 to 2 for research question 1.**

Research Question1	Codes	Categories	Themes
What are the <b>different stages</b> of the internationalisation process	-Growth potential -GDP Growth -Profitability -Customer Base -Competitors -Lower Overheads and costs	Foreign market dynamics	<b>Theme 1:</b>  Understanding and knowledge of the foreign market preferences and needs
	-knowing the culture -understanding norms and customs -knowing customer behaviour -aligning values	Customer needs	
	-Law, Rules and Regulations -Compliance -Sanctions	Non- tariff barriers	<b>Theme 2:</b>  Commitment to the foreign market
	-The need to setup Processes -IT Infrastructure -Finance and banking Processes -Recruitment of staff -Communication	Systems and procedures	
	-Head Office sign off -Project Team setup -Cross Functional Project Members appointment -Leadership sponsorship -Stakeholder Management	Company or organisational support systems	

5.3.1.1: Theme 1- Understanding and knowledge of the foreign market preferences and needs.

Knowledge and understanding of the foreign market was identified by most participants as a common theme relating to a successful internationalisation process. This theme denotes that knowledge and understanding the preferences and needs of the foreign market is a key characteristic of the internationalisation stages experienced by multinational retailers. The overall response from participants indicates that when their organisations have increased or higher levels of knowledge and understanding of the foreign market preferences and needs,

they tend to transition into the construction phase and invest in owned subsidiaries and physical operating structures. However, when the knowledge and understanding is low or limited, they tend to reject the investment in owned subsidiaries and physical operating structures. Therefore knowledge and understanding of the foreign market preferences and needs is a prerequisite for transitioning to late stages of the internationalisation process, while its absence, is a character of the early stages of the internationalisation process.

This theme has two key categories; foreign market dynamics and customer needs. Foreign market dynamics includes the macro economic factors and characteristics of the foreign market that impacts prices and the behaviors of producers and customers. Foreign market dynamics may include typical macroeconomic elements such as; the growth potential of the market , GDP growth of the market, the size of the customer base in the market, the competitors that participate in the market as well as the cost of overheads in the market. Furthermore, foreign market dynamics can include things such as the government structures and political landscape, the social forces in the market and the demographic outlay of the market.

Other aspects such as culture, understanding the norms and customs in the market as well as knowing and dealing with customer behaviours and aligning values are part of the second category of this theme and are labelled customer needs.

### **Foreign market dynamics**

Participant P1 expressed some of the key market dynamics that their organisation highlights as prerequisites in their internationalisation blueprint. This blueprint is a documented strategic plan that details the requirements for their organisation's internationalisation and establishment in a foreign country. Participant P1's organisation is of French origin and operates in the retail sector under the commodity category of oil and gas. The organisation has been in existence for more than 50 years, operating in more than 20 countries worldwide. In South Africa, the organisation has been in operation for more than 10 years. Participant P1 highlighted that understanding and knowledge of foreign market dynamics is a key input into the planning phase of their establishment process in determining the decision on the entry method or initial set up in the foreign market. Understanding and knowledge of foreign market dynamics is also highlighted in their organisation's blueprint under past learning and successes from successful establishment.

*“There is previous learning from internationalisation ventures. Learnings such as knowing the GDP growth, customer base, competitors, culture etc are big factors in ensuring success”*

Interestingly, participant P1 shared that understanding and knowledge of foreign market dynamics is so important that their organisation recommends external support in the form of consultants, to be solicited during the planning phase of the internationalisation strategy in order to get specialised expertise and knowledge of the market.

*“The involvement is at planning stages mainly to provide knowledge of the market and specialised expertise in ensuring the Go Live is successful”*

Similarly, in the case of participant P8 who operates in the beauty products category, the participant explains that their organisation has an established internationalisation playbook as well as internal market analysts employed around the world to conduct market analysis and research for all expansions. The participant shared that based on the market analysis the organisation will make a decision regarding the rollout plan and the entry model and setup for the organisation in that foreign market. Where the market analysts' report indicates poor or limited knowledge of the market dynamics, the organisation uses the severity of the lack of knowledge to determine the entry strategy into the particular market. Meaning that poor knowledge and understanding leads to an online retail structure where no physical distribution center, warehouse, store or office is set up in the foreign market. This was evident in the organisation's recent expansion into Kenya which was supported fully out of South Africa and products were delivered to retail centers and shops from the South Africa distribution and warehouse network. Participant P8 observed that the expansion into South Africa followed a different entry strategy as stipulated in the “South Africa expansion playbook”. The entry model and strategy for the South Africa expansion was that of setting up a hub/regional office, distribution centers and warehouses followed by the construction of a production plant and laboratory 2 years after the initial entry date. Participant P8 concludes that the market analysts' report that is embedded in the “South Africa expansion playbook ” supported this entry strategy as it indicated extensive knowledge of market dynamics and fertile growth opportunities.

*“There is a playbook that is documented from all the previous learnings and expansions and details the phases and specific market dynamics and trends”*

*“The market analysts play a key role as their market analysis is critical for the rollout plan.”*

### **Customer needs**

Participant P3 highlighted his experience working in a cement and lime stone organisation that is South African born but has been expanding intensively into the rest of the African continent and Europe. The participant indicated that knowing, understanding and adapting to the culture, customs and norms as well as customer behaviours in the foreign market is a critical ingredient to successful internationalisation. This is because the organisation will have an understanding of the local market and customer profile as well as the relevance of the product in the market.

*“Understanding the local market and customer profile as well as the relevance of the product” is an important prerequisite to enable the establishment process.*

As a senior employee in his organisation, participant P3 was heavily involved in the organisation’s expansion into Ghana which was the first west African country the organisation had expanded into. The participant explains that they had no prior knowledge of the cultural dynamics in Ghana as they were born in South Africa and have always worked only in South Africa, Zimbabwe, Botswana and Kenya prior to that. To be successful in expanding into Ghana, participant P3 reminisced that they had to conduct site visits to Ghana ahead of the expansion decision in order to watch, observe and learn how others are coping in the market and dealing with the business environment. Some of these learnings were taken back and documented in the expansion business case in order to inform the decision making process regarding the entry mode and strategy. Because customer behaviour, culture, customs and norms as well as alignment of values is very difficult to measure, it was important for the participant’s organisation to conduct a site visit in order to understand these elements more deeply so that they can learn how things work and what's the best way to move in the environment and expand there successfully.

*“Macroeconomic research looking at the GDP, growth, customer base, profitability of the market, doing SWOT, Porters, competitor intelligence was helpful however, to understand the norms and practices as well as the customer needs, it was important for*

*us to go there and experience the business environment so we can make an informed decision on how to set ourselves up in the country”*

On a similar note, Participant P4 disclosed that although his organisation has a clear template on the establishment process, the needs of the customers was a critical determining factor on how the organisation will enter and set up in the new country/market.

*“The template was there and was the same however the approach was different based on the needs of the customer base to be serviced whether mining, manufacturing, industrial or high street etc”*

Where customer needs are unknown and the organisation cannot link the product relevance to the customer’s needs, an extension entry model is most often preferred as related by most participants in this research study. This means that when their organisations are unsure of the needs and behaviours of the customer base in the foreign market, they tend to adopt a entry model where that country becomes an extension of another and therefore they do not setup structures and physical operations in that country and rely on a neighbouring, existing country to service the new country remotely. The opposite is also observed by most participants when the understanding of customer needs is higher. In the case of Participant P3’s organisation, the pre-decision site visit to the new foreign country (Ghana) solidified the decision to set up a warehouse and distribution center as well as a head office in Ghana in 2017.

#### 5.3.1.2: Theme 2- Commitment to the foreign market

Another interesting dynamic on the stages of the internationalisation process is the commitment of the internationalising organisation to the foreign market. Most participants in this research study unanimously agreed that their organisations’ commitment to the foreign market in the form of leadership support, allocation of resources to the expansion plan, allocated project teams, setting up of processes, compliance and legal requirements etc; is directly related and influences the setup strategy and thus, the internationalisation stages that they experience when internationalising. The overall response from participants indicates that when their organisations have increased or higher levels of commitment to the foreign market by investing resources in overcoming non-tariff barriers and hurdles, setting up systems and processes as

well as providing leadership support and sponsorship from head office level, seconding subject matter experts and external consultants etc, the organisation tends to set up owned subsidiaries and physical operating structures. However, when the commitment to the foreign market is low, restricted or limited, they tend to reject investment and thus not set up owned subsidiaries and physical operating structures. Therefore high commitment to the foreign market by the internationalising organisation is a prerequisite for transitioning to late stages of the internationalisation process, while its absence is a character of the early stages of the internationalisation process.

This theme of organisational commitment can be broken down into three categories; non-tariff barriers, systems and processes; and organisational support systems. Non-tariff barriers such as the foreign market's rules and regulations, compliance processes and procedures as well as sanctions etc influence the state of commitment from the internationalising organisation to the foreign market. When non tariff barriers are high and difficult to navigate or overcome, the internationalising organisation may lose confidence and reduce their commitment to the foreign market. Other non-tariff barriers such as poor state or lack of adequate infrastructure, inefficiencies and lack of accountability in government organisations, stifling labour issues, lack of suitable skills and high levels of crime and corruption may make it difficult for multinational retailers to get product certification, work permits, forex payments, receipts and repatriation etc, thus leading to reduced commitment in order to avoid these hurdles. The foreign market's business environment and infrastructure is also an important factor for commitment because it determines the amount of effort required to set up systems and processes to allow the internationalising organisation to easily and efficiently set up operations and start trading effectively. If there is a heavy requirement and reliance on the internationalising organisation to setup systems and procedures in the foreign market, this may hinder commitment. Most participants have indicated that needing to set up IT infrastructure, effective finance processes, effective communication channels and recruitment of staff from scratch will require extensive financial and time commitment from the internationalising organisation therefore hindering the speed of setup and making the foreign market less attractive for owned subsidiaries and physical operating structures. Leadership sponsorship and organisational support systems in the form of availing resources both financial and human capital influence the internationalising organisation's commitment to the foreign market because a lack of organisational support systems will prohibit the success of the internationalisation stages and process.



## **Non-tariff barriers**

Participant P6 expressed that non-tariff barriers have a significant impact on their organisation's commitment levels in a foreign market. Because their growth strategy is through acquisitions, non-tariff barriers play a huge role in determining the anticipated process and success of the identified acquisition.

*“There is and it's something that detailed the acquisition strategy to ensure that there is quick alignment with local legislation and regulations. Acquisition ensured that the culture and norms are aligned”*

When the non-tariff barriers are significant and cumbersome to overcome, the organisation commits less and makes the strategic decision to stay out of the foreign market and thus not internationalise there. In these instances, the organisation will resort to signing up accredited retailers or franchises who operate locally to sell and distribute their products. Therefore, from participant P6's contribution and response, non-tariff barriers determine whether their organisation adopts an acquisition strategy for internationalising; or internationalise through a franchising strategy.

*“The decision points in the establishment process take place at due diligence phase where decisions on compliance with country regulations, understanding practices and norms, business ethos are reviewed and finalised”*

Participant P2 also concurred with participant P6's response and highlighted that their organisation made the strategic decision to stay out of certain foreign markets due to the cumbersome and complications relating to non-tariff barriers. Even though they operate in a regulated industry of pharmaceuticals and have over 20 years of experience, they still experienced challenges in understanding the new market regulatory processes and procedures. The participants further discussed their challenges when dealing with the foreign market's government authorities in their sector.

## **Systems and Procedures**

The infrastructure available in the foreign market is an important success element of the internationalisation process. In foreign markets where there is low to minimal need to setup processes, IT infrastructure is available and reliable, there is strong finance and banking processes, recruitment of staff and labour laws are friendly to multinational organisations and communication means and infrastructure is secure and sufficient; commitment from internationalising organisations increases. This is because setting up systems and procedures from scratch requires extensive effort, investment and resources therefore, the readiness of systems and processes in a foreign market is directly related to the commitment levels. Participant P9 is the category manager at their organisation which operates in the tech sector and summarises their experience.

*“When we first entered South Africa we found that the ITC infrastructure was not ready for our products and the labour laws posed a huge challenge for us. This led to us not setting up a physical office and warehouse right in the beginning and rather exporting our products through agents”*

## **Organisational support systems**

Participant P1 sums up the importance and need for organisational support systems through leadership sponsorship by talking about how having the support of the organisation’s leadership in committing resources to the expansion strategy and plan is critical. In their organisation, when the expansion blueprint is supported by head quarters and subject matter experts, project teams and resources such as external consultants etc are provided, the commitment to the foreign market tends to increase resulting in decisions on the entry strategy normally supporting the setup of a wholly owned subsidiary and physical operating structures such as offices, warehouses, distribution centers, manufacturing plants etc.

*“Sponsorship from the senior levels is required and need their buy in because there maybe a lot of blockers and hurdles that maybe encountered therefore its important that leadership has brought in to ensure availability of resources and decision making becomes easier”*

Allocation of subject matter experts and setting up a project team is also detailed by participant P1 as a vital source of organisational support that is required for the success of the internationalisation process. These subject matter experts and project team members ensure that full due diligence is done and visibility of the progress on the establishment process is available to the senior management and leadership team; thus further increasing the internationalising organisation's commitment to the foreign market and ensuring that the internationalisation process is a success.

*“The role of the project team members is to build proper processes that work and are adapted for any unique requirements of that location or country such payment processes, logistics setups, invoicing, deliveries, purchase order. IT making sure there is proper infrastructure to support the operation. Commercial team need to ensure that the customer base exists and are setup to engage and reach customers so that a standardised quality of service can be given and guaranteed”*

Similarly, participant P4 talks of their organisation's approach to new markets and states that the importance of organisational support systems allows for easy decision making and allocation of resources such as the recruitment and selection of the country leadership for the new foreign market ensuring successful setup of operations in the foreign market. The selection of the country leadership team in the beginning and through the planning phase ensures that they are part of the establishment process. This can only be achieved through increased organisational support systems and thus increasing commitment to the foreign market.

*“The selection of the country leadership was critical and agreed in the beginning so that they are part of the establishment process”*

Participant P2 further concurred with participant P4 by agreeing that the recruitment of country leadership is critical to the success of the establishment process and boosts commitment to the foreign market.

“The hiring of key staff is important. So, normally, our structure in each country, you've got a country director and then you've got a director of finance. So we normally start with those two roles because those are the two most senior roles. And then obviously the third role becomes

the project director of that particular country. Once we satisfy this, these roles then help us facilitate activities in that particular country such as; help us register in that country, help us recruit more staff, set up an office”

#### 5.3.1.3: Conclusion of findings of research question 1

The findings presented by the analysis of the data captured have been grouped into two major themes which focuses on understanding and knowledge of the foreign market preferences and needs and then also delves into elements relating to the commitment to the foreign market. Most participants affirm the importance of understanding the foreign market by knowing the market dynamics as well as understanding the customer needs and preferences. The data analysis revealed that extensive knowledge and understanding of the foreign market is a prerequisite for transitioning to late stages of the internationalisation process, while its absence is a character of the early stages of the internationalisation process. Participants discussed how non-tariff barriers, systems and procedures as well as organisational support systems are influencing factors of the commitment to the foreign market. From the data analysis, high commitment is driven by three categories: 1. the organisation’s ability to navigate the non-tariff barriers in the foreign market, 2. the foreign market’s business systems and processes and the effort required from the organisation to set these up, and 3. the organisational support systems that are in place to support the internationalisation process. High commitment to the foreign market by the internationalising organisation is a prerequisite for transitioning to late stages of the internationalisation process, while its absence is a character of the early stages of the internationalisation process.

#### 5.3.2: Research question 2: What are the drivers and barriers that influence the decisions to use local or offshore/global logistics providers for multinational retailers in South Africa?

This second research question intends to derive what influences multinational retailers in South Africa to use local or global logistics service providers (herein referred to as third party logistics providers/3PLs. The participants’ responses revealed two themes that are presented and discussed below. The key themes on the drivers and barriers that influence the decisions to use local or offshore/global logistics providers (3PL) are explained in Table 8 below:

**Table9: Author’s own compilation of codes and categories for themes 3 to 4 for research question 2 from data analysis.**

Research Question2	Codes	Categories	Themes
What are the drivers and barriers that influence the <b><u>decisions to use local or offshore/global logistics providers</u></b> for multinational retailers in South Africa?	-Inadequate skills -Inadequate knowledge -Capacity Constraints -High capital requirement -Costs	Internal resources	<b>Theme 3:</b> Internal skills and capacity
	-Economies of scale -Expertise -Systems -Product knowledge -Recruitment of staff -Understanding local laws, by laws and regulations around logistics -Safety of drivers	Supply side resources	<b>Theme 4:</b> Leveraging the supply network
	-Efficient delivery to customers -Accurate and efficient stock keeping and administration -Differentiator -Asset management	Logistics efficiencies	

#### 5.3.2.1: Theme 3- Internal skills and capacity

Inadequate or lack of internal skills and capacity was identified by most participants in this research study as a common theme and influence on the decisions to use 3PLs (both local and global logistics providers). This theme denotes that multinational retailers’ decision to outsource or use 3PLs is heavily influenced by the multinational retailer’s lack of internal skills and capacity. When internal skills and capacity are inadequate, the probability to outsource to 3PLs is higher. One category has been identified for this theme and is labelled, internal resources. Below we explore further the category based on participants’s experiences, explanations and feedback.

#### **Internal resources**

Participant 3 states that their organisation’s motivation or drive to use 3PLs is their organisation’s lack of knowledge and skills as well as capacity constraints due to costs. This

fundamentally leads to the outsourcing of all logistics in their organisation when internationalising into a foreign market.

*“Cost, lack of knowledge, skills and capacity in house, especially in the start is the main the motivation for using external parties”*

Participant P2 also recognises the lack of internal resources such as the high capital investment that will be required from their organisation is too high to justify keeping all logistics activities in house. Because participant P2's organisation is in the pharmaceuticals category, the cost of investing in cold chain logistics for the safekeeping and transportation of drugs and vaccines is too high, therefore, their organisation adopts a hybrid model that uses 3PLs for the transportation and haulage in foreign markets while they internally manage the warehousing, distribution, freight forwarding, customs clearance etc.

*“We are constantly moving large containers. We move a lot of drugs and specialised vaccines which you can't just put in a suitcase, or ask anyone to ship them. They need to move in a cold chain so you need a logistics partner that understands our type of products”*

Participant P2 further explains that due to their centralised procurement and supply chain function, there is inadequate internal procurement and logistics skills globally. Since there is not enough skills and no specialised procurement and logistics teams in foreign markets, this lack of internal knowledge is a big driver for the decision to outsource some logistics activities to external logistics providers.

*“We operate in over 36 countries and there's a lot of buying therefore we've got centralized purchasing for certain key aspects and this team is only in 5 of the 36 countries that we operate in”*

The participants also commonly denoted that internal resources are both a driver and barrier that influences the decisions to use 3PLs because where internal resources are lacking, it drives the decision to use 3PLs. However, when internal resources are adequate and sufficient, the decision is to retail logistics inhouse and not use external logistics providers.

### 5.3.2.2: Theme 4- Leveraging the supply network

Due to limited internal logistics resources and capacity constraints, leveraging the supply network and supplier support is highlighted by many of the participants in this research study as a key driver of the decision by multinational retailers to use 3PLs. It is also noted as a source of differentiation and competitive advantage. Leveraging the supply network is done by exploiting the supplier's resources and deriving the benefits of logistics in order to compensate for limited internal resources. Thus this theme is grouped into two categories, which are, supply side resources and logistics benefits.

#### **Supply side resources**

Participant P9 shares how their organisation leveraged their supply network through partnering with 3PLs in order to take advantage of their expertise, skills, knowledge and systems. Participant P9's organisation operates in the Fast Moving Consumer Goods (FMCG) space and in their space or commodity market, using 3PLs is usually one of the easiest decisions as it offers the lowest barriers to entry considering the constraints of limited resources (financial, personnel, knowledge and skills). The benefits of this decision is in identifying a suitable 3PL who has relevant expertise, understands the regulatory environment in the foreign market and can drive economies of scale. The 3PLs bring capacity and local knowledge to the partnership therefore selection of the correct 3PL is also critical to the success of the multinational retailer in the foreign market. Not only do 3PLs provide local knowledge, they may also provide the multinational retailer with relevant networks.

Participant P3's organisation also operates in the FMCG space and confirms their organisation's experience in leveraging the supply network and indicates that the emergence and spike in growth of distribution centers in many countries, is attributed to many organisations seeking to leverage their supply networks and outsource logistics functions to 3PLs. Due to the complexity and competitiveness of the FMCG market, participant P3's organisation made a strategic decision to outsource all their logistics activities to 3PLs in all markets as they look to take advantage of reduced costs and economies of scale on the back of their large volumes. Their organisation also used the 3PLs' logistics management tools and systems which allowed for transparency and closer management of the logistics activities even though they are outsourced. Being able to use the resources of the 3PL ensured transparency, reduced costs

and visibility of the service to the customer. This was a key driver of the decision to use 3PLs as explained by participant P3.

*“The supplier’s tool was used to monitor the efficiency of the trucks, time taken when at despatch therefore can identify delays. Safety and security of the driver and the vehicle”*

Participant P1 also concurred with the majority of the participants in that, the resources of the supplier is a huge motivation on the decision to use or outsource to 3PLs.

*“Economies of scale and focus and expertise that the 3rd party has is the motivation for using external parties”*

Interesting insights from participant P7’s experience disagreed with the other participants with regards to supply side resources being a major driver of their organisation's decision to use 3PLs. Participant P7 highlighted that in their organisation, which also operates in the FMC space, they made a strategic decision not to outsource or use 3PLs due to the lack of cost transparency as 3PLs keep their cost model a closed book. This is considered a big risk for their organisation as logistics accounts for on average 40% - 50% of their costs. Therefore to have no clear visibility and control of these costs was a risk for their organisation.

*“Cost models in logistics are a closed book. Our company is one of the big three FMCG companies in South Africa and accounts for 70% of volumes for FMCG in the country. Key risks where transparency of the costs, cost drivers to understand the costs so that we are not just cost takers”*

Participant P7 further highlighted that their organisation also made the strategic decision not to use 3PLs because they did not want to transfer all their knowledge to the 3PL as they will lose their competitive edge over their rivals.

*“On the ambient side, the company realised that when we outsource the logistics operations then we will be outsourcing our brains and became takers of costs instead of logistics driving value and being a competitive advantage”*



When the supply side resources benefit the organisation then it drives the decision to use 3PLs however, where the supply side resources are considered not adequate and pose a risk to the organisation it hinders the decision to use 3PLs.

### **Logistics efficiencies**

Participant P1 is the head of finance operations for Middle East, Africa and India at their organisation and has been very involved in the organisation's internationalisation and expansion program for more than 6 years. The participant has expressed the importance of logistics efficiencies and ensuring that these are leveraged when internationalising into a foreign market. Participant P1 stressed the need and critical role logistics plays in setting up in a new foreign market. Therefore, taking advantage of logistics efficiencies from the onset is important for the success of the internationalisation process.

*“Logistics plays a big role as the efficient delivery, accurate and efficient stock keeping and administration relies heavily on logistics. Documentation and records management are very important for compliance, regulations and billing”*

Participant P4 noted that logistics efficiency plays a critical role to their organisation's internationalisation strategy as it outlays the route to market and effectively lays the roadmap on how their organisation's products will reach their customer. The participant highlighted that without the efficient management of logistics operations, you cannot sell your product in the foreign market. Therefore ensuring logistics efficiencies both internally and externally from 3PLs is a requirement for successful internationalisation.

*“The logistics plan was critical as it had to put together the route to market strategy and ensure that the distributors and transporters are in place and vetted”*

Participant P7 introduced the concept of logistics efficiencies driving value and being a competitive advantage. In their FMCG organisation, logistics efficiencies ensure that they have a reliable, effective and flexible supply chain to be able to deliver products on time, at the right quality and standard as expected by their customers and thus giving them a competitive edge over their competitors who do not invest in their logistics efficiencies.

*“In the early 80s most FMCG companies had their own logistics departments. In the early 90s most outsourced their logistics divisions to 3PLs as they saw it as a non core function. The FMCG companies that started working closely and investing heavily in chilled distribution companies to build efficient logistics operations with their outsourced suppliers started to see logistics driving value and being a competitive advantage”*

Participant P3 also agreed and indicated that:

*“Definitely, logistics is a big determinate on how materials will get to the customer in the new market and how best to optimize it is critical especially in Africa and is a big differentiator for success of the establishment. If you can't have logistics you can't sell and if you don't have efficient logistics it will fail as its a big cost contributor”*

When asked what role logistics plays in the internationalisation process, the majority of the participants indicated that logistics plays a critical role in their organisations' internationalisation process.

*Participant P4: “Logistics played a critical part”*

*Participant P1: “It plays a big role”*

*Participant P2: “Really important role in our business”*

*Participant P6: “Logistics is critical to our expansion and growth strategy”*

#### 5.3.2.3: Conclusion of findings of research question 2

The decisions to use external logistics providers (both local and global providers) in the internationalisation process of retail multinationals in South Africa is commonly driven by the lack of internal skills and capacity within the multinational retailer's organisation and the ability to leverage the supply network in order to gain logistics efficiencies that lead to value and competitive advantage. Majority of the participants in this research study shared that lack of skills, lean and centralised teams and high cost of investment in setting up logistics operations in a foreign market, are the main drivers and motivation for outsourcing or using 3PLs. When coupled with their organisations' ability to exploit the supplier or 3PLs' resources and drive logistics efficiencies, deciding on the use of 3PLs is imminent. Only where the organisation has

strong internal resources which outway the 3PLs' resources and logistics efficiencies cannot be achieved will the internationalising organisation retain logistics operations inhouse and not use 3PLs. Most participants also validated the importance of logistics in the internationalisation process and its ability to drive value and competitive advantage as it ensures the route to market strategy is effective and results in customer satisfaction. Thus, using 3PLs because of the lack of internal resources and the benefit of leveraging the supply network is crucial in enabling organisations to get products to customers in the most efficient way; and in turn attain increased customer satisfaction and competitive advantage.

5.3.3: Research question 3: What are the drivers and barriers for use of local logistics providers, particularly SMMEs, in each stage of the internationalisation process of multinational retailers in South Africa?

This research question aims at identifying when multinational retailers outsource or use 3PLs, what are the drivers and barriers for using logistics providers (3PLs) that are South African SMMEs. The participants' responses revealed two themes that are presented and discussed below. The key theme on the drivers and barriers for using 3PLs that are South Africa SMMEs is explained in Table 9 below:

**Table10: Author’s own compilation of codes and categories for theme 5 to 6 for research question 3 from data analysis.**

Research Question3	Codes	Categories	Themes
What are the drivers and barriers for <b>use of local logistics providers, particularly SMMEs</b> , in each stage of the internationalisation process of multinational retailers in South Africa?	-Price -Capacity -Quality -Compliance -Safety -Environmental requirement -Systems -References/ track record -Size of fleet and assets -After sales support -Contracts with OEMs	Selection criteria	<b>Theme 5:</b> Logistics provider selection process
	-Partner with a local company -Local agent -Understanding of local laws, by laws, conditions and regulations	Local provider benefits	<b>Theme 6:</b> Partnering with a local provider
	-Knowing customer behaviour -Knowing the market -Distribution and transport partner in country	Local knowledge	
	-Localisation regulations such as BBBEE -Procurement processes and procedures	Local regulations	
	-Local partner experience -Local partner character -Trust -Values -Internal controls and governance -Financial muscle	Local provider characteristics	

#### 5.3.3.1: Theme 5- Logistics provider selection process

Majority of the participants in this research study confirmed that in their organisations, the selection process of logistics providers (both local and global) follows a clear and documented procurement or tendering/competitive bidding process that is applied across their business. The selection criteria used to select the logistics providers seems to be consistent across the sampled organisations as per the findings and responses from the participants in this study. Not only is it consistent, it is also confirmed by most participants as an influential factor in the decision to outsource or use 3PLs. When the selection criteria is met by potential 3PLs then the multinational retailer tends to have a higher recommendation for the outsourcing of the logistics activities to 3PLs. The opposite is also evident when the selection criteria is not met.

Many of the participants also highlighted that the selection process is conducted by a group of individuals within their organisation that represent different departments such as procurement, finance, operations, technical, safety and compliance etc. This use of a cross functional team during the selection process assists in solidifying the validity and transparency of the selection process thus allowing the organisation to have confidence in using the outcome and recommendations of the selection process.

#### **Selection criteria**

The selection criteria used by most of the organisations sampled in this research study includes; price, capacity to deliver and size of fleet and assets, quality of service, compliance to local regulations and legislations as well as the multinational retailer's compliance requirements, safety code of conduct as well as safety of staff and vehicles or assets, meeting the multinational retailer's environmental requirements, robust management systems and reporting, strong references and proven track record, after sales support and existing contracts with OEMs.

Participant P3 explains the selection criteria:

*“Normal procurement process is followed where price, compliance, capacity, capability, size of fleet, after sales support, references, contracts with OEMs is the selection criteria”*

Participant P2 describes the selection process and criteria for their organisation:

*“There is a process of selecting vendors and it's all determined in the organisation. We actually run a RFP or you call it a tender process. First of all the supply chain team and the operations team draft the specifications of exactly what we want. So we then specify what we want from the logistics partner, we want them to; have a warehouse management system where they can track goods so in any given time we need them to provide a report etc, so they need to have a robust warehouse management system, we need them to have financial scale, we look at good pricing and quality of service that they offer. We also look at their scale, capabilities and then in certain cases, we all look for recommendations”*

Participant P1 highlights that the selection criteria is determined in their organisation’s blueprint and follows the procurement process which once concluded, will determine whether the use of 3PLs is recommended or not, therefore the selection criteria and selection process is a big influence on the decision to use 3PLs.

*“Yes there is and it is a generic document that is in the global blue book / rule book. The compliance burden that has to be adhered to and the procurement process is followed and the criteria involves safety, cost and quality to name a few”*

Participant P6 also concurred:

*“Yes, there is a clear criteria which deals with all the requirements and a clear process is in place. Capacity, environmental elements, services of fleet, driver safety, security, availability and after sales support are key criteria”*

#### 5.3.3.2: Theme 6- Partnering with a local provider

The benefits of identifying a suitable local partner who has relevant expertise, understands the regulatory environment in the country and has other relevant local knowledge and networks is of strategic importance to multinational retailers as evident from the data gathered in this research study. The drivers and barriers of using logistics providers or 3PLs have been captured above

where participants highlighted the benefits of outsourcing to 3PLs. In this theme we look to understand that once the internationalising organisation has made the decision to use 3PLs, what are the drivers or barriers that determine whether the selected 3PL will be a South Africa SMME or not?

The data analysis has highlighted local knowledge, local regulations and the SMME or local partner benefits and characteristics as key categories for exploring the theme of partnering with a local provider. Local knowledge relates to the SMME's knowledge of the local landscape and market, knowledge of customer behaviour and their relevant networks with distribution and transport partners in the country. Local regulations regarding localisation that drive for multinational organisations to partner with local providers is a key driver. In South Africa in particular, the Broad Based Black Economic Empowerment (BBBEE) legislation drives for multinational organisations to partner with and develop local SMMEs and include them in their procurement and supply chain activities.

Other participants in this research study highlighted the SMME's characteristics as a key driver of partnership where the SMME's experience in the market and product industry is important as well as; the SMME's owner or leadership team characteristics, the SMME's financial muscle or strength of their balance sheet and the level of trust and alignment of company values is important in driving partnership. The benefits that the internationalising organisation can enjoy from the local partner are also denoted as important in driving partnership. The 4 groupings or categories for this theme are explored further below.

### **Local provider benefits**

The multinational retailer brings capacity and scale while the local provider brings local knowledge to the partnership. Selection of the correct local partner is critical to the success of the multinational retailer in the local market. Not only do they benefit from the SMME's local knowledge, they also provide the multinational retailer with the relevant networks such as local distributors and transporters in the country. These networks extend into the supply value chain, as well as in both public and private sectors. Participant P10 explains,

*“A lot of African countries require a local partner and it has a large influence. The right local partner can open up doors and the wrong one, closes them”*

The benefit of a local SMME is their understanding of local laws, by laws, conditions and regulations. Participant P6 explains that in the retail sector there is a heavy reliance on distributors and transporters therefore, SMMEs who understand local laws, bylaws and regulations around licensing, training and recruitment of staff etc pose a huge benefit to multinational retailers, particularly in the beginning of the entry into a foreign market.

*“The motivation for us is because local partners have a better knowledge of drivers recruitment, regulations around transportation and rules of the road and bylaws than we do, especially in the beginning stages”*

Participant P4 concurs and states that their organisation’s distribution model is dependent on local partners to ensure their products are picked up to the end customers until their organisation has set up their distribution channel in the foreign market.

*“The initial distributor model is used where distributors are set up in the foreign market and also acted as transporters in the country. Warehouses are setup for storage of imported products from the coast to the warehouse and then picked up to the end customer”*

Although majority of the participants have stated that the benefits of a local provider or SMME is more relevant in the early or beginning stages of their organisations’ internationalisation into the foreign market, Participant P7 introduces a alternative view that highlights that localisation or partnership with local providers or SMMEs is not only beneficial in the early stages but will be a key and strategic decision throughout the internationalisation stage and process.

*“Post covid we will get more and more localisation and use of local providers as there are many many drivers that are driving costs ie: covid, ukraine war, fuel prices, climate change etc. Consumption grows at about 1% so the major driver of profitability and turnover growth is purely inflation and globalisation, procurement and logistics will be put upside down. In the future multi-nationals will be sourcing from and be heavily reliant on local providers to ensure we can continue to manufacture and get products to customers”*



Therefore, when the internationalising organisation can derive benefit from the local provider or SMME, the motivation and drive for using local logistics providers that are SMMEs is increased.

### **Local knowledge**

A local provider or SMME that understands the local regulations, understands the local business, understands the country, politics and has local contacts is critical for the success of any internationalisation process. Knowledge of the market and customer behaviour and norms has been highlighted by the majority of participants as a strong recommendation for using SMMEs.

Participant P4 is the head of safety and compliance for Europe and South Africa at their organisation which operates in the oil and gas commodity and shared their experience. Because their commodity is heavily regulated and carries a high burden of compliance, their expansion strategy at the setup stage is to partner with local SMMEs who have knowledge of the market as well as the customer behaviour and can give insights on the product fit and relevance in the local market. The partnership with local SMMEs in the setup stage is also driven by the requirement to partner with local SMMEs who have a network of distribution and transport partners in the country.

*“The strategy was clear on how to enter new markets which detailed also the safety and compliance requirements as the expansion model was very reliant in the setup phase, on partners and distributors who were mainly local SMMEs”*

### **Local regulations**

Local regulations regarding localisation that drive for multinational organisations to partner with local providers is a key driver. In South Africa in particular, the Broad Based Black Economic Empowerment (BBBEE) legislation drives for multinational organisations to partner with and develop local SMMEs and include them in their procurement and supply chain activities. Most of the participants in this research study acknowledged that the local regulations on localisation are a key driver of the decision to use local SMMEs.

*Participant P2: “We look at BBBEE and we make sure that we also upskill and support small, local logistics companies, particularly for local deliveries”*

*Participant P3: “we use the same selection criteria for all providers except in home markets we look at the localisation rules such as BBBEE in South Africa”*

### **Local provider characteristics**

The success of the relationship and partnership between the SMME and multinational retailer is also determined by some informal elements such as the characteristics of the local SMME and the perceived trust that can be built between the partners. Most of the participants in this research study indicated that because SMMEs are generally small and don't have a corporate structure or brand to rely on, multinational retailers consider the personality and character of the owner or leadership team to determine if trust can be built with the SMME and if the SMME's values are aligned with those of the multinational retailer.

Participant 1 explains that the local provider's characteristics are a key criteria of selecting the SMME and a key driver of the partnership, especially in the beginning of the internationalisation process.

*“There would just be an additional assessment in terms of character, capability and capacity constraints in the planning stage. These are interrogated more for SMMEs. Owner's character, values and Internal processes of SMMEs are more scrutinized and systems, controls and segregation of duties is looked at as smaller companies may not have enough people and resources to achieve compliance”*

Participant P6 acknowledges this and highlights that because their organisation adopts a growth by acquisition strategy, the characteristics of the local provider is important in ensuring that organisation culture is aligned as this is a prerequisite for a successful partnership. Branding and culture integration is key for success.

*“The acquisition strategy needs to ensure that there is quick alignment with local legislation and regulations and the character and experience of the local partner plays a*

*key role in this. Our acquisition strategy ensured that the culture and norms are quickly aligned and documented as part of the initial risk assessment”*

This is corroborated by participant P4 who states that the character of the individuals running the SMME is important for building trust and thus a key driver of the decision making on the use of SMMEs.

*“The character of the individual and the engagement with how the supplier sells himself was a key criteria as in new markets trust is very important so the personal judgement was used”*

Due to the capital investment required from logistics providers in the retail industry, financial strength and capability is a key characteristic that drives the use of local providers or SMMEs. This is explained by Participant P2 and P3 based on their organisations.

*Participant P2: “Local partners in most of the countries we operate need to have financial scale”*

*Participant P3: “Financial capability and a strong balance sheet is important to consider”*

#### 5.3.3.2: Conclusion of findings of research question 3

The findings presented following the data analysis have been grouped into one major theme which focuses on the partnership with local providers or SMMEs. Most participants affirm that identifying a suitable local partner is of critical importance and ensures the success of the internationalisation process. The participants further elaborated that the knowledge of the country, local market and local customer behaviours is an important factor in deriving a partnership with a local SMME. Following this participants also highlighted that local regulations are also a key driver of the use of SMMEs with localisation legislations such as BBBEE being considered and taken into account particularly in the early stages of the internationalisation process. The selection process was considered by the majority of the participants as bearing an important role in influencing the decision to use SMMEs. Most of the respondents indicated that the selection process allowed for potential SMMEs to be evaluated using a set selection criteria that included price, capacity to deliver and size of fleet and assets, quality of service, compliance to local regulations and legislations as well as the multinational retailer’s compliance

requirements and safety code of conduct to name a few. Once the SMME was confirmed to meet the selection criteria, the selection process was concluded and recommendation for the use of the SMME was provided to the cross functional team that was managing the procurement process. For most of the organisations sampled in this research study, the selection process formed part of a procurement process that involved a cross functional team, meaning that the results of the selection process following the evaluation of potential SMME against the set selection criteria were considered ratified and approved by the organisation. Of interest in the findings is that most participants explained that the SMME's characteristics and personality/character of the owner or leadership team were considered critical in ensuring trust and alignment of values between the partners. This is of interest as it was not highlighted in the literature reviewed for this research study.

5.3.4: Research question 4: Which of these drivers and barriers are more influential on the decisions to use local or offshore/global logistics providers during the early stages of the internationalisation process of multinational retailers in South Africa?

This research question seeks to understand the drivers and barriers of logistics outsourcing at the early stages of the internationalisation process. The early stages as relayed by the participants in this research study refers to the internationalisation stage where the internationalising organisation has low commitment and knowledge of the foreign market and thus establishes in the foreign market and operates through exporting, licensing, using distributors or franchises as these establishment models have lower barriers of entry and require minimal investment in resources and capital from the internationalising organisation. The participants' responses unveil a theme that is presented and discussed below in Table 10:

**Table11: Author’s own compilation of codes and categories for theme 7 for research question 4 from data analysis.**

Research Question4	Codes	Categories	Themes
Which of these <b>drivers and barriers</b> are more influential on the decisions to use local or offshore/global logistics providers <b>during the early stages of the internationalisation process</b> of multinational retailers in South Africa?	-Local market knowledge -Local laws, rules and regulations -Local language -Culture -Local partners -Competitors	Entry barriers	<b>Theme 7:</b> Conducting due diligence
	-Market industry reports -Scanning of the market -Use of subject matter experts -Use of external experts	Market research	

#### 5.3.4.1: Theme 7- Conducting due diligence

Conducting as much background research on a new market is vital to the success of the new endeavour. Due to the lack of local knowledge, multinational retailers are reliant on the exploitation of external knowledge sources as sources of information for their new venture. These external sources can be in the form of industry reports available in the public domains on the internet or through purchases from specialist research agencies or industry experts who provide market and country intelligence. Other sources of knowledge also include the use of internal subject matter experts or external consultants and experts with experience and expertise in the new market. Entry barriers such as local market knowledge, local laws, rules and regulations, local language, culture, local partners and competitors; are strong influencers of the decision to use 3PLs by multinational retailers in the early stages of the internationalisation process. This theme is grouped into two categories which are explored further below.

#### **Entry barriers**

Knowledge of the local market and landscape is important when internationalising and can pose a barrier to entry if not resolved. Although multinational retailers are generally large organisations with ample resources and capabilities at their disposal, the lack of knowledge and understanding of the local market dynamics and business environment can prove to be a barrier for entry into that market. As such, when the barrier of entry is high, most multinational

organisations tend to escape this barrier risk by adopting an export model of establishment where they do not need to invest and commit resources and time into a market that they have limited knowledge of. As expressed by most of the participants in this research study, when their organisations experience high entry barriers relating to lack of local market knowledge, they are driven to use local 3PLs who have knowledge of the local market and landscape. Participant P2 explains that in their organisation

“We have faced a situation recently, where certain conditions and answers to local market questions were not met during a particular country’s due diligence that would make us open offices in that country. And therefore, we turned our backs and we couldn't open an office there and opted to work with a local agent to distribute and market our products”

### **Market research**

Conducting research and doing a thorough due diligence is not only crucial for the success of the new venture but also determines the establishment model into the new market. As highlighted by many of the participants in this research project, where there is a lack of knowledge or difficulty in conducting thorough research or due diligence, most multinational retailers will adopt a phased market entry approach by exporting first or through spring boarding with acquisition of local partners. This exporting model means that the multinational retailer relies heavily on local 3PLs as the multinational retailer has limited or no commitment and investment in the route to market logistics and thus relies on the local agent, importer or franchise to get their products to their customers. In some instances, because of the lack of knowledge, the multinational retailer may also rely on the local 3PL to conduct the marketing, branding, training etc of their products in the local market.

Participant P2 sums up their experience in their organisation that operates in the pharmaceutical category.

*“We do extensive evidence-based research on issues to do with HIV, tuberculosis, malaria for example. A lot of the research we do is done with the national governments districts, health departments and different health facilities, NGOs etc so that we are well informed on the different countries and their health needs so that we can setup”*

5.3.5: Research question 5: Which of these drivers and barriers are more influential on the decisions to use local or offshore/global logistics providers during the late stages of the internationalisation process of multinational retailers in South Africa?

This research question seeks to understand the drivers and barriers of logistics outsourcing at the late stages of the internationalisation process. Participants in this research study describe the late stages as the stage of the internationalisation process where their organisation establishes; foreign sales operations or subsidiaries, wholly owned subsidiaries, manufacturing, warehousing, distribution or production facilities. These establishment models require high levels of commitment and investment from the internationalising organisation and are often the preferred entry model when knowledge of the foreign market is high and sufficient to navigate the barriers to entry and capitalise the existing customer base. The participants' responses uncover a theme that is presented and discussed below in Table 11:

**Table12: Author's own compilation of codes and categories for theme 8 for research question 5 from data analysis.**

Research Question5	Codes	Categories	Themes
Which of these <b>drivers and barriers</b> are more influential on the decisions to use local or offshore/global logistics providers <b>during the late stages of the internationalisation process</b> of multinational retailers in South Africa?	-Consistency and uniformity across the business -Global delegations of authority	Organisational rules and approvals	<b>Theme 8:</b> Standardisation of processes
	-Central purchasing -Procurement/purchasing hubs -Volume driven purchasing -Cost savings -Supplier rationalisation and consolidation	Procurement strategy	
	-Standard and global ERP systems and processes -Standard tendering systems aligned across the business -Global contracting process -Predictability of processes	Process automation	

5.3.5.1: Theme 8- Standardisation of processes

Multinational retailers are generally large organisations and one of the disadvantages of being a large organisation that operates in many countries is the complexity and lack of visibility when

managing the organisation. As such, many multinational organisations across various industries will look to streamline and standardise their business operations and processes in order to have more control and visibility of all subsidiaries. Multinational organisations are also burdened by the expectation of customers and the need to guarantee the same standard of services and products across the world. This leads to the requirement for consistency and conformity which is achieved through centralisation, automation and standardisation of key functions and areas of the business. The standardisation of processes in the internationalising organisation are highlighted as important when deciding on the use of 3PLs in the late stages of the internationalisation process. This theme is grouped into three categories which are explored further below.

### **Organisational rules and approvals**

To gain more control and visibility, multinational retailers employ organisational rules and approvals that ensure that all subsidiaries across the world follow a consistent and uniform set of procedures, rules and regulations. These include organisational rules and delegations of authority on approval of certain activities at certain cost levels or risk levels. These organisational rules allow the headquarters to have visibility and assurance that all subsidiaries are complying with and following the governance processes set out by the parent company irrespective of the country or market that the subsidiary operates in. Most participants in this research study confirmed that organisational rules and approvals and in most cases drive the use of global partners and providers who have been vetted and approved at head office or regional office level. This bureaucracy adds red tape and hurdles that makes it difficult for any partner or provider outside of the set governance structures to be approved in new markets. Participant P2 gives insights from his organisation and the governance rules employed.

*“So for example, normally how we set up in a country the first thing is the legal aspects so we work with the global legal counsel and through head office, consultations are actually done through them. So they do most of the work for us in terms of setting up the type of structures we will need as with our organization, there are clear policies and rules because we actually are a subsidiary of the head office in New York”*



Participants also agreed that these organisational rules and governance structures are only affected in the late stages where their organisations have established wholly owned subsidiaries and facilities for manufacturing, warehousing, distribution etc.

### **Procurement strategy**

The procurement strategy employed by an organisation defines how purchasing decisions are made. It is a strategic plan intended to build strategic relationships with suppliers to acquire the necessary goods and services of the best quality, on time and at the best price. In multinational organisations, procurement is a specialised function and department that is responsible for all the purchasing or buying activities in the organisation. To take advantage of the volume of buying activities, many multinational retailers have centralised purchasing which means for key spend categories, the procurement or purchasing decisions are centralised and done by the head office or parent company or regional offices. This is to ensure that the multinational retailer can take advantage of their purchasing volume, scale and power to better negotiate with suppliers and gain economies of scale, cost savings and standardised service from suppliers all over the world. Most often, the multinational retailer will rationalise or consolidate their supplier base to allow for better management and greater negotiation power because when you give one supplier more volume of your purchases you gain negotiation power that will drive down prices and realise cost savings.

Participant P7 is the head of procurement at their organisation which operates in the FMCG commodity. Their experience of a volume driven procurement strategy is explained.

*“Cost savings are volume driven so the incentive to stay with the global partner is higher incentive. Global procurement hubs in multinational retailers is also the reason why we use global partners and profitable networks because we can procure from anywhere and send to anywhere in the world”*

Participant P2 is the head of supply chain management at their organisation and confirms, as most participants did, that because the selection process of 3PLs forms part of the procurement process; when the organisation has a centralised and consolidation procurement strategy, it proves to be difficult to introduce local 3PLs as agreements are already in place with global 3PLs and are ratified by head office or the regional office.

*“Procurement has a really important role in our business because like I say we operate in over 36 countries and there's a lot of buying and we've got centralised purchasing for certain key aspects and categories. For example, in these key categories, we will have a global or regional contract with limited suppliers which cannot be deviated from because we guarantee the supplier the volumes for the price that we pay”*

Participant P7 concurs and shares their experience:

*“40-50% of packaging materials are imported therefore you have to create a network around the world so you need someone based in the source market to do quality checks and quality control for you to ensure it is a good product hence multinational companies use their global counterparts. Rules and contracts take time to establish and therefore managing that global network is a heavy investment therefore we cannot just let it go”*

### **Process automation**

To enforce uniformity, consistency and visibility across multiple countries and businesses, multinational retailers often deploy process automation so that they have full control and can access data about any of their operations around the world. Process automation is the use of technology to enable and automate complex business processes so that they are simplified. It can streamline a business for simplicity, achieve digital transformation, increase service quality, improve service delivery and contain costs. The most common process automation across the organisations sampled in this research study is the Enterprise resource planning (ERP) systems. An ERP is a type of software that organisations use to manage day to day business activities such as accounting, procurement, project management, compliance etc.

Process automation allows for simplification and predictability of processes which provides head office of multinational retailers with the following benefits; enhanced business reporting tools with real-time information, better access to information about the overall business and customers, better process improvements and reduced administrative time. Therefore, through process automation, multinational retailers can have access to powerful reports and more accurate data which drives a centralised procurement strategy that leads to the use of already

vetted and established 3PLs instead of local 3PLs and SMMEs. Participant P2 provides more insights from their organisation.

*“We have got an integrated type of system approach. You know, we are all controlled from one arm. So be it ERP systems, logistics systems, supply chain systems and finance systems, all those systems are integrated and automated. The integration process allows the head office and the regional office to have visibility. And we can also share reports with head office and with other countries through the system”*

#### 5.3.5.2: Conclusion of findings of research question 5

The findings from the participants' responses in this research study reveal that organisational rules and approvals, the organisation's procurement strategy and their advancement in process automation are more influential on the decisions to use 3PLs during the late stages of the internationalisation process of multinational retailers in South Africa. This is due to the need for control, visibility, uniformity and consistency required by the multinational retailer when they establish a subsidiary, warehouse, distribution center etc in the foreign market.

The late stages of the internationalisation process requires extensive investment, market knowledge and understanding as well as high levels of commitment from the multinational retailer therefore the need to have uniformity and control over multiple subsidiaries around the world not only reduces complexity and risk, but also derives advantages such as cost savings and higher price negotiation power, process automation that simplifies business activities and processes as well as centralised purchasing that drives economies of scale and supplier consolidation. All these advantages however are at the cost of bureaucracy and additional red tape which makes it difficult for partnerships with local 3PLs to germinate and be established.

#### **5.4: Chapter conclusion**

The findings from the data analysis reveals that the multinational retailer's knowledge of the foreign market and their commitment to it determines the stages of the internationalisation process experienced by the multinational retailer. Consensus was reached by participants in this research study that when knowledge and commitment is high, the multinational retailer will

adopt an establishment strategy that has the characteristics of the late stages of the internationalisation process as described in chapter 2 of this research study.

It was also uncovered that the drivers and barriers of the decisions to use local or global logistics providers/ 3PLs is greatly influenced by factors such as the multinational retailer's internal skills and resources, their ability to leverage supply networks, their logistics selection process and where the 3PLs are local SMMEs; the ability to partner with a local provider is of utmost importance. As is of interest to this research study, the early stages of the internationalisation process sees most multinational retailers resort to using local 3PLs because of the lack of local knowledge within the multinational retailers. In the late stages of the internationalisation process, standardisation of processes is an enabler of the use of 3PLs and in most instances global 3PLs are preferred instead of local 3PLs and SMMEs.

## **CHAPTER 6: DISCUSSION**

### **6.1: Introduction**

This chapter aims to present a discussion of the findings of the research study detailed in chapter five, with a comparative analysis of the data analysed from the semi-structured interviews conducted and insights obtained from the literature review presented in chapter two. In order to address the main research topic, “drivers and barriers of logistics capabilities outsourcing to SMMEs by multinational retailers in South Africa”, the results will be discussed separately in relation to each of the five research questions. The presentation of the discussion is organised by the themes that were derived from the groupings or categories obtained when the data analysis was conducted. The research findings will assist to provide greater insights to the drivers and barriers that determine how multinational retailers select logistics providers during the stages of the internationalisation process. The rest of the chapter follows the same structure by using the themes as outlined in chapter five. The themes are discussed separately below with comparisons and contrasts against the literature review to provide a point of triangulation of data to confirm trustworthiness and validity (Noble & Heale, 2019).

### **6.2 Description of the sample**

This research data sample was made up of 10 participants who were individuals that were senior managers with vast knowledge of the company and its experience in their internationalisation journey. A purposive sampling method was applied to identify multinational retailers that were willing to participate in the study. All 10 participants identified their understanding of the questions presented during the interviews.

#### Analysis of the sample

All of the participants had more than three years of experience within their respective organisations with most of them having significant prior knowledge with previous employers or through other endeavours and were thus considered adequate subject matter experts to be able to participate in the study. This data helped classify the context of the participants responses as provided to provide rich contextual data for further analysis.

### **6.3 Research question 1: What are the different stages of the internationalisation process of multinational retailers in South Africa?**

The aim of this research question was to identify what the different stages of the internationalisation process is for multinational retailers in South Africa. The data was analysed and the findings presented in order to address the key construct arising from the research question. Table 12 below shows the two main themes developed for research question 1.

**Table13: An outline of key themes for research question 1**

Theme 1	Understanding and knowledge of the foreign market preferences and needs
Theme 2	Commitment to the foreign market

#### 6.3.1: Discussion for research question 1

##### **Findings**

A common theme emanating from the findings related to the stages of the internationalisation process is evident. With increasing globalisation, digitisation, and advances in technology particularly in IT, eCommerce, marketing and logistics, multinational retailers are exploiting these advancements to expand as well as reshape themselves in order to gain competitive advantage over rivals, exploit economies of scale, realise profit growth and drive innovation (Narula, Asmussen, Chi & Kundu, 2019). Many of the participants in this research study have indicated that their organisations' internationalisation is driven by the need to access new markets as their domestic markets become saturated, grow their footprint as well as reach new customers in order to improve profitability and competitive advantage.

The findings indicate that understanding and knowledge of the foreign market, its needs and preferences is crucial particularly in the planning stages of the internationalisation process as it determines the entry model that multinational retailers will adopt when entering the foreign market. When there is low or limited knowledge about the foreign market; the multinational retailer tends to consider a risk averse approach to entering the foreign market and thus resorts to entering the market through exporting, agents and franchises as opposed to opening a

subsidiary, wholly owned subsidiary, offices, manufacturing, warehousing or distribution facilities, which carries more risk and investment. The relatively low level of knowledge about the foreign market dynamics such as; GDP Growth, profitability, customer base, competitors, growth potential, as well as knowledge of customers and their needs create a challenge for the multinational retailer to embark into a market which they know little about and be successful. Participants emphasised that the understanding and knowledge of the foreign market allows for the establishment to be successful and mitigates potential risks that may occur during the internationalisation process or in the future.

Commitment to the foreign market in the form of navigating the non-tariff barriers, implementing and setting up processes as well as organisational support systems ensures that a successful internationalisation process is achieved. An example was when one of the participants spoke of the experience in their organisation and stated how the sponsorship and commitment from leadership team at head office level as well as the deployment of resources (both human capital and financial resources) increases commitment to the foreign market because investment, cost and effort is being relayed to the establishment of the foreign market. When multinational retailers have a higher commitment to the foreign market, the intent is to control and gain a return on investment and therefore, to be able to gain the return on investment, multinational retailers will tend to adopt an entry model that ensures that they control the establishment enough to derive the return. In the findings for this research study, when the multinational retailer has invested large amounts of resources, time and effort into the establishment plan for the foreign market, they will want to gain control over the new establishment in order to drive the return on investment and therefore, will adopt an entry model that is aligned to the late stage of the internationalisation process rather than the early stage. This is because when the multinational retailer operates in the foreign market through exporting or exporting through agents, their commitment level is low as they do not need to make any investment in setting up in the foreign market, as such, their control over the exporting partner or agent is low leading to a low return on investment. The alternative is also true in that when the multinational retailer operates in the foreign market through opening a subsidiary, wholly owned subsidiary, offices, manufacturing, warehousing or distribution facilities, their commitment level is high as they will need to make investments in recruiting staff, constructing facilities, processes and procedures etc in setting up in the foreign market, as such, their control over the exporting partner or agent is low leading to a low return on investment.

The findings also revealed that the majority of the multinational retailers have a clear documented process within their organisations on how to enter or establish themselves in new foreign markets. Various multinational retailers referred to this document as a business case, blueprint or even a strategy document that is used by the assigned internal and external team to plan, review and track progress on the internationalisation or establishment plan. This documentation of the internationalisation process ensures that elements relating to the level of knowledge of the foreign market dynamics are presented and agreed upon, following which the entry mode will be determined. As participant P4 discussed from his experience, the establishment plan is heavily influenced by the level of knowledge of the foreign market in order to determine the risk level for the establishment and further determine the entry mode into the particular foreign market. What was evident is that when the level of knowledge is high or adequate, the entry mode adopted by the majority of the multinational retailers is that of opening a subsidiary, wholly owned subsidiary, offices, manufacturing, warehousing or distribution facilities. However, when the level of knowledge is low or limited, the entry mode adopted by the majority of the multinational retailers is that of exporting, using agents and franchises. The findings also indicated that the state of low knowledge is considered the early stage while the stage of high knowledge is considered the late stage of the internationalisation process. It is the risk associated with the lack or abundance of knowledge that determines the stage of the internationalisation process. In most of the multinational retailers that were part of the sample for this research study, the findings relay consistently that knowledge and understanding of the foreign market dynamics is a prerequisite for transitioning to late stages of the internationalisation process, while its absence, is a character of the early stages of the internationalisation process.

### **Literature comparison and contrast**

Dunning's eclectic theory is reviewed in order to understand why organisations internationalise in the first place and why others are able to internationalise and others not. Before exploring the stages of the internationalisation process, it is important to review why organisations internationalise. The findings in this research study highlight common drivers of the internationalisation of the multinational retailers sampled herein. Majority of the sampled multinational retailers' internationalisation is driven by the need for growth, expansion of footprint outside their local market as well as access to new markets. The findings agree with



the literature on internationalisation and Dunning's eclectic theory in that the participants highlighted that their organisation have the ownership, location and internalisation (OLI) advantages required in order to internationalise. As Dunning's eclectic theory denotes, the ownership advantages (O) explains that a company must have specific ownership advantages, also referred to as competitive or monopolistic advantages in order to be competitive when internationalising into foreign markets (Buckley & Casson, 2019). This means that the multinational retailer must possess a more significant competitive advantage relative to its competitors or domestic competitors, in so doing, result in a competitive advantage in the foreign market which will see the multinational retailer increase its commitment in the foreign market and potentially open a subsidiary. The findings from participants whose organisations operate in the FMCG sector all indicated a competitive advantage relative to its competitors in the form of superior quality and better prices for customers. Overall, the findings agree with Dunning's eclectic theory in that multinational retailers will exploit their competitive advantage in order to internationalise into the foreign market and more likely decide on a wholly-owned subsidiary when the benefit for the multinational retailer of transferring its ownership advantages to a foreign market is better than selling through exporting, licensing or franchising (Li & Fleury, 2020). Therefore, the internationalisation of multinational retailers is influenced by the competitive advantage that they possess over their rivals; and the extent and benefit of the competitive advantage determines the establishment strategy or internationalisation stage embarked on by the multinational retailer.

The literature review focussed on internationalisation theory and the uppsala model. Narula, Asmussen, Chi and Kundu (2019) indicated that the internationalisation process is an ongoing process of learning and analysing the market. Changing market dynamics in the global scale is such that multinational retailers must continuously refine and add on to what they know about their market, its customers and the needs of those customers. In order to improve performance and remain relevant and competitive, multinational retailers must learn continuously about their market. The findings in this research study agree with the literature and link the importance of the level of knowledge of the market with the ability for the multinational retailer to succeed in that market. Therefore this aligns with the findings from the responses of most of the participants that understanding and knowledge of the foreign market preferences and needs is of utmost importance to the survival and success of multinational retailers.

As described in the Uppsala model, companies follow the following internationalisation stages when expanding abroad over time: exporting, exporting through independent agents, establishing foreign sales operations or subsidiaries and establishing manufacturing or production facilities (Johanson & Vahlne, 2009). This sequential process is broken down and defined as the early stage (exporting, exporting through independent agents) and late stage (establishing foreign sales operations or subsidiaries and establishing manufacturing or production facilities) of the internationalisation process. The findings in this research study have concurred and also differed with the literature regarding the two stages of the internationalisation process and the sequential manner of the process respectively. The findings concur and agree with the literature in that there are indeed stages in the internationalisation process and these stages are determined by the level of knowledge of the foreign market that is available to the multinational retailer as well as the level of commitment in resources and capital by the multinational retailer. The findings cement that when the level of knowledge is low, multinational retailers tend to be very risk averse and use exporters and agents or franchises in the foreign market to sell and distribute their products. This aligns with the uppsala model that defines this as the early stages of the internationalisation process. The findings also reveal that when the multinational retailer has sufficient knowledge of the foreign market, they will commit resources, time and capital to the foreign market and tend to take on more risk and establish physical and wholly owned subsidiaries, offices, warehouses, distribution centers and manufacturing facilities. Thus aligning with the uppsala model that defines this as the late stages of the internationalisation process.

The findings contradict the literature on internationalisation theory and the Uppsala model in that the majority of the participants indicated an organic and non sequential manner in which the expansion in their organisations take place. Participant 8 indicated clearly that the internationalisation stages are not followed in sequence as set out in the literature but are in fact organic and fluid where the organisation decides on a set stage or entry model based on the level of knowledge at their disposal. In other words, a multinational retailer's expansion does not always move sequentially from early stage to late stage; it can also move from late stage to early stage and back to late stage. The sequence of the stages is mainly dependent on the availability of knowledge and risk appetite of the multinational retailer. Therefore, the Uppsala model's definition of Internationalisation as a logical, linear and sequential process of internationalisation (Li & Fleury, 2020), is not consistent with the findings in this research study.

As a result, commitment and continuous learning are key factors in describing progression and evolution throughout the internationalisation process.

### **Conclusion and recommendations**

Johanson and Vahlne (2020) asserts that the Uppsala model has behavioural and dynamic approaches that examine a company's journey specifically on how it progressively gains, integrates, utilises and increases its commitment as a result of its learning and knowledge about the foreign markets and operations. Globalisation has intensified the need for continuous learning and knowledge regarding market dynamics and customer needs. As the world becomes borderless and customer demands and preferences take center stage in the retail sector, continuous learning, adaptation and knowledge is critical for the survival, competitiveness and growth of any multinational retailer. Thus multinational retailers must keep their finger on the pulse when it comes to foreign market dynamics, customer needs as well as local laws and regulations. This is because the success of their internationalisation process relies on the knowledge they acquire about the foreign market which encourages increased commitment to the foreign market resulting in a successful international venture. Multinational retailers internationalise in order to gain access to new markets as their local markets become saturated, grow their global footprint to become more competitive and gain economies of scale as well as grow profits. Continuous knowledge acquisition is important for competitiveness because the needs of customers are dynamic and constantly changing at a rapid rate, meaning that multinational retailers need to have processes, systems and partners that enable continuous learning of the market in order to remain competitive and relevant to customers. In order to achieve this, multinational retailers should consider localised offerings and localised partnerships in strategic areas of their business such as logistics because advancements in technology and information systems have enabled customers to interact differently with retailers thus requiring retailers to create a logistics network that is highly responsive to customer needs (Rushton, Croucher & Baker, 2022). Meeting customers' needs is a key ingredient of competitive advantage.

SMMEs have a critical role to play in this internationalisation process because they have the local knowledge that the multinational retailers are seeking while they internationalise, meaning that SMMEs can be the catalyst for the internationalisation stages and process. When the

multinational retailer lacks knowledge, they tend to use exporters, agents and franchisees who are mainly local SMMEs therefore, SMMEs are the springboard for entry into foreign markets. Thus, SMMEs must use their advantage of local knowledge as a strategic resource on its own and equal right. During the internationalisation process, SMMEs can become knowledge catalysts for the multinational retailers as they increase the knowledge base of the multinational retailer by sharing local knowledge from the foreign market which the multinational retailer then integrates into the parent company to create new knowledge. This catalytic process drives the internationalisation process evolution that will lead to increased commitment into the foreign market by the multinational retailer. The role of the SMMEs thereon is to also acquire new knowledge for themselves about the multinational retailer and learn about their business needs, partnership requirements as well as the selection criteria that they use when partnering with logistics providers so that as the commitment into the foreign market increases, the SMME would have gained new knowledge and inside information that will allow them to prepare themselves and model their business to be competitive, add value and build a long term partnership with the multinational retailer throughout their internationalisation process. This will increase the SMME's probability to retain their business with the multinational retailer and secure participation in their supply chain in the long run. Therefore, in the early stages of the internationalisation process, where the multinational retailer has lack of local knowledge of the foreign market, SMMEs must utilise their local knowledge advantage as a strategic resource to acquire new knowledge about the multinational retailer in order to strengthen their partnership with them and build a competitive offering that will allow them to retain business with the multinational retailer in the late stages of the internationalisation process.

#### **6.4 Research question 2: What are the drivers and barriers that influence the decisions to use local or offshore/global logistics providers for multinational retailers in South Africa?**

The aim of this research question was to ascertain the drivers and barriers that influence the decisions to use local or global logistics providers (3PLs) for multinational retailers in South Africa. The data was analysed and the findings presented in order to address the key construct arising from the research question. Table 13 below shows the two main themes developed for research question 2.

#### 6.4.1: Discussion for research question 2

**Table14: An outline of key themes for research question 2**

Theme 3	Internal skills and capacity
Theme 4	Leveraging the supply network

#### **Findings**

The findings reveal a positive correlation between the decision to outsource or use 3PLs and internal skills and capacity. Participants highlighted that the lack of internal skills and resources drive the use of 3PLs because this is a mitigating factor for their organisations. Most of the multinational retailers sampled in this research study have centralised teams that look after logistics, procurement and supply chain management. As a result of this centralisation and standardisation, they do not have these skills and resources located in foreign markets and thus tend to outsource and rely on 3PLs. The lack of internal skills, capacity and capability is also due to many multinational retailers working on very lean internal structures that cannot directly support a logistics function in a foreign market. This is the reason why there is a dynamic growth in the outsourcing of logistics activities to 3PLs by multinational retailers. Participants also explained that setting up to deliver logistics activities in house in foreign markets required extensive investment in financial and human resources with the return on investment not justifying the effort and costs. Thus an outsourced model is generally preferred as noted on the findings for this study because it allows the multinational retailers to use 3PLs and invest the financial and human resources into their core business activities thus removing waste and bottlenecks. Majority of the multinational retailers sampled indicated have centralised and standardised logistics and supply chain strategies and activities which they manage from their head office/quarters in their home country.

Leveraging of supply networks by means of the value that can be extracted from the supply network is also evidenced as a key driver of outsourcing logistics to 3PLs. Because the multinational retailer can leverage on the 3PLs' expertise, resources, systems and processes as well as inside knowledge of the local market; the attractiveness of outsourcing is higher. Participants highlighted that leveraging the supply network also assisted with their market entry

as their customers were able to get confidence on the delivery of their products, authorities and regulators regarding licensing laws, transportation laws, warehousing regulations etc where more comfortable because of the reassurance provided by the 3PL whom logistics is their core business. Logistics plays a significant role in the route to market and paves the way on how the multinational retailers get their products from production to the hands of the customer. Participants also emphasised that these supply networks can create value, and when successfully assimilated, could contribute towards the achievement of a commercial benefit, competitiveness and increased customer satisfaction. Similarly, seven of the participants indicated that by leveraging their supply networks, they were able to develop new products, adapt to customers needs and requirements, gain new customers and differentiate themselves from their competitors by offering and adapting to customer needs which increases customer satisfaction, builds customer loyalty and reduces costs.

### **Literature comparison and contrast**

The literature review focused on resource based view and dynamic capabilities theory. Dynamic capabilities theory denotes that in an environment of dynamic and ever changing business, it is essential for organisations to have the ability to make existing resources adaptive in order to achieve long-term competitive advantage (Aslam, Blome, Roscoe & Azhar, 2020). Dynamic capabilities theory in the context of internationalisation is useful in explaining the need for change and evolution of the multinational retailer's resource base to gain competitive advantage in changing business conditions. The findings agree with the literature in that many of the multinational retailers sampled in this research study have strategically set up their logistics capabilities to be lean and centralised in order to gain competitive advantage, improve efficiency and profits, leverage economies of scale and deliver differentiated customer satisfaction. This means that logistics capabilities and design evolve and adapt over time as multinational retailers internationalise and are successfully expanding abroad. Because of this dynamic capability approach to logistics by multinational retailers, most of them have their logistics functions, skills and capacity sitting in the parent company or home country and sometimes in regional or hub locations, meaning that they can leverage economies of scale and gain competitive advantage. This dynamic capability approach to logistics also means that the multinational retailer may not have logistics skills and capabilities in all countries to which they internationalise therefore, they will be driven to outsource their logistics functions to 3PLs who will deliver the logistics activities

in the particular country. Dynamic capabilities theory and the findings in this research study are aligned in explaining the need for change and evolution of the multinational enterprises's resource base to gain competitive advantage in changing business conditions; as well as in explaining the drivers and barriers for the use of 3PLs throughout the internationalisation process (Aslam, Blome, Roscoe & Azhar, 2020).

The literature on logistics capabilities and the importance of logistics in retail internationalisation highlight and acknowledge logistics as a crucial prerequisite and a key ingredient for successful geographical expansion (Abrahamsson & Rehme, 2010); and has been proclaimed as 'the backbone of the internationalisation process' (Marchet, Melacini, Perotti & Tappia, 2016). To better understand the importance of logistics in internationalisation, the literature introduces the concept of embeddedness which researchers have acknowledged as a useful lens through which challenges related to geographical expansion can be better understood (Frasquet, Dawson, Calderón & Fayos, 2018). Logistics capabilities embeddedness and internationalisation have a close interrelation as embeddedness has been highlighted as vital to market competitiveness during internationalisation (Wrigley & Lowe, 2010). The findings in this research study suggest that the three types of embeddedness as discussed in the literature play a role in driving the decision for multinational retailers to use or outsource to 3PLs. Societal, network and territorial embeddedness influence the decisions to use local or offshore/global logistics providers for multinational retailers in South Africa. Societal embeddedness came out stronger than the other embeddedness types in the findings of this research study, as participants highlighted that their organisations are shaped by previous experiences of expansion in the form of detailed and documented internationalisation strategies, plans, blueprints etc which detail how they should establish themselves in the new foreign market. The societal embeddedness also expressed by majority of participants aligns with the literature in that there is emphasis on centralisation and standardisation of logistics capabilities as a means to efficiently expand geographically. This correlates with research by scholars such as Tacconelli and Wrigley (2009) who found in their study that, although retailers had heavily customised their customer-facing activities and offerings, their logistics and supply chain strategies and activities were kept centralised as in the home markets. The centralisation and standardisation of these logistics and supply chain strategies and activities creates a lack of internal skills, capacity and capability in all foreign markets which then drives the need for the use of 3PLs during internationalisation. For the majority of the multinational retailers sampled in this research study,



they tend to use the same 3PLs in the home country across many geographies in order to drive cost control, greater visibility and leadership; as well as economies of scale. This is aligned with the literature on social embeddedness that states that, although outsourcing to 3PLs is essential for retail internationalisation, the preferred strategy as per researchers and scholars is to outsource to 3PLs who are from the retailer's domestic market; or those 3PLs who are also the outsourced 3PL in the home or domestic market (Sandberg & Abrahamsson, 2022). Therefore, as aligned to the literature, logistics capabilities through societal embeddedness results in the centralisation and standardisation of logistics and supply chain strategies and activities that in turn reduce internal skills, capabilities and capacity across foreign markets; thus influencing the decisions to use 3PLs by multinational retailers in South Africa.

The literature on network theory of internationalisation examines how influential and important relationships and networks are for performance in the internationalisation process when a company enters a foreign country or market (Ratajczak-Mrozek, 2017). This literature was a revision of the Uppsala model and it explains that advantages do not exist at organisational level but rather that it is the entire network that provides a value added product or a service to the market (Gaur, Pattnaik, Lee & Singh, 2019). Therefore the internal, organisational elements must be considered together with the creation of value from leveraging the broader network. These networks afford the multinational retailer with skills, knowledge, resources, innovations and new relationships that assist in overcoming liability of foreignness and increasing competitiveness. By leveraging their network, multinational retailers can avoid high fixed costs and heavy investments in logistics facilities, such as modern warehousing, fleets of trucks, track and trace technologies, inventory management technologies and experienced staff; allowing them to free up funds and investment to core activities (Alkhatib, Darlington, Yang & Nguyen, 2015). As such, leveraging the logistics supply network is important in ensuring that multinational retailers can provide the best service at the lowest price. One participant operating in the FMCG sector shared their experience and explained that logistics is a huge differentiating factor in the market therefore it is important to leverage the logistics supply network in order to benefit and reap the gains of the logistics function. Reid Hoffman, co-founder of LinkedIn, was quoted saying, 'no matter how brilliant your mind or strategy, if you are playing a solo game, you will always lose out to a team'. Increased competition, globalisation, uncertainty, complexity and demanding customers have changed the business landscape by increasing the importance of networks. In modern times, an organisation cannot be considered as an independent unit ,



instead, it is viewed as a collaborative and embedded network of stakeholders with whom they are cooperating or competing (Vahlne, 2021). This is especially true for internationalising retailers who need to overcome lack of local knowledge in the early stages of the internationalisation process and thus are reliant on their own networks to enter the market and then on the new networks and partnerships formed after entry into new markets to be successful and competitive. The findings corroborated the literature in confirming that leveraging the supply network in order to compensate for a lack of internal skills and resources is a strategic decision and source of sustained competitive advantage (Barney, 1991).

### **Conclusion and recommendations**

Participants highlighted that leveraging supply networks is an effective mitigation to barriers and limited resources while enabling new relationships that assist in overcoming liability of foreignness and increasing competitiveness. Leveraging the supply network is effective in not only closing the gap that exists internally within multinational retailers but also allows for increased efficiency, reduced costs, improved customer satisfaction and increased competitive advantage. Therefore, effective supply networks that are leveraged and used in a collaborative and effective manner can eliminate the barriers associated with foreignness and lack of local knowledge while increasing competitive advantage throughout the internationalisation process. Thus, it is not only important to leverage supply networks but also to select the correct parties or stakeholders to form part of these networks. Organisations that have the most suitable parties as part of their network and can collaborate effectively with these parties will be more successful in their internationalisation and gain competitive advantage. Therefore, multinational retailers are encouraged to take due care when selecting a logistics partner with whom to collaborate with. In the retail industry, logistics has become an important competitive advantage over the past few decades due to the importance of cost reductions, productivity increases, solutions-based offerings, value-added products and services, and the optimization of supply chain processes to the delivery of finished products to customers who are increasingly demanding in this globalised market. (Freitag & Da Silva, 2021). Therefore selecting a logistics partner or 3PL is a strategic and crucial step in leveraging the opportunities available in the supply network. Selecting the right logistics service provider is crucial for the success of the outsourcing relationship and thus implies that it should be one of management's key considerations (Waugh & Luke, 2011). The decisions by multinational retailers to outsource their

logistics capabilities to 3PLs is driven by the ability to leverage the supply network and select suitable 3PLs with whom the multinational retailer can collaborate and leverage their local knowledge, skills, innovations, infrastructure etc in order to overcome their own internal skills, capacity and capabilities limitations; resulting in cost reductions, productivity increases, solutions-based offerings, value-added products and services, and the optimization of delivery of finished products to customers. All of which lead to gained competitive advantage and customer satisfaction.

It has been discussed that when multinational retailers internationalise into foreign markets, they have limited knowledge of the local market which can also imply that their supply network will have limited local suppliers and local knowledge. This is a huge opportunity for SMMEs to take advantage of. Leveraging supply networks is important for the competitive advantage of multinational retailers however it must be acknowledged that the building and fostering of these relationships takes time and effort. Therefore, SMMEs should build their own strong supply networks locally and partner with multinational retailers who will then benefit from leveraging the SMME and its network. This will ensure that the multinational retailer doesn't have to spend too much time, resources and effort in building their own supply network locally and can therefore enter the foreign market with a strong supply network that understands and can adapt to the local market and ways of working. In emerging markets such as South Africa, social networks and engagement are an important part of the business development approach therefore the ability of the SMME and its network to be; agile, responsive and flexible to customer and market demands are proved to be some of the keys to their success in working with multinational retailers. Johanson and Vahlne (2009) argued that firms don't work as islands but rather as part of a network of parties along the value chain where parties in a successful partnership benefit from commitment and collaboration mutually. Therefore SMMEs should ensure that they are able to not only build their own effective supply networks and leverage these, they should also use their 'smallness' to become a partner of choice for multinational retailers who are looking to leverage supply networks as they internationalise into foreign markets. For SMMEs to influence the multinational retailer's decision to select them as a logistics partner, they need to foster a personalised partnership with the multinational retailer that allows them to leverage not only their partnership together but also, the SMMEs supply network, therefore driving agility, flexibility, innovation and competitiveness in the market.

### **6.5 Research question 3: What are the drivers and barriers for use of local logistics providers, particularly SMMEs, in each stage of the internationalisation process of multinational retailers in South Africa?**

The aim of this research question was to ascertain the drivers and barriers that influence the decisions to use local logistics providers (3PLs) that are SMMEs for multinational retailers in South Africa. The data was analysed and the findings presented in order to address the key construct arising from the research question. Table 14 below shows the two main themes developed for research question 3.

#### 6.5.1: Discussion for research question 3

**Table15: An outline of key themes for research question 3**

Theme 5	Logistics provider selection process
Theme 6	Partnering with a local provider

#### **Findings**

The findings revealed that the decision to use an SMME logistics provider by multinational retailers is strongly influenced by the ability to partner with a local provider. This partnership is driven by the factors such as the benefits derived from the local provider such as local knowledge, understanding of local regulations and the characteristics of the local provider. The findings reveal that localisation regulations also have an effect on driving multinational retailers to use SMMEs. Regulations such BBBEE in South Africa are accepted and followed by the multinational retailers that were sampled for this research study. Multinational retailers use a consistent approach in selecting 3PLs irrespective of whether they are SMMEs or not, this was revealed by the findings of this research study. The same procurement process and selection process and criteria is used for all suppliers. This has been stated by participants as required in order to uphold governance and follow the prescribed procurement process. However, an interesting finding from many participants indicated that additional scrutiny is done on SMMEs in order to determine their financial viability and strength of their balance sheet, review their internal controls and segregation of duties as well as review if their values align with those of the

multinational retailer. The character of the owner or leadership team of the SMME came out strongly as a factor in the selection process which multinational retailers review to ascertain if a trustworthy partnership can be formed between the parties. Although participants indicated that this 'character' evaluation was not stipulated in the procurement process as part of the selection criteria, it was considered by many of the participants as important and critical in assessing an SMME and the viability of a successful partnership with them. The reason that the 'character' evaluation was not stipulated in the procurement process as part of the selection criteria, as confirmed by the participants, is because it cannot be measured but only observed and experienced.

Selection of the logistics provider is a critical process and participants highlighted that the majority of the multinational retailers follow a specific selection criteria for selecting logistics providers and this criteria forms part of their procurement process. This selection process creates a governance process from which logistics suppliers are selected and ensures that the selected supplier(s) has met all the performance and commercial related requirements such as; price, capacity, quality, compliance, safety, environmental requirement, systems, references/ track record, size of fleet and assets, after sales support and contracts with OEM. Participants highlighted that the selection process, selection criteria as well as the cross functional teams are utilised at majority of the multinational retailers to ensure that the most suitable logistics provider is selected in a fair, transparent and governed way. The findings also revealed a positive correlation between support from external social and political networks on the multinational retailer's performance. Participants highlighted how partnerships with SMMEs assisted with their own market entry because the liability of foreignness of the multinational retailer was overcome by having SMMEs as strategic partners in the new foreign market.

### **Literature comparison and contrasts**

The literature on logistics outsourcing theory signifies that logistics has the mission of providing the best service to the customer at the lowest cost because the way companies reach and serve their customers has become a key competitive advantage (Hagg, 2019). The findings in this research study have confirmed the critical role logistics plays in the internationalisation process. A well developed logistics system ensures better efficiency, a reduction in operating costs, higher service quality and increased competitive advantage (Gattorna, 2021). Therefore

the selection of a logistics partner is critical to the success of logistics outsourcing; Barthelemy and Adsit (2003) claimed that selecting the wrong logistics service provider is “one of the sins of logistics outsourcing”. Alkhatib, Darlington and Nguyen (2015) modelled a widely accepted evaluation process which details that the evaluation of 3PLs should be conducted using three criteria: 1. Performance dimension which measures financial strength, customer satisfaction levels, process efficiencies and learning capabilities. 2. Resources and capabilities dimension which measures tangible resources (physical resources, assets and IT resources) and intangible resources (human resources, relational resources and structural resources). 3. Logistics service dimension which evaluates the various services offered by the 3PL in order to meet the client’s requirements. The findings from this research study agree with the literature in terms of the selection process and criteria which matches the widely accepted evaluation process detailed in the literature. The findings reveal that the majority of the organisations sampled for this research study have outsourced all or part of their logistics activities to 3PLs. Responses from the participants indicated that where SMMEs are concerned, the outsourcing to SMMEs is mainly done in the early stages of the internationalisation process where the multinational retailer has low or limited knowledge about the foreign market or they have not been able to conduct a thorough due diligence. Two elements of interest in the findings which were not apparent in the literature that was reviewed for this research study; firstly is the requirements of safety and environmental elements in the selection criteria and requirements as detailed by the participants. Participants indicated that in their organisations, safety and environmental requirements carry a significant weight in the evaluation and selection of 3PLs. Therefore 3PLs that met the multinational retailer’s safety and environmental goals and reporting were afforded additional points as part of the selection criteria. Secondly is the additional selection requirements such as the character and personality of the owner of the SMME, the values of the SMME as well as the trustworthiness of the owner of the SMME, which participants indicated are important for building trust, aligning values and ensuring a successful partnership.

As described in the literature on logistics capabilities and the importance of logistics in retail internationalisation, territorial embeddedness emphasises that the multinational retailer needs to adapt to and be cognisant of local norms and cultures of consumption, business practices, supply networks, logistics and distribution channels, etc in order to be anchored or embedded in the particular country (Wrigley & Lowe, 2010). This means that the multinational retailer needs

to be adaptive and flexible to local market dynamics such as customer norms and behaviours, localisation of products, local sourcing, staffing and decision making. The findings in this research study agree with this as most of the multinational retailers sampled tend to create local supply networks of distributors, transporters and haulers and other local logistics partners in order to mitigate uncertainty and cope with local culture, business practices and customer behaviour. This means to improve territorial embeddedness drives the need to partner with local providers, particularly SMMEs, in order to mitigate and overcome risks, challenges and hurdles of internationalising or expanding in foreign markets. Participants indicated that partnering with local providers is key in determining local logistics performance as well as other internationalisation elements such as the market entry timing, store format and layout as well as store location. Therefore, territorial embeddedness has a strong influence on the need for partnerships with local providers; and thus is a key driver in the decisions to use SMMEs by multinational retailers in South Africa.

In partnering with local providers, the literature on resource based theory explains and focuses on the tangible and intangible resources and how these resources can be exploited as a competitive advantage. Resource based view proclaims that an organisation derives a competitive advantage based on the resource base it possesses and how that resource base is exploited for commercial benefit (Barney & Mackey, 2016). As such, successful partnerships with local providers not only enables the ability to leverage the supply network and improve territorial embeddedness; it is also considered a strategic intangible resource available to be exploited as a competitive advantage. In the resource-based view, both tangible and intangible resources (knowledge, skills set, IP/patents, data and internal unique processes, partners, location) are considered and analysed as strategic. The importance of forming alliances or partnerships with local SMMEs was also emphasised by participants as these social networks and partnerships can create value with the sharing of new knowledge from the SMME, which when successfully assimilated and transferred to the multinational retailer could contribute towards innovation, better product offerings, customer satisfaction and achieving commercial benefit. The findings in this research study agree with the literature that selecting and partnering with local providers is a valuable and strategic resource for multinational retailers as it derives competitive advantage.

## **Conclusion and recommendations**

Ensuring and securing SMMEs' participation in the supply chain remains one of the biggest challenges facing many developing countries and organisations. With reference to this research study, most of the multinational retailers sampled do not have a set selection process for SMMEs and generally treat these the same way as larger and even global providers therefore creating an environment where SMMEs cannot compete even in their local markets. In some instances the local regulations assist to drive more participation of SMMEs however this is not sufficient and multinational retailers need to review their procurement policies and practices to have specific and set selection processes that are suitable for SMMEs. Although the use of one standard procurement and selection criteria for both SMMEs and larger 3PLs creates challenges for the SMMEs, participants also indicated that their organisations also deploy additional criteria which is reviewed when selecting SMMEs specifically. These are strong financial viability and a strong balance sheet as well as the characteristics of the owner, directors or leadership of the SMME. Local SMMEs should take advantage of these two criteria by ensuring that they have a clean financial record and most importantly are able to foster closer and personalised relations with the multinational retailer which larger 3PLs may not be able to do due to their size and bureaucracy. Because by their nature SMMEs are small, they can offer multinational retailers a personalised partnership and close relationship as the multinational retailer will mainly be dealing with the owner or director of the SMME. This personalised and close partnership allows for agility, adaptiveness, flexibility and joint sharing and development of knowledge which is beneficial for innovation and competitiveness in the market. Various other factors have been shown to be instrumental advantages for SMMEs such as; relationship with partners based on trust, entrepreneurial motives and values of founders, company strategic goals, local language and cultural understanding as well as collaboration through forging of social networks. In emerging markets such as South Africa, a great emphasis on business relationships is based on social engagements and trust. Therefore, by building relationships based on trust and aligned values, SMMEs can differentiate themselves as preferred partners for multinational retailers thus ensuring a long term business relationship and participation in the multinational retailer's supply chain throughout the internationalisation process. Literature confirms the importance of supply networks to establishing local knowledge and capabilities and for building trust. In emerging markets, a greater emphasis is placed on personal relationships and direct face to face engagement with less regards to formal contracts.



Cultural values and norms are important factors to consider when trying to build partnerships and navigate the rules of engagement in emerging markets. This will help to position the SMME and the relationship as a strategic resource that the multinational retailer can exploit and collaborate with in order to drive competitiveness and success in the foreign market.

Local SMMEs should also take advantage and capitalise on the local knowledge and understanding that they have and offer local solutions that will benefit the multinational retailers as well as their customers. In the early stages of the internationalisation process, this is when majority of multinational retailers utilise SMMEs therefore SMMEs have a first mover advantage and should capitalise on that by offering local and bespoke solutions and innovations that cannot be catered by larger or global providers. SMMEs should also use their first mover advantage and local knowledge to gain and acquire new knowledge from the multinational retailers in the early stages. This absorption of knowledge will allow the SMMEs a better understanding of the multinational retailer's business that may secure them a long term relationship with the multinational retailer into the late stages of the internationalisation process. The ability of SMMEs to build competitive advantages when competing on a global scale is vital to their success. Despite their capacity constraints which limits producing at economies of scale comparable to larger 3PLs, SMMEs do retain competitive advantages due to their manageable size, such as their ability to be flexible and more decisive compared to larger 3PLs. Other competitive advantages are also in the SMMEs' ability to leverage their supply networks for collaborations when operating in local markets, and in their ability to compete with the larger 3PLs through specialisation and adaptation with these networks. Therefore by using their first mover advantage to share and acquire new knowledge from the multinational retailer, SMMEs can build their own competitive advantage over larger 3PLs and leverage their supply networks to drive a bespoke solutions and innovations, offer flexibility and agility that larger 3PLs may not be able to replicate. Therefore securing business and participation in the multinational retailer's supply chain.



## **6.6 Research question 4: Which of these drivers and barriers are more influential on the decisions to use local or offshore/global logistics providers during the early stages of the internationalisation process of multinational retailers in South Africa?**

The aim of this research question was to ascertain the drivers and barriers that influence the decisions to use local or global logistics providers (3PLs) during the early stages of the internationalisation process of multinational retailers in South Africa. The data was analysed and the findings presented in order to address the key construct arising from the research question. Table 15 below shows the main theme developed for research question 4.

### 6.6.1: Discussion for research question 4

**Table16: An outline of key themes for research question 4**

Theme 7	Conducting due diligence
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### **Findings**

The findings reveal that multinational retailers's due diligence gathering process has an impact and influence on the decision to use 3PLs in the early stages of the internationalisation process. The ability to gather and conduct a thorough due diligence through market research and understanding the barriers to entry into the foreign market is important for multinational retailers. In the early stages of the internationalisation process, knowledge on the market dynamics and customer base will have a severe impact on the success of the establishment. Participants in this research study have confirmed that conducting a thorough due diligence on the foreign market and understanding the norms and culture of the market is important for successful establishment. This is because the due diligence data will inform the multinational retailer on the local layout of the market, the customer behaviours, competitors and regulatory environment that the multinational retailer will need to comply with. When the due diligence is not thorough, this poses a risk on the success of the establishment as well as the approach and model of entry that will be deployed. Participants have confirmed that in the early stages, local 3PLs/ SMMEs are use when the due diligence process was not conducted effectively because the lack of knowledge lends itself to increased risk therefore the multinational retailer resorts to using

SMMEs in order to minimise the risk of inadequate information about the foreign market. In this scenario, SMMEs will be preferred because they have the territory or local knowledge that the multinational retailer lacks.

A thorough due diligence process will also provide the multinational retailer with feasible data about their competitive advantages and the relevance of the products that they will be selling in the market. One participant whose organisation operates in the beauty sector indicated the criticality of thorough due diligence and that their organisation not only uses external sources to gain market knowledge, but they also recruit inhouse trend analysts who study all potential markets thoroughly not only for the viability and profitability of the expansion but also the customer needs, behaviours and preferences in the foreign market. This focussed due diligence strategy ensures that their products are relevant, accepted and meet local customers' view of beauty, norms and culture regarding personal grooming and beauty. Participants in highly regulated sectors such as pharmaceuticals and oil and gas also highlighted the importance of a thorough due diligence in ensuring that their products meet the local laws, regulations and are compliant with all requirements. For these organisations, not only does the product they sell have to be compliant but also the way the product is stored and transported to customers is critical for compliance therefore, they need to conduct thorough market and partner due diligence in order to ensure that their end to end logistics and supply chain process is compliant and secures the safety of the products. Any lack of due diligence can lead to catastrophic consequences such as fines, bans, recalls and putting the health and safety of customers and employees at risk.

### **Literature comparison and contrasts**

The literature review focuses on logistics capabilities theory and Wrigley and Lowe (2010) stated that territorial embeddedness emphasises that the internationalising or expanding retailer needs to adapt their logistics capabilities to and be cognisant of local norms and cultures of consumption, business practices, supply networks, logistics and distribution channels, etc in order to be anchored or embedded in the particular country. Territorial norms and locally oriented business rules and regulations emphasise the need for internationalising or expanding retailers to be adaptive and flexible to local market dynamics such as customer norms and behaviours (Coe & Lee, 2006). The literature denotes that thorough due diligence and

understanding of the local environment and market ensures that the multinational retailer has all background information about the market such as regulatory processes, pricing strategy, managing local culture, etc. As denoted in the literature, territorial embeddedness is critical for successful internationalisation because it is a means to mitigate uncertainty and cope with local culture, business practices and customer behaviour. More broadly, territorial embeddedness through local networking and partnering has been confirmed as a critical input for mitigating and overcoming risks, challenges and hurdles of internationalising or expanding in foreign markets (Tacconelli & Wrigley, 2009). The participants in this research study indicated that their organisations conduct due diligence in multiple ways in order to not only understand the market dynamics and the macro and micro environment of the foreign markets but also to review and determine the local networks and partnerships that they can embark on in order to improve and strengthen their embeddedness in the geographical location. Therefore, due diligence is a key ingredient of territorial embeddedness and without thorough due diligence, multinational retailers may not be able to achieve territorial embeddedness. The findings agree with the literature in that the multinational retailers sampled in this research study all have a documented establishment or internationalisation plan and strategy which details the due diligence process that must be followed in order to ensure a successful expansion that will maintain their competitive advantage and guarantee profitability. This establishment or internationalisation plan and strategy is critical in the planning and early stages of the internationalisation process. The literature on territorial embeddedness also explains the use of local 3PLs in new foreign markets may enhance territorial embeddedness, but may also decrease network embeddedness” (Haag & Sandberg, 2019). This means that as multinational retailers seek to improve territorial embeddedness, they tend to use local 3PLs instead of the 3PLs that they have or use in their home country thus decreasing their network embeddedness. This is evident in the early stages of the internationalisation process as the participants also confirmed the use of local distributors, transporters, haulers and other logistics providers because of their local knowledge and understanding of local customer preferences and behaviours. Therefore, during the early stages of the internationalisation process, when the multinational retailer has limited knowledge of the foreign market, to improve territorial embeddedness, the multinational retailer’s due diligence process will influence their decisions to outsource their logistics capabilities to local 3PLs. The findings align with the literature in that in the early stages of the multinational retailer’s internationalisation process, the lack of knowledge of the foreign market will trigger a need for due diligence to be conducted in order to understand the market dynamics and in doing so; look

to outsource to local 3PLs who have the local knowledge and understanding so that territorial embeddedness can improve leading to gained competitive advantage and profitability.

The findings in this research study also reveal that the multinational retailers conduct focussed due diligence in the early stages that are targeted at understanding the behaviours, needs and preferences of the customer in the foreign market so that the multinational retailer can determine the relevance, suitability and sustainability of their products. These findings align with the literature on logistics customer service (LCS). One participant whose organisation operates in the beauty sector indicated that their inhouse trend analysts are critical in conducting due diligence and providing data specifically on customers so that they can design suitable products for the market and set up their end to end logistics and supply chain channels to meet the customers' needs. Traditionally retailers used a very broad assumption of what customers want, however, recently retailers need to take into account the real requirements of customers and that these requirements may differ between the various market segments serviced by the retailer (Daugherty, Bolumole & Grawe, 2018). The literature also validates that customer service is very complex and also closely linked to the process of distribution and logistics because customer service is influenced by various distribution and logistics factors such as: ease of ordering, stock visibility and availability, delivery options, reliability and tracking (Chiarini & Douglas, 2015). Customers are the reason why organisations exist and they want fast service and flexible delivery options that are customised and tailored to their individual needs (Rushton, Croucher & Baker, 2022). Logistics plays an important role in ensuring that multinational retailers can provide good customer service which is a key factor of differentiation, customer loyalty and can provide differentiation between one organisation's offering and its competitors. Therefore, in the early stages of the internationalisation process, by conducting due diligence and using local 3PLs in order to improve territorial embeddedness, multinational retailers can also achieve better customer service and customer satisfaction which will lead to gains in competitive advantage.

### **Conclusion and recommendations**

External and online material together with management tools such as Porter's five forces analysis and SWOT analysis are common tools that can be used by multinational retailers for due diligence purposes in foreign markets. However, factors such as local cultural dynamics,

business norms and customs are difficult to assess using these tools therefore site visits were possible should be considered as cultural differences influence the way of work and have been proven to impact on the success of the internationalisation process and the organisational performance. A direct engagement and face-to-face interaction is important since formal written contracts are less important and greater emphasis is placed on relationships in most emerging market countries such as South Africa. In the early stages of the internationalisation process, multinational retailers have a lack of knowledge of the foreign market and thus rely on both external and internal sources of information to conduct due diligence. The purpose of this due diligence is gain a better understanding of the foreign market as well as; to determine the local partners or 3PLs that will enhance the multinational retailer's territorial embeddedness as well as ensure that the customers' needs and preferences are met or exceed in order to achieve competitive advantage and improved profitability.

Local SMMEs have an advantage during the early stages of the internationalisation process because multinational retailers are influenced to use local 3PLs in order to achieve territorial embeddedness as a result of their lack of knowledge of the market. Therefore, local SMMEs must put in place practical measures that will allow them to be the selected 3PL for multinational retailers. Practical measures such as having presence online and a clear and detailed website that showcases the SMME's services, leadership team, values and experience is important so that when the multinational retailers conduct their due diligence, they can easily find the local SMMEs online. Online searches, social media and google search engine services are an effective way for SMMEs to create visibility. SMMEs should also use their local knowledge as a competitive advantage over their larger rivals and ensure to highlight their knowledge of the local market and its dynamics, culture, laws and regulations to the multinational retailer so that they are positioned as having enhanced territorial embeddedness which is what multinational retailers are looking to improve in the early stages of the internationalisation process. Customer service and providing localised solutions that meet local customer needs is a key benefit for local SMMEs, because they are small and have agility, they are able to innovate and remodel their service offering to be customer centric thus enhancing their ability to satisfy customers. In doing so, they will present themselves at an advantageous position than their larger rivals and secure business in both the early stages and late stages of the multinational retailer's internationalisation process.

**6.7 Research question 5: Which of these drivers and barriers are more influential on the decisions to use local or offshore/global logistics providers during the late stages of the internationalisation process of multinational retailers in South Africa?**

This research question aimed to ascertain the drivers and barriers that influence the decisions to use local or global logistics providers (3PLs) during the late stages of the internationalisation process of multinational retailers in South Africa. Following the data analysis, the findings are presented in order to address the constructs emerging from the research question. Table 16 below shows the two main themes developed for research question 5.

6.7.1: Discussion for Research question 5

**Table17: Themes for research question 5**

Theme 8	Standardisation of Processes
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**Findings**

During the late stage of the internationalisation process, multinational retailers seek to gain more control over the management of their subsidiaries. The findings reveal that when multinational retailers have established subsidiaries, wholly owned subsidiaries and physical facilities in a foreign country, they seek to control and standardise the operations to align as much as possible with the parent company. This is intended to build efficiencies, create uniformity and consistency as well as provide the parent company better visibility of all the operations. Participants also reveal that this need to streamline and standardise is also as a result of other benefits such as economies of scale, consolidation of teams and suppliers and process automation. This standardisation and centralisation of processes is a key characteristic of multinational organisations as they look to gain control and visibility of all the subsidiaries around the world. The need for consistency and uniformity also allows for effective and consistent reporting across all subsidiaries and thus allows for effective decision making, negotiation power and economies of scale gains. Notably, the power of the multinational retailer lies in their ability to utilize their scale across the world to gain a competitive edge over its rivals.

The multinational retailers sampled for this research study stated that the alignment with the global procurement strategy is a big influence on the need for standardisation as the benefits of centralising procurement and buying items on bulk and volume reduces costs, rationalises suppliers and gives the multinational retailer buying power which they would not enjoy when procurement is not centralised. This global, centralised and standardised procurement strategy and approach creates a challenge for smaller providers and particularly SMMEs as they are unable to compete on cost, scale and ability to service the multinational retailer's volume. The findings reveal that as the multinational retailer approaches or is in the late stages of the internationalisation process, they strategically select larger and global providers excluding SMMEs in the supply chain due to their standardisation requirements.

### **Literature comparison and contrasts**

Literature on societal embeddedness explains it as the 'genetic code' of the organisation and is thus confirmed as the internationalising organisation's characteristics that is moulded by its experiences (Wrigley & Lowe, 2010). It describes centralisation and standardisation to be key factors for efficient geographical expansion. Scholars such as Tacconelli and Wrigley (2009) found that multinational retailers' logistics and supply chain strategies and activities remained centralised as in the home markets, particularly when they have a wholly owned subsidiary in other geographies. The literature also denotes that centralisation and standardisation is expected to offer cost control, greater visibility, leadership and allows for a effective and smooth transition or adjustment to new conditions in a new geographical region, thus helping the organisation to achieve improved competitive advantage, benefit from economies of scale, realise profit growth and drive innovation (Narula, Asmussen, Chi & Kundu, 2019). The findings in this research study support the literature in validating because majority of the multinational retailers sampled in this research study confirmed that their organisation has a central strategy, vision and plan on logistics and supply chain activities and have centralised ERP systems, reporting templates and approval workflows that are consistent, uniform and standardised across all their operations in all their markets. Therefore their organisations centralise and standardise logistics operations as in the home market in order to create economies of scale, reduce costs and have greater visibility, control and leadership over the logistics operations. The findings in this research study support the literature in confirming that in the late stage of the internationalisation process, multinational retailers' parent company seeks to control or enhance



their societal embeddedness by standardising, centralising and seeking uniformity and consistency in systems, processes and providers in order to enhance buying power, reduce costs, enjoy economies of scale and improve competitiveness.

Network embeddedness is essential in supporting retail internationalisation and the literature on logistics capabilities focuses on network embeddedness. Fernie and Sparks (2019) have evidenced and observed that the most effective strategy to enhance network embeddedness when relating to third-party logistics providers or suppliers, is the use of third-party logistics providers or suppliers from the retailer's home or domestic market. Therefore, although outsourcing to third-party logistics providers or suppliers is essential for retail internationalisation, the preferred strategy as per researchers and scholars is to outsource to third-party logistics providers or suppliers who are from the retailer's domestic market; or those third-party logistics providers or suppliers who are also the outsourced third-party logistics providers or suppliers in the home or domestic market (Sandberg & Abrahamsson, 2022). Network embeddedness is broader than just the relationships at the new market only, it also takes into account the importance and relevance of the relationships throughout the entire organisation including activities and nodes also in the home market. These relationships shape the organisation's access to information, resources, markets, and technologies that are required for the expansion or internationalisation process (Frasquet et al. 2018). The findings in this research study align to the literature although not unanimously. Majority the participants in this research study indicated that in the late stages of the internationalisation process, when they have a wholly owned subsidiary and better market knowledge and experience, they tend to implement and change their outsourcing strategy from local 3PLs to their globally approved 3PLs who are also used in their home market and other markets. There is a small number of the participants however, who retained a level of local 3PLs even in the late stages of the internationalisation process because of the dynamic environment they operate in as well as the specialisation of their products. They have already established an effective partnership with local 3PLs which will take time to replicate with their globally approved 3PLs. The findings in this research study align to the literature in confirming that in the late stage of the internationalisation process, multinational retailers tend to outsource logistics capabilities to the parent company 3PL instead of local 3PLs or SMMEs in particular; in order to enjoy economies of scale and improve competitiveness.



## **Conclusion and recommendations**

Due to the global competitiveness and increased demands from customers, multinational retailers have in recent years streamlined their logistics outsourcing and looked to standardise it across their subsidiaries. This has led to the use of home country or global/larger 3PLs in the late stage of the internationalisation process. Logistics is a source of competitive advantage in the retail industry thus many multinational retailers look for efficiencies and cost savings within their logistics activities and follow a centralised procurement strategy to gain value and benefit from their logistics outsourcing. As such SMMEs are negatively affected by this strategy and find themselves unable to compete and participate in the supply chain in their local markets. Due to the important role that SMMEs play in creating jobs and poverty alleviation in emerging economies, both legislation and procurement focussed interventions need to be implemented to retain opportunities for SMMEs to participate in the supply chains of their local markets. Multinational retailers should look to amend their procurement policies to include a significant percentage of localisation, even if the said country does not have its own legislation around that. Policy makers should look to update legislation to encourage more participation of SMMEs however ensure a delicate balance of allowing multinational retailers to have some benefits from streamlining and standardising their processes. Some participants in this research study indicated that their organisations have a program for developing local SMMEs and partnering them with their global 3PLs so that the SMMEs can gain knowledge that will advance their businesses in the future to give them a better chance at retaining business and participating in the multinational retailer's supply chain in the late stages of the internationalisation process.

SMMEs should adopt a knowledge absorption approach in the early stages of the internationalisation process where most multinational retailers outsource their logistics capabilities to them. They should acquire and absorb knowledge from the multinational retailers that they can use to better understand the multinational retailers' logistics strategy for the late stages, streamline their own processes to align better with those of the multinational retailers and use their small size to be agile, flexible and innovative in their offerings to provide local specific solutions that can benefit the multinational retailer and its customers. By having this knowledge absorption approach in the early stages of the internationalisation process, the SMME can also be of value not only to the multinational retailer in the late stages of the internationalisation process; but also to the global/larger 3PLs that the multinational retailers

partner with. Many of these global 3PLs do not have significant footprint or capacity to service emerging market countries and thus SMMEs should look to also build strategic relationships with these global 3PLs and become their subcontractors in their local markets. The SMMEs will have the advantage of local knowledge but also knowledge about the multinational retailer which they gained from the early stages of the internationalisation process, thus positioning themselves as possible strategic subcontractors for the global/larger 3PLs. Their small size is also beneficial for building close and personalised relationships with the global/larger 3PLs and multinational retailers thus assisting with securing business for themselves in the late stages of the internationalisation process.

## **6.8 Chapter conclusion**

The literature review presented in Chapter two supports the findings that are presented with some contradictions and interesting insights being revealed by the findings. Multinational retailers' internationalisation process encompasses the early stages as well as the late stages of the internationalisation process as indicated in Upsalla's model. Although not sequential in nature, these two stages form part of the multinational retailer's internationalisation process and are driven by the level of knowledge that the multinational has of the foreign market as well as the commitment to invest resources and time into the foreign market. The findings determined that low knowledge results in low commitment and thus, multinational retailers tend to follow exporting, agents or franchising as the establishment or entry mode into the foreign market, this denotes early stages. The inverse is also confirmed by the findings where high knowledge results in high commitment and thus, multinational retailers tend to follow exporting, agents or franchising as the establishment or entry mode into the foreign market, this denotes late stages.

Societal embeddedness is a key driver of the decisions by multinational retailers to outsource their logistics capabilities to 3PLs. As they centralise and standardise their logistics and supply chain strategies and activities, they experience a lack of internal skills, capabilities and capacity to rollout and manage these activities in all countries in which they internationalise thus driving the need for them to outsource some of these activities to 3PLs. The outsourcing of logistics capabilities is a strategic process that requires that the most suitable 3PLs are selected to ensure that logistics remains a driver of competitive advantage and improved customer service. Thus the selection process as well as the ability to leverage the supply network is an important factor for the success of any internationalising organisation. SMMEs have an opportunity to

share and acquire knowledge, as well as build close and personalised relationships with multinational retailers that will allow them to sustain the business and continue to participate in the multinational retailer's supply chain in the long run. Although societal embeddedness creates challenges for local SMMEs because multinational retailers tend to use 3PLs from their home countries or those that they use in their home countries, local SMMEs can use their own competitive advantage of agility, flexibility, ease of decision making and local market knowledge to overcome these challenges and provide innovative and localised solutions as well as foster relationships that will ensure longer participation in the supply chain. SMMEs can also use their size and ability to transfer and acquire knowledge easier than larger 3PLs as an advantage for building close and personalised relationships with the global/larger 3PLs and multinational retailers thus assisting with securing business for themselves in the early and late stages of the internationalisation process

Due Diligence and the standardisation of processes by multinational retailers also has an influence on the decisions to outsourcing logistics capabilities to 3PLs in the early and late stages of the internationalisation process respectively. In the early stages of the internationalisation process, the multinational retailer's due diligence process will influence their decisions to outsource their logistics capabilities to local 3PLs. Because of the multinational retailers' lack of knowledge about the foreign market and the aim to improve territorial embeddedness in the early stages of the internationalisation process, SMMEs should take advantage of this and use their local knowledge as a competitive advantage over their larger rivals by highlighting their knowledge of the local market and its dynamics, culture, laws and regulations as enhanced territorial embeddedness to the multinational retailer as this is what multinational retailers are looking to improve in the early stages of the internationalisation process. This approach may secure the SMMEs with a better chance of doing business with the multinational retailer in the early stages of the internationalisation process.

The conclusion and summary of the results of the findings is presented in Chapter seven which also highlights the research contributions, limitations and provides suggestions for future research studies.

## **CHAPTER 7: CONCLUSION**

### **7.1: Introduction**

Chapter seven concludes the research study by pulling together the main findings. The theoretical contribution, limitations of the research study and suggestions for future research are also presented in this chapter. The research study set out to understand the drivers and barriers of logistics capabilities outsourcing to South African SMMEs by multinational retailers during their internationalisation stages.

### **7.2: Principal theoretical conclusions**

This research study was underpinned by two key theories which were internationalisation theory and dynamic capabilities theory. The theoretical conclusions from the research study are structured along the research questions that were introduced in Chapter one.

**RQ1:** What are the different stages of the internationalisation process of multinational retailers in South Africa?

In response to the research question, it can be concluded that the internationalisation process of retail multinationals is defined in two stages which are the early and late stages of the internationalisation process. Through a focussed qualitative methodology, the stages of the internationalisation process were verified and thus it can be claimed that based on the findings, multinational retailers' internationalisation process consists of the early and late stages. The early stage is characterised by low levels of knowledge of the foreign market thus the multinational retailers use exports, agents and franchises when entering the foreign market resulting in low commitment to the foreign market and increasing the use of local 3PLs. The late stage is characterised by high levels of knowledge of the foreign market thus the multinational retailers establish wholly owned subsidiaries, offices, distribution centers, warehouses and manufacturing facilities in the foreign market resulting in high commitment to the foreign market and decreasing the use of local 3PLs for global and larger 3PLs. It can also be further concluded that the stages of the internationalisation process are fluent and dynamic and do not always follow a sequential order from early to late stages.

**RQ2:** What are the drivers and barriers that influence the decisions to use local or offshore/global logistics providers for multinational retailers in South Africa?

In response to the research question it can be concluded that the multinational retailer's drive for societal embeddedness resulting in the standardisation and centralisation of logistics and supply chain strategies and activities, leads to reduced internal skills and capabilities thus, influencing the multinational retailer's decision to outsource their logistics capabilities to 3PLs. It can also be claimed that societal embeddedness not only influences the decision to outsource to 3PLs, it also provides that the preferred strategy is to outsource to 3PLs who are from the multinational retailer's domestic market; or those 3PLs who are also the outsourced 3PL in the home or domestic market (Sandberg & Abrahamsson, 2022). The consequence of which is a reduction of local 3PLs and particularly SMMEs in the late stages of the internationalisation process where societal embeddedness is most applicable for multinational retailers.

**RQ3:** What are the drivers and barriers for use of local logistics providers, particularly SMMEs, in each stage of the internationalisation process of multinational retailers in South Africa?

The selection process and partnerships with local providers have a significant influence on multinational retailers' decision to outsource to local SMMEs. In response to the research question it can be concluded that the selection process and criteria that multinational retailers use is critical in determining the use of SMMEs because selecting the right logistics service provider is crucial for the success of the outsourcing relationship and thus it should be one of management's key considerations (Waugh & Luke, 2011). The ability to build partnerships with SMMEs in order to achieve successful outsourcing relationships has a positive relationship with using and outsourcing to SMMEs because personalised and close partnerships with SMMEs allows for agility, adaptiveness, flexibility and joint sharing and development of knowledge which is beneficial for innovation and competitiveness in the market.

**RQ4:** Which of these drivers and barriers are more influential on the decisions to use local or offshore/global logistics providers during the early stages of the internationalisation process of multinational retailers in South Africa?

In response to the research question it can be concluded that conducting thorough due diligence in order to gain knowledge of the foreign market, its dynamics, norms, practices, culture and customer behaviours is the most important and influential factor that drives the decision to use 3PLs in the early stages of the internationalisation process. Due diligence can be claimed as having the most significant impact because it drives territorial embeddedness which is critical for successful internationalisation as it is a means to mitigate uncertainty and overcome risks, cope with local culture, business practices and customer behaviour which are all challenges and hurdles of internationalising into foreign markets (Tacconelli & Wrigley, 2009).

**RQ5:** Which of these drivers and barriers are more influential on the decisions to use local or offshore/global logistics providers during the late stages of the internationalisation process of multinational retailers in South Africa?

In response to the research question it can be concluded that the standardisation of processes by multinational retailers' headquarters is the most important and influential factor that drives the decision to use 3PLs in the late stages of the internationalisation process. It can be claimed that multinational retailers have centralised their logistics outsourcing and looked to standardise it across their subsidiaries resulting in the use of home country or global/larger 3PLs in the later stage of the internationalisation process. This centralisation and standardisation can be claimed to be a result of the need for societal embeddedness which is expected to offer cost control, greater visibility, leadership and allow for smooth adjustment to new conditions such as a new geographical region, thus helping the organisation to achieve improved competitive advantage, benefit from economies of scale, realise profit growth and drive innovation (Narula, Asmussen, Chi & Kundu, 2019).

### **7.3: Research contribution**

As depicted and consistent with Crane, Henriques, Husted, and Matten's (2016) elements of theoretical contribution, this research has contributed by means of theoretical application because the application of theory was used to explain an emergent phenomena. In this regard, internationalisation theory through a dynamic capabilities theory view has been applied in exploring the drivers and barriers of logistics capabilities outsourcing to South African SMMEs by multinational retailers during the internationalisation process. The research outcomes

contribute to existing international business literature on retail internationalisation by applying existing theory and complimenting the available literature with the view from emerging markets.

#### **7.4: Implications for management**

Implications for the various stakeholders are discussed below. Crane et al. (2016) denote that apart from contributing towards originality, theoretical research work must also have usefulness beyond academia. Therefore, this research study offers insights to three stakeholder groups which are: Logistics and supply chain management, SMMEs and government/policy makers as the objective of this research study is to assist governments or policy makers; and logistics leaders in the development of strategies to increase the participation of SMMEs in the supply chain of multinational retailers operating in South Africa. Although SMMEs face many obstacles, they are crucial to economic growth (Epede & Wang, 2022)

##### **Logistics and supply chain management**

The results of this research study demonstrated that due diligence played a significant role in influencing the outsourcing decisions in the early stages of the internationalisation process while standardisation of processes played a significant role in decisions in the late stages of the internationalisation process. As such, logistics and supply chain managers must take care in conducting due diligence that is effective and will not eliminate opportunities for SMMEs. This means that for emerging market countries such as South Africa, desktop style of due diligence is not sufficient as many capable SMMEs may be missed due to lack of online visibility. Therefore logistics and supply chain managers should include site visits, interviews and face to face methodologies in their due diligence process in order to drive inclusivity when conducting due diligence in the foreign market.

Furthermore, while centralisation and standardisation of procurement, selection and logistics operations processes and systems is beneficial to multinational retailers, they should relook at their strategies and incorporate programs to develop SMMEs in foreign markets. These development programs can be managed directly by the multinational retailers through their procurement process or through their global 3PLs who can work with SMMEs in foreign markets to develop and share knowledge so as to maintain business and participation of SMMEs in the

supply chain. The selection process, which forms part of the procurement process should also be reviewed to include set criteria for evaluating and selecting SMMEs.

## **SMMEs**

Despite the challenges and constraints that SMMEs face in the highly competitive and globalised business environment, this research study demonstrates that SMMEs poses specific and unique competitive advantages over their larger rivals. Therefore, SMMEs must use their small size to capitalise on knowledge sharing and acquisition opportunities, the ability to be agile and flexible which leads to innovation and enhanced customer services, the ability to build close and personalised relationships with stakeholders as well as; the extensive local knowledge that SMMEs have at their disposal. In doing so, SMMEs will be able to position themselves as strategic partners and resources that multinational retailers can leverage in their internationalisation journey. The results of this research study further demonstrate that partnerships with SMMEs assisted multinational retailers with their own market entry because the liability of foreignness of the multinational retailer was overcome by having SMMEs as strategic partners in the new foreign market.

The research study also concluded that multinational retailers follow a standardised selection process when outsourcing logistics capabilities to 3PLs, however, the study also claims that there are other factors that are considered in the selection criteria of SMMEs which can be exploited. These are strong financial viability as well as the characteristics of the owner, directors or leadership of the SMME. Accordingly, SMMEs should ensure that they have a clean financial record and most importantly are able to foster closer and personalised relations with the multinational retailer which larger 3PLs may not be able to do due to their size and bureaucracy. SMMEs are small and can offer a personalised partnership which allows for agility, adaptiveness, flexibility and joint sharing and development of knowledge which is beneficial for innovation and competitiveness in the market. Relationships based on trust, alignment of entrepreneurial motives and values, company strategic goals, local language and cultural understanding are important for internationalisation success in emerging markets such as South Africa. Therefore SMMEs can differentiate themselves as preferred partners for multinational retailers thus ensuring a long term business relationship and participation in the multinational retailer's supply chain throughout the internationalisation process



## **Government/ Policy makers**

For the policy makers, regulators and government authorities, this research study provides a view of what influences the decisions by multinational retailers when outsourcing their logistics capabilities to 3PLs. This view will provide insights on how to structure localisation strategies to support and enhance SMMEs' participation in the supply chain of multinational retailers while striking a balance that will also allow multinational retailers to benefit from their scale and not hinder their internationalisation goals of profit growth, economies of scale and competitive advantage.

### **7.5: Limitations of the research**

The primary limitations of the research have been outlined in Chapter four. The claims made in this research study remain tentative and unsubstantiated against other emerging markets as the scope was limited to multinational retailers operating in South Africa. This research study was also limited to 10 multinational retailers and only focussed on the retail sector thus did not provide a cross sectional approach. The research study could not analyse the internationalisation stages over a longer period due to the constraints of time imposed by the due date for this research project.

### **7.6: Suggestions for future research**

A suggestion for future research would be to perform a longitudinal study to explore closely the changes throughout the internationalisation stages to test the progression between the stages as well as test the sequential or non sequential transition between the stages. A further potential research study could consider increasing the participant pool to include other sectors outside of retail in order to understand the cross sectoral applicability of the theory and findings. further research can be conducted to measure whether the claimed drivers and barriers were effective in enhancing the participation of SMMEs in the supply chain.

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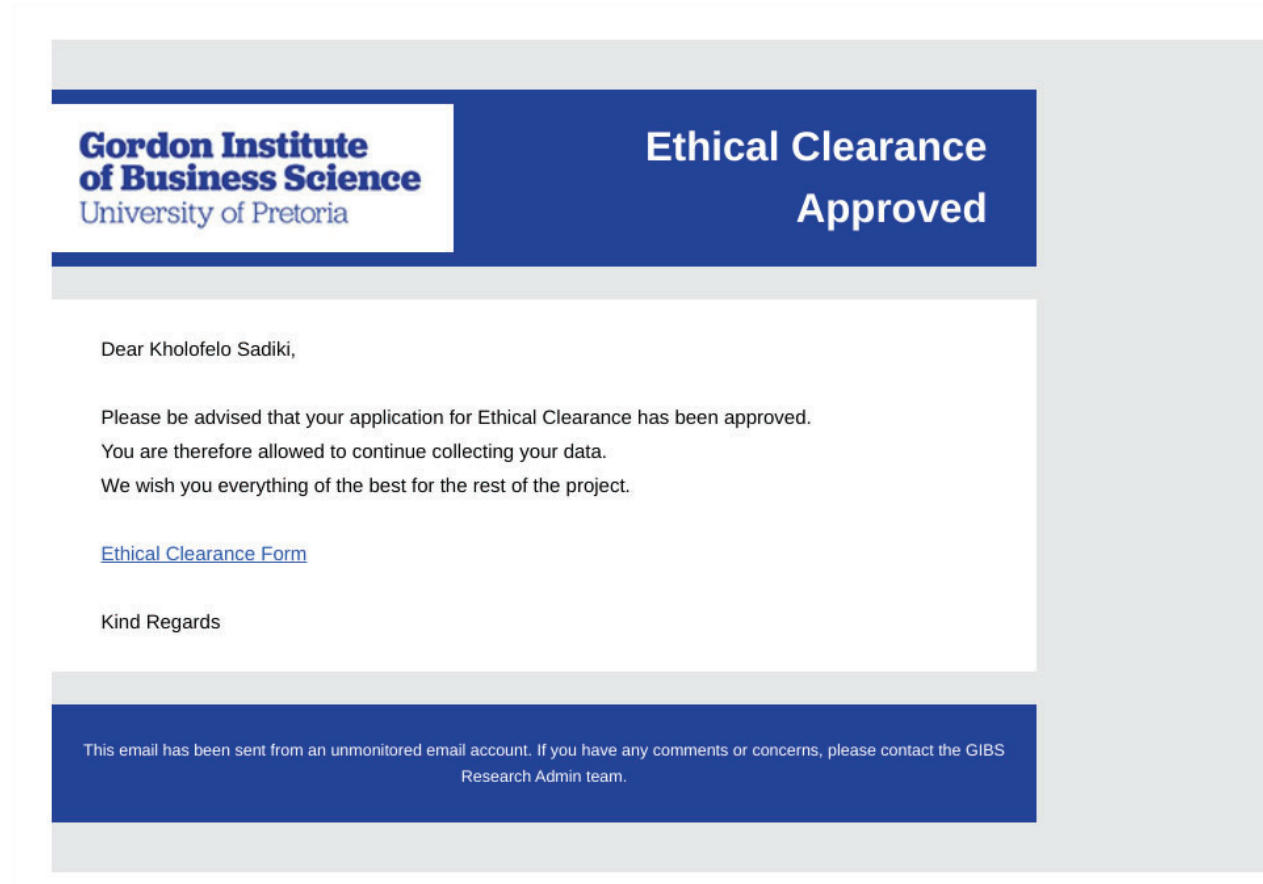
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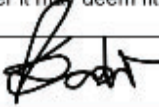

## APPENDICES

### Appendix 1: GIBS ethical clearance approval



## Appendix 2: Copyright form

### 19.1 COPYRIGHT DECLARATION FORM

Student details			
Surname:	Sadiki	Initials:	KM
Student number:	20820446		
Email:	20820446@mygibs.co.za		
Phone:	0718769030		
Qualification details			
Degree:	Mphil IB	Year completed:	2022
Title of research:	Drivers and barriers of logistics capabilities outsourcing to South African SMMEs by multinational retailers during the internationalisation stages		
Supervisor:	Supervisor: Bev Waugh		
Supervisor email:	Bev.waugh1@gmail.com	Supervisor: Bev Waugh	
Access			
A.	My research is not confidential and may be made available in the GIBS Information Centre and on UPspace.		
I give permission to display my email address on the UPspace website			
Yes	X	No	
B.	My research is confidential and may <b>NOT</b> be made available in the GIBS Information Centre nor on UPspace.		
Please indicate embargo period requested			
Two years		Please attach a letter of motivation to substantiate your request. Without a letter embargo will not be granted.	
Permanent		Permission from the Vice-Principal: Research and Postgraduate Studies at UP is required for permanent embargo. Please attach a copy permission letter. Without a letter permanent embargo will not be granted.	
Copyright declaration			
I hereby declare that I have not used unethical research practices nor gained material dishonesty in this electronic version of my research submitted. Where appropriate, written permission statement(s) were obtained from the owner(s) of third-party copyrighted matter included in my research, allowing distribution as specified below.			
I hereby assign, transfer and make over to the University of Pretoria my rights of copyright in the submitted work to the extent that it has not already been affected in terms of the contract I entered into at registration. I understand that all rights with regard to the intellectual property of my research, vest in the University who has the right to reproduce, distribute and/or publish the work in any manner it may deem fit.			
Signature:			Date: 25 November 2022
Supervisor signature:			Date:

### Appendix 3: Certificate of additional support

(Additional support retained or not - to be **completed by all students**)

**Please note that failure to comply and report on this honestly will result in disciplinary action**

I hereby certify that (please indicate which statement applies):

- **I DID NOT RECEIVE** any additional/outside assistance (i.e. statistical, transcriptional, and/or editorial services) on my research report:

.....

- **I RECEIVED** additional/outside assistance (i.e. statistical, transcriptional, and/or editorial services) on my research report

.....

If any additional services were retained— **please indicate below which:**

- Statistician**
- Transcriber**
- Editor**
- Other (please specify) .....**

**Please provide the name(s) and contact details of all retained:**

NAME: .....

EMAIL ADDRESS: .....

CONTACT NUMBER: .....

TYPE OF SERVICE: .....

NAME: .....

EMAIL ADDRESS: .....

CONTACT NUMBER: .....

TYPE OF SERVICE: .....

NAME: .....

EMAIL ADDRESS: .....

CONTACT NUMBER: .....

TYPE OF SERVICE: .....

**I hereby declare that all *statistical write-ups and thematic interpretations of the results for my study* were completed by myself without outside assistance**

NAME OF STUDENT: Kholofelo Moremadi Saiki  
.....

SIGNATURE:   
.....

STUDENT NUMBER: 20820446  
.....

STUDENT EMAIL ADDRESS: 20820446@mygibs.co.za  
.....

## **Appendix 4: Semi Structured Interview guide**

### **Company Overview**

1. Briefly describe the business.
  - 1.1. History and current situation.
  - 1.2. Products and services.

### **About Internationalisation**

2. What was the starting point for your internationalisation?
  - 2.1. What is the main driving force?
  - 2.2. Who or what is driving the company's internationalisation?
3. Does the company have experience with internationalisation in the past?
  - 3.1. Who has that knowledge within the company?
  - 3.2. What does the expansion plan look like today?

### **The establishment of a new foreign market**

4. Is there documentation regarding the establishment process for foreign markets?
5. Is physical business or online business established first?
6. What phases does the establishment process consist of?
  - 6.1. Which individuals were included in each phase and describe their role/task?
  - 6.2. How long did the establishment process take in total? Is it possible to estimate how long the different phases were?
  - 6.3. Has the establishment process changed since the first foreign establishment?
  - 6.4. How does the establishment of new stores differ at home and abroad?
  - 6.5. Was external support received in the form of individuals/organisations/networks with experience of the foreign market?
    - 6.5.1. Which phases did you have external support for?
    - 6.5.2. What did you get help with?
7. What are the most important decision points in the establishment process?
  - 7.1. When do these decision points in the establishment process take place?
  - 7.2. Who in the company makes these decisions?
  - 7.3. Where in the hierarchy are these decisions made?

8. What have been important prerequisites to enable the establishment process?
9. What are the most important lessons from the previous establishment process?

### **About logistics operations**

10. Describe the flow of finished products (from the central warehouse) to the foreign market?
  - 10.1. Does the company handle all of its logistics or are parts handled by an external party?
    - 10.1.1. Which parts of the logistics are handled by an external party?
    - 10.1.2. What is the motivation for using external parties?
    - 10.1.3. Who is involved in the decision making process for using external parties?
  - 10.2. Is there a manager who is responsible for the logistics operations as a whole?
  - 10.3. Are planning tools available?

### **The role of logistics in internationalisation**

11. Describe the role of logistics in the internationalisation process?
12. How does logistics support the strategic decisions, such as a new establishment and expansion in foreign markets?
13. Is logistics considered an important parameter when choosing a market?

### **Selection of logistics partners/companies/providers/suppliers**

14. Is there documentation regarding the selection of logistics partners for foreign markets?
  - 14.1. What is the process followed when selecting logistics partners? (What is involved and how does it work?)
  - 14.2. Who is involved in the selection process?
  - 14.3. Who is the decision maker in the selection process?
  - 14.4. Is this process the same for home and foreign markets?
  - 14.5. Is this process the same for all logistics partners including those that are SMMEs?
15. What is the criteria used for selecting logistics partners?
  - 15.1. Who is involved in setting the selection criteria?
  - 15.2. Who is involved in reviewing the selection criteria?
  - 15.3. Who is involved in approving the selection criteria?

- 15.4. Is this criteria the same for home and foreign markets?
- 15.5. Is this criteria the same for all logistics partners including those that are SMMEs?
- 16. When selecting logistics partners, is there any other preference/criteria, not stipulated in the selection criteria that is used?
  - 16.1. What is the reason for this preference/criteria?
  - 16.2. Why is this preference/criteria not stipulated in the selection criteria?
  - 16.3. When selecting logistics partners that are SMMEs, is there any other preference/criteria, not stipulated in the selection criteria that is used?