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Logistics service providers in the supply chain **Operatorzy logistyczni w łańcuchu dostaw**

Streszczenie: Obecnie główny problem związany z zarządzaniem łańcuchem dostaw (SCM) dotyczy tworzenia długoterminowych, trwałych relacji pomiędzy przedsiębiorstwem i innymi uczestnikami łańcucha dostaw. Strategiczne partnerstwo jest kluczowym czynnikiem efektywności biznesu. Rynek zintegrowanych usług w sferze SCM rozwija się gwałtownie, a same te usługi stają się coraz bardziej złożone. Rosnący rynek powinien zaowocować innymi modelami strategicznego zachowania dostawców usług logistycznych. Jednym z tych modeli jest partnerstwo. Dzisiejsza prasa często donosi o kreacji „partnerstwa logistycznego”. W tym kontekście logistyka jest rozumiana jako dziedzina o strategicznym znaczeniu i źródło przewagi konkurencyjnej, kiedy to uczestnicy łańcucha dostaw kooperują ściśle nie tylko z dostawcami i konsumentami, lecz także z innymi operatorami usług logistycznych.

Słowa kluczowe: strategiczne partnerstwo, rynek zintegrowanych usług, outsourcing logistyczny, partnerstwo logistyczne

Abstract: The main current focus of supply chain management (SCM) is the creation of long-term, mutually beneficial relationships between a company and other participants in the supply chain. Strategic partnerships are a key factor in the effectiveness of the business of a company as a whole. The market of integrated services in the SCM sphere is developing rapidly, and these services themselves are becoming more complex. A growing market should offer different models of strategic behaviour by suppliers of logistics services. One of these models is that of partnerships. Industry journals and press releases today often report the creation of “logistics partnerships”. In this context, “logistics” is understood as a sphere of strategic importance and the source of competitive advantages, where supply chain participants cooperate closely not only with their suppliers and consumers, but also with providers of logistics services.

Keywords: strategic partnerships, the market of integrated services, logistics outsourcing, logistics partnerships

A partnership is a type of relationship between companies that can have very different forms, from simple deals to the arm's length principle to complete verticale integration¹. In the context of logistics, researchers have proposed different partnership models, as shown by the author in table 1.

Bagchi and Virum differentiated between simple outsourcing and 3PL services (agreements with the seller on the provision of one or more ser-

¹ Webster F.E., The changing role of marketing in the Corporation // Journal of Marketing, № 56 (4), 1992. – P. 1-17.

vices), and logistics partnerships (comprehensive agreements on the provision of a wide or complete range of logistics services on a long-term basis)². Although logistics outsourcing is widely covered in the literature (e.g. Razzaque and Sheng³, Wong et al.⁴), there has not been sufficient research done on the strategic aspects of logistic partnerships in real business practice. Some practical research has been done on logistics partnerships, but this research was focused on operational factors (e.g. Gibson et al.⁵; Lu⁶).

Table 1. Types of partnerships and forms of cooperation

Author(s)	Partnership type	Form of cooperation
Cooper and Gardner	Typical relations (deals) with small accounts	Sellers at a national level – small accounts (partners)
Hagedorn	Strategic alliance	Joint ventures, joint academic research, technology exchange
Wood et al.	Repeat purchases	Partnership agreement – agreement about 3PL logistics services – agreement about comprehensive services
KPMG	Outsourcing (the purchase of logistics services)	3PL logistics services – 4PL logistics services
Coyle et al.	Strategic union	Supplier – partner

Source: compiled by the author.

As relationships develop, moving from individual deals to full integration, more and more elements of partnership appear, although it is difficult to determine a specific number of clearly-defined levels of partnership⁷. In the context of this research, the term “partnership” can refer to a certain stage on the path to integration or to the organizational structure with the same name (such as 4PL logistics services or joint venture), as well as to a variety of possible types of relations between companies. Some authors (Cooper M.C.; Knemeyer A.M.; Lambert D.M.) do not concede the existence of a single perfect form of partnership that would be equally appropriate for all situations. Shippers may be reluctant to form stable strategic partnerships, as they are concerned about the risk of losing direct control over the organization of shipments, the level of logistics service provided, the real cost of using the provider, and are in general worried about making changes to the

² Bagchi P.K., Virum H., Logistics alliances: trends and prospects in integrated Europe // *Journal of Business Logistics*, № 19 (1), 1998. – P. 191-213.

³ Razzaque M.A., Sheng C.C., Outsourcing of logistics functions: a literature survey // *International Journal of Physical Distribution & Logistics Management*, № 28 (2), 1998. – P. 89-107.

⁴ Wong Y., Maher T.E., Nicholson J.D., Gurney N.P., Strategic alliances in logistics outsourcing // *Asia Pacific Journal of Marketing and Logistics*, № 12 (4), 2000. – P. 3-21.

⁵ Gibson B.J., Rutner S.M., Keller S.B., Shipper-carrier partnership issues, ranking and satisfaction // *International Journal of Physical Distribution and Logistics Management*, № 32 (8), 2002. – P. 669-681.

⁶ Lu C.-S., The impact of carrier service attributes on shipper-carrier partnering relationships: a shipper's perspective // *Transportation Research, Part E*, № 39, 2003. – P. 399-415.

⁷ Knemeyer A.M., Corsi T.M., Murphy R.R., Logistics outsourcing relationships: customer perspectives // *Journal of Business Logistics*, № 24 (1), 2003. – P. 77-109.

traditional methods of doing business⁸. What is more, managers responsible for logistics in transport companies may see strategic partnerships as a threat to their careers.

Published research, as a rule, is focused on examples of successful logistics partnerships, and rarely examines failures and their causes. Lambert has suggested that the most important cause in the failure of partnerships is the inability to create the correct model for the development of partner relations, and stated that many relationship models allow for an identical structure for all partnerships. For example, while managers correctly identify the necessity of outsourcing, they frequently make incorrect decisions when choosing the specific type of partnership or level of integration. Some reasons for unsuccessful partnerships are incompatible organizational structures, lack of trust and communication, and imbalanced authority, leading to unequal participation and distribution of responsibility between partners⁹.

There is no unanimous opinion in the literature on the concept of strategic partnership. Some believe that a logistic partnership entails the strategic as well as operational coordination of activity to a greater or lesser extent¹⁰. Mentzer et al stated that there is no single set of criteria differentiating the structure of strategic partnerships from other types of partnership¹¹. In the literature on strategy, long-term and short-term prospects are often discussed when differentiating between strategic and operational directions, respectively. Bask defined a logistics partnership as a relationship where the logistics provider is responsible for an assortment of logistics services, from standard services to those taking into account the needs of the client, "in more short-term or more long-term relationships, with the goal of achieving efficiency and productivity¹²". However, the term "long-term partnership" does not automatically indicate strategic relations. A shipper may trust their partner on the basis of experience, and thus be prepared to purchase services on a continual basis over a long period. Therefore, the term "short-term" does not clearly describe the length of a partnership that may consist of a long, continuous series of short-term activities. In contrast, strategic partnership must mean that the shipper is prepared to cover the costs of putting the partnership into action or of making adjustments in order to receive long-term gains.

⁸ Lambert D.M., Emmelhainz M.A., Gardner J.T., Developing and implementing supply chain partnership // *The International Journal of Logistics Management*, № 7 (2), 1996. – P. 1-17.

⁹ Bowersox D.J., The Strategic benefits of logistics alliances // *Harvard Business Review*, № 68 (4), 1990. – P. 36-45.

¹⁰ Lambert D.M., Stock J.R., *Strategic Logistics Management*, 3rd edit. Boston, Irwin, 1993.

¹¹ Mentzer J., Min S., Zacharia Z.G., The nature of interfirm partnering in supply chain management // *Journal of Retailing*, № 76 (4), 2000. – P. 549-568.

¹² Bask A.H., Relationships among TPL providers and members of supply chains: a strategic perspective // *Journal of Business & Industrial Marketing*, № 16 (6/7), 2001. – P. 470-486.

On an operational level, successful relations between the shipper and the logistics provider are described in the literature by the following criteria¹³:

- A focus on operational efficiency and productivity,
- Decrease of delay is the main driving force,
- The logistics provider is an assistant, not an addition to the shipper, carrying out one or more functions in the organization of shipments,
- The logistics provider is responsible for the tasks and goals set by the shipper to ensure productivity,
- The unified coordination of work and planning is carried out in limited amounts, without joint participation in strategic initiatives.

Partnerships go from operational to strategic, according to the criteria, developing from the coordination of activity to the integration of activity¹⁴. Such activity usually includes the choice of the type of transport, management of the supply of materials and technical equipment, the physical arrangement of stock and payment for transport¹⁵. A wider acknowledgment of the integration of the logistics chain significantly increases the importance of strategy in logistics¹⁶.

On a strategic level, logistics partnerships can differ in the following characteristics:

- Long-term professional interest.
- Continual improvement of cooperation in terms of reducing expenditure or differentiating services.
- Total integration on a strategic level with joint planning groups.
- The logistics provider is seen as a part of the expanded work of the shipper
- The logistics provider plans, develops, and implements a logistics strategy and system of shipping
- The logistics provider runs operational, tactical, and strategic activity, and makes decisions regarding the logistics process.

New terminology has been introduced to define strategic logistics partnerships. KPMG suggested that a real strategic partnership was one which gave the shipper and logistics provider the possibility to make signifi-

¹³ Gibson B.J., Rutner S.M., Keller S.B., Shipper-carrier partnership issues, ranking and satisfaction // *International Journal of Physical Distribution and Logistics Management*, № 32 (8), 2002. – P. 669-681; Hagedoorn J., Understanding the rationale of strategic technology partnering: Interorganizational modes of cooperation and sectoral differences // *Strategic Management Journal*, № 14, 1993. – P. 371-385; House R.G., Stank T.R., Insights from a logistics partnership // *Supply Chain Management: An International Journal*, № 6 (1), 2001. – P. 16-20.

¹⁴ Lambert D.M., Emmelhainz M.A., Gardner J.T., Developing and implementing supply chain partnership // *The International Journal of Logistics Management*, № 7 (2), 1996. – P. 1-17.

¹⁵ KPMG. Transportation and Distribution // *Outsourcing logistics: Status, issues and trends in partnerships*, 2000. (http://www.bearingpoint.de/media/industries_infrastructure_services/outsourcing_logistics_rotterdam.pdf)

¹⁶ Brewer A.M., Hensher D.A., Identifying the overarching logistics strategy of business processes: an exploratory analysis // *International Journal of Logistics: Research and Applications*, № 4 (1), 2001. – P. 1-41.

cant improvements throughout the logistics chain¹⁷. When a shipper creates a logistics partnership with an operator of logistics services, the resources, capabilities, and key competencies of both partners are joined together to satisfy their mutual interests. Mentzer et al. write that being more competitively qualified is more likely to be the result of a strategic rather than operational partnership¹⁸. To achieve operational efficiency and productivity, more shippers are copying the logistics initiatives of other freight companies. As a result, the gains achieved through an operational partnership only bring companies competitive parity, with average financial results.

Täte believes that companies will need to create long-term strategic partnerships to survive and flourish in modern economic conditions¹⁹. Logistics providers gain advantage when offering strategic partnerships, since at the operational level, the danger of commoditization always exists²⁰. This is where effective services are comparable with a commodities market (e.g. oil, sugar, grain, etc.), because there is minimal difference between products or services of various providers, and therefore profits are greatly reduced.

Panayides suggested that the "differentiation and consolidation of non-material company assets²¹", in conjunction with carefully considered market positioning, are much more effective strategies for logistics companies than competition through reducing expenditure and prices.

One type of partner relationship well represented on the logistics services market is the strategic alliance. Strategic alliances are characteristic of the logistics services market in developed countries²². Over the last ten years, the business world has assumed a global scale, and today, fast economic or technological growth, as well as the rapid development of a large amount of competencies, is difficult. To achieve this type of growth, many companies seek different forms of partnership in order to increase their productivity. Traditional strategies of organic growth and diversification have been replaced by different partnership agreements: many see strategic alliances as the driving force behind sustainable competitive advantage in the long-term, and they have become a popular form of partnership in the last ten years.

¹⁷ KPMG. Transportation and Distribution // Outsourcing logistics: Status, issues and trends in partnerships, 2000.

(http://www.bearingpoint.de/media/industries_infrastructure_services/outsourcing_logistics_rotterdam.pdf)

¹⁸ Mentzer J., Min S., Zacharia Z.G., The nature of interfirm partnering in supply chain management // *Journal of Retailing*, № 76 (4), 2000. – P. 549-568.

¹⁹ Täte K., The elements of successful logistics partnership // *International Journal of Physical Distribution & Logistics Management*, № 26 (3), 1996. – P. 7-13.

²⁰ Auray R.R., Building bridges: relationship management is the new core competency // *White Paper USCO Logistics*, 2000. (www.usco.com/pdf/USCO_WP_Relationships.pdf)

²¹ Panayides Ph. M., Logistics service providers: an empirical study of marketing strategies and Company Performance // *International Journal of Logistics: Research and Applications*, № 7 (1), 2004. – P. 1-15.

²² Laarhoven P., Sharman P., Logistics alliances: the European experience // *The McKinsey Quarterly*, № 1, 1994. – P. 39-49.

It is important to understand what a strategic alliance actually is. Many different definitions can be found in literature. Das and Teng give a short and clear definition: *Strategic alliances refer to interfirm cooperative arrangements aimed at pursuing mutual strategic objectives*²³. Czinkota and Ronkainen propose a similar definition: "...an informal or formal arrangement between two or more companies with a common business objective"²⁴.

Mohr and Spekman provide a different definition: *Strategic alliances can be defined as purposive strategic relationships between independent firms that share compatible goals, strive for mutual benefits and acknowledge a high level of mutual dependence*²⁵. Other authors (Harrigan K.R.; Lei D., Slocum J.W.) give similar definitions, stressing cooperation between two or more partners that make joint efforts to achieve common strategic goals. This is the unifying factor in the definitions included above, although they consider the issue from different angles, focusing on different aspects relating to the industry or the type of strategic alliance.

Devlin and Bleackley differentiate between old, non-strategic alliances and the new trend of strategic alliances with the following statement: *Strategic alliances take place in the context of a company's long-term strategic plan and seek to improve or dramatically change a company's competitive position*²⁶.

There are a variety of relationship types in business today. Many of these are casual in nature and are unlikely to change the competitive position of the company involved. Recently, cooperative arrangements of a different nature have begun to appear in greater numbers. These are strategic alliances aimed at securing, maintaining, or improving the competitive advantages of a company. In contrast to other types of relationships, they play an important role in strategic management and the future direction of company business. Technology swaps, research and development exchanges, distribution, marketing, and manufacturer-supplier relationships are prevalent in most business sectors.

Hagedoorn differentiates between organizational means of cooperation with relatively strong methods of inter-organizational management, and contractual agreements. In the first group, he includes relationships like joint ventures, research corporations, and minority investments. In the second, he places such arrangements as joint research and development agreements, technology exchange agreements, customer-supplier relationships, and examples of one-way technology flow.

²³ Das T.K., Teng B.S., Sustaining strategic alliances: Options and guidelines // *Journal of General Management* 22, № 4, 1997.

²⁴ Czinkota M.R., Ronkainen I.A., *International Marketing*. 5th edition, Dryden Press, New York, 1998.

²⁵ Mohr J., Spekman R., Characteristics of partnership success: Partnership attributes, communication behavior, and conflict resolution techniques // *Strategic Management Journal*, № 15, 1994. – P. 135-152.

²⁶ Devlin G., Bleackley M., Strategic alliances - guidelines for success // *Long Range Planning* 21, № 5, 1988. – P. 18-23.

Hagedoorn calls joint ventures and research corporations “combinations of the economic interests of at least two separate companies in a distinct firm, profits and losses are usually shared according to equity investment²⁷”. He defines minority investments as cooperation which can influence the performance of at least one partner.

Table 2. The relationship between types of cooperation and their strategic content (“-“ insignificant relevance, “+” growing relevance)

	Joint ventures, research corporations	Joint R&D	Technology exchange
<i>Cost saving</i>	-	-	+++
<i>Mixed strategy</i>	-	+	+
<i>Long-term positioning</i>	++++	+++	-
...Cont...			
	Direct investment	Customer-supplier relationships	One-way technology flow
<i>Cost saving</i>	-	+++	+++
<i>Joint strategy</i>	+	+	+
<i>Long-term positioning</i>	+++	-	-

Source: Hagedoorn J. Understanding the rationale of strategic technology partnering: Interorganizational modes of cooperation and sectoral differences // Strategic Management Journal, № 14, 1993. – P. 371-385.

Arrangements on joint research are joint agreements on research and also on development, as a result of which joint ventures are created to carry out research projects using the combined resources of the parties involved. Technology agreements consist of agreements on the joint use of technology, exchange of licences, and the joint issuance of licences on existing technology. Finally, there are examples of the one-way flow of technology, such as the issuance of licences and licence agreements.

Hagedoorn separates types of corporations that are more strategically motivated, and those that have more short-term prospects and require less expenditure. Typical strategic relationships include joint research enterprises and research corporations, agreements on joint research, and investment in shares.

In a globalized business environment, all the major players of any given industry are competitors, regardless of their location. Satisfying the

²⁷ Hagedoorn J., Understanding the rationale of strategic technology partnering: Interorganizational modes of cooperation and sectoral differences // Strategic Management Journal, № 14, 1993. – P. 371-385.

needs of customers is the key, regardless of the source of technology. In order to remain competitive today, a company needs technology and skills from external sources. Using an alliance to gain new technology or skills is not a form of trickery. That is the main point, according to Hamel, Doz and Prahalad²⁸. Developing new products and exploiting new markets requires such expenditure that only a few companies can do these things independently.

Alliances are important, even necessary, instruments for customer service in a global environment²⁹. An example of this is the British pharmaceutical company Glaxo, which did not want to develop a complete business system in each country where it operated, but set up alliances with partners in Japan in order to exchange top medications and concentrate resources on their existing European network. This is one example of the value of alliances.

Hagedoorn studied a large number of publications regarding the motives for entering into strategic alliances. He found that these motives could be divided into three main groups. The first were motives connected with the sharing and advancement of research. Some motives included in this group are connected to the complex or intersectoral nature of new technology. For example, more and more ties are forming between the fields of chemistry, physics, and electronics, as well as computer science and the technology of production processes. Other motives relate to the necessity of controlling the evolution of technology in order to evaluate technological synergies and relevant skills and technologies. Another segment of motives in this group are those related to reducing, minimizing, and sharing costs and uncertainty related to research and development. As the business world grows more competitive, so does expenditure on necessary R&D. The literature contains examples of expenditure on high-tech research and on the development of advanced systems for telecommunications and aerospace research³⁰.

The second group of motives is connected with innovative projects in a joint activity. One of these motives could be the possibility of secretly acquiring certain capabilities, knowledge, or technology of the other partner. In that case, their joint work is more a cover for the swift acquisition of innovative capacities belonging to another firm. At least one of the partners has a hidden agenda for its participation in the alliance. On the other hand, the approved transfer of technology from one party to another can also be a motive to enter into an alliance. Another motive is the reduction of the total duration of a product life cycle and the reduction of the period between the creation of a product and its introduction to the market.

²⁸ Hamel G., Doz Y.L., Prahalad C.K., Collaborate with your competitor and win // *Harvard Business Review*, Jan.-Feb., 1989.

²⁹ Ohmae K., The global logic of strategic alliances // *Harvard Business Review*, Mar.-Apr., 1989. – P. 143-154.

³⁰ Hagedoorn J., Understanding the rationale of strategic technology partnering: Interorganizational modes of cooperation and sectoral differences // *Strategic Management Journal*, № 14, 1993. – P. 371-385.

The third group of motives is connected with market access and the search for opportunities. One motive is the opportunity for market entry through joint monitoring of changes in market conditions. Internationalization, globalization, and entering external markets are also important motives for companies that do not have the economic control, competence, or experience for independent action.

Another literature source that deals with driving factors behind strategic alliances is Brown and Pattinson. They observe that the globalization of industries and organizations appears to move strategic mindsets towards considering strategic alliances³¹. Some of the driving factors they found, which are not already mentioned, are pooling to gain operational economies of scale and diversification. Strategic alliances are often seen as a more effective diversification strategy than the traditional conglomerate approach.

Probably the greatest stimulus to alliance formation has been the emergence of global competitors and those corporations wishing to become global. Globalization mandates alliances, and makes them essential to strategy³². The simultaneous developments known as globalization make alliances necessary.

Another driving factor, partly mentioned above, is the rapid pace of technological development and innovation, and the increasingly high costs of the research and development associated with it³³. Today's products rely on so many different technologies that most companies can no longer keep all the relevant technologies in-house. Companies have to rely on a certain number of external vendors and suppliers. Vendors want to sell their products to as many customers as possible. As a result, they will try to sell them to as wide a range of customers as possible. The inevitable result is the rapid dispersion of technology. That means that no one can keep all critical technologies out of the hands of competitors around the world³⁴. A company that develops a state of the art component for their own purpose can normally sell many times the volume to other companies. This generates cash flow, lowers unit costs, and builds up the experience needed to push the technology still further. The technology becomes generally available, making time even more critical. Nothing stays proprietary for long, and no company can master everything. Therefore, if a company is operating globally, within a big industry comprised of many competitors, it has to work with partners. Globally competing companies have to be in all important markets simultaneously if they are going to keep competitors from establishing competing positions. Companies need partners and alliances to manage this.

³¹ Brown L., Pattinson H., Information technology and telecommunications: impact on strategic alliance formation and management // *Management Decision* 33, № 4, 1995.

³² Ohmae K., The global logic of strategic alliances // *Harvard Business Review*, Mar.-Apr., 1989. – P. 143-154.

³³ Devlin G., Bleackley M., Strategic alliances - guidelines for success // *Long Range Planning* 21, № 5, 1988. – P. 18-23.

³⁴ Ohmae K., The global logic of strategic alliances // *Harvard Business Review*, Mar.-Apr., 1989. – P. 143-154.

Another driving factor that should not be forgotten is the fashion and fear motives³⁵. When companies see their competitors forming alliances, they will do the same. A good example is Mitsubishi Motors (Japan) and its alliance with Hyundai Motors (South Korea). One of the motives for Mitsubishi for forming this alliance was to block any potential alliance between Hyundai and one of Mitsubishi's Japanese competitors.

As already mentioned, time is a critical factor. Alliances can provide shortcuts for companies striving to quickly improve their production efficiency and quality control. This is often seen as a motive for Western companies to form alliances with Asian companies with excellent manufacturing skills.

Even if strategic alliances are a way of meeting new challenges and the growing competition in the business world, there are many pitfalls, and a very high percentage of strategic alliances fail. Problems associated with different management styles, cultures, operational practices, and degrees of control, are often the reasons given to explain why many companies do not achieve the potential advantages of strategic alliances³⁶.

"A real alliance compromises the independence of the economic actors, and managers do not like that³⁷". For managers, management means total control. Alliances mean sharing control. In a continuously changing world with rapidly spreading technology and growing protectionism, this fear of losing control could cause problems.

Ohmae explains what he calls the dangers of equity. When equity enters the picture, everyone starts to worry about control and return on investment. A company's equity can be bought, and with that control over the company, but one cannot buy the mind and the spirit or the initiative of its people. This need for control is deeply rooted, at least in the Western world. This often results in attitude problems that prevent the development of inter-company management skills, which are critical for success in today's global business environment. Managers must overcome the common misconception that total control increases the chances of success. According to Ohmae, it is not possible to manage a global company through control. Control is the appropriate method when everything else fails and the manager is willing to risk the demoralization of workers and managers.

Contracts can only reflect an understanding of costs, markets, and technologies at the moment companies sign them. When things change, and they always do, the partners do not really try to compromise and adjust. They are not skilled at managing the changes.

Another problem is that companies tend to undervalue personal relationships. Legal contracts are important, but the vitality of the alliance dwells in the relationship that develops between operating managers. Although

³⁵ Devlin G., Bleackley M., Strategic alliances- guidelines for success // Long Range Planning 21, № 5, 1988. – P. 18-23.

³⁶ Devlin G., Bleackley M., Strategic alliances- guidelines for success // Long Range Planning 21, № 5, 1988. – P. 18-23.

³⁷ Ohmae K., The global logic of strategic alliances // Harvard Business Review, Mar.-Apr., 1989. – P. 143-154.

there are examples of alliance partners behaving in an opportunistic manner and not really being in the alliance for the long term, Ohmae states that "nine times out of ten, you want to stay in the alliance if you can"³⁸. This is because there are enormous costs and risks in organizing distribution, logistics, manufacturing, sales and R&D in every key market around the world. It takes time to build skills in people and develop good relations with vendors and customers³⁹.

Many alliances fail, for numerous different reasons. There is no absolute step-by-step guide to creating successful alliances. However, the literature does describe several guidelines or criteria for building successful strategic partnerships.

Hamel, Doz and Prahalad have spent a lot of time studying strategic alliances. They did not judge the success or failure of an alliance by its longevity, which they think is a common mistake when evaluating strategic alliances, but by the shifts in competitive strength for each partner⁴⁰.

Cooperation between organizations is based on the growing level of awareness that no one firm can have all the capabilities, resources, or services needed to achieve their goals of meeting logistics demands⁴¹. A logistics alliance can involve customers and third-party logistics providers (a vertical alliance) or different third-party logistics providers (a horizontal alliance).

The concept of a vertical logistics alliance can be described as "long-term formal or informal relationships between a shipper and a logistics provider covering all or a considerable number of logistics activities for the shipper. The shipper and the logistics provider see themselves as long-term partners in these arrangements"⁴². In other words, this is a comprehensive partnership entailing a wide or complete range of products and services. A vertical alliance implies the planning and control over inbound and outbound freight flows of goods in a logistics network. Improvement is sought in the level of services, inventory management, and order processing⁴³.

European firms, particularly in the U.K., Scandinavia and the Netherlands, have been using vertical alliances for many years⁴⁴. They are employed more often now due to the restructuring involved in the transfer of production sites and logistics outsourcing. The more well-developed the ap-

³⁸ Ohmae K., The global logic of strategic alliances // Harvard Business Review, Mar.-Apr., 1989. – P. 143-154.

³⁹ Wolff M., Building Trust in Alliances // Research-Technology Management, May, 1994.

⁴⁰ Hamel G., Doz Y.L., Prahalad C.K., Collaborate with your competitor and win // Harvard Business Review, Jan.-Feb., 1989.

⁴¹ Gebrekidan D.A., Awuah G.B., Interorganizational cooperation: a new view of strategic alliances. The case of Swedish firms in the international market // Industrial Marketing Management, № 31, 2002. – P. 679-693.

⁴² Bagchi P.K., Virum H., Logistics alliances: trends and prospects in integrated Europe // Journal of Business Logistics, № 19 (1), 1998. – P. 191-213.

⁴³ Cooper J., Peters M., Lieb R.C., Randall H.L., The third-party logistics industry in Europe: provider perspectives on the industry current status and future prospects // International Journal of Logistics: Research and Applications, № 1 (1), 1998.

⁴⁴ Bagchi P.K., Virum H., Logistics alliances: trends and prospects in integrated Europe // Journal of Business Logistics, № 19 (1), 1998. – P. 191-213.

proach to supply chain management is in a sector, such as the automobile, agricultural, or retail industries, the more vertical logistics alliances will be used: of the 210 long-term contracts established between customers and 3PLs in Europe from 1993-2003, 56 were related to retail, 46 to food retailers, and 32 to the automotive sector⁴⁵. Some important examples of vertical logistics alliances, which allow 3PLs to devel their services and products offered and market coverage are shown in table 3.

Stone emphasizes the opportunistic or “piggyback” route for international expansion used by 3PLs in the U.K., wherein they follow the expansion of an existing customer as a form of logistics alliance⁴⁶. The customer enters the international market, “encouraging” the 3PL to follow, creating an unplanned opportunistic strategy for international expansion. Logistics service from 3PLs reduces the risks connected to a more cautious international strategy, through the support received from the more qualified customer. Nonetheless, this strategy entails such risks for the 3PLs as loss of control over their strategic development due to their dependence on the customer.

Table 3. Major vertical logistics alliances in Europe in the sphere of SCM

Companies in the alliance	Goal of the vertical alliance
T&B and Carrefour	T&B strengthened its position in Europe by extending a contract with Carrefour to get a distribution center for large stores in Spain.
TNT Logistics and Arvil	They organized a joint venture enabling TNT to become the exclusive FIAT supplier.
Danzas AEI and Roche Pharma Suisse	They extended their intercontinental contract on control over the supply chain, adding Roche air and sea transport from Switzerland and Europe to Argentina, Brazil, and Mexico.
Exel Logistics and BIC UK	They reinforced their agreement on supply chain management when Exel took over distribution in Ireland and the U.K. for BIC.
TDG and Arjo Wiggins	They created an alliance based on a multi-country contract to assist the European growth of the customer.
Gerodis and Philips Consumer Electronics	They agreed a five-year contract for supply chain management in Europe
Norbert Dentressangle and Hewlett-Packard (HP)	They signed a partnership agreement on warehousing services and post-manufacturing services.
T&B and Henkel	They concluded a seven-year contract, according to which T&B agreed to distribute finished products in Poland, which strengthened T&B's position in Central and Eastern Europe.
Danzas and Kellogg's	Danzas agreed to provide Kellogg's with global warehousing and distribution services for organizations in Michigan (U.S.), Mexico, and the U.K.

Sources: annual reports, specialized press.

⁴⁵ Carbone V., Le role des prestataires logistiques en Europe. Integration des chaines et alliances logistique. Unpublished Ph.D. thesis, Ecole Nationale des Ponts et Chaussée, Paris, 2004.

⁴⁶ Stone M.A., European expansion of UK third-party logistics service providers // International Journal of Logistics: Research and Applications, № 4 (1), 2001. – P. 97-115.

For example, in the 1990s Marks and Spenser (M&S) gave the impetus for Exel Logistics, Christian Salvesen, T&B, and Hays to enter the European market by starting to work in France, Spain, Germany, and Belgium. Later, in the 2000s, M&S pulled back from Europe, causing negative consequences for all the 3PLs. A more successful example is T&B, which received advantages from its co-founder Unilever, expanding across Europe and globally.

Horizontal logistics alliances in Europe's 3PL industry are tempered by the vertically integrated nature of many of Europe's leading providers. For example, European freight forwarders differ from their American colleagues in that the former own or control many assets, while American forwarders are more "pure" and subcontract more extensively⁴⁷. Nonetheless, while leading 3PLs try to find routes for international expansion, horizontal alliances allow them to do so through expanding first over borders in Europe, and then globally. A strategy of independent action can be expensive, and in addition to that, 3PLs may not have sufficient local knowledge regarding the social, cultural, political, and legal state of affairs, necessary for foreign markets.

Horizontal alliances are one way of spreading costs and/or risks and increasing the scope of services. Many providers seek ways to create additional value for consumers so they will be seen as unique. Alliances are attractive when expenditure on the development of new services and solutions for solving complex customer problems in a dynamic market are too high and difficult for one 3PL on its own.

Surveys carried out by a German logistics association supported the categorization of the main objectives that led 3PLs to connect with each other, in strategic and operational terms⁴⁸. These are: *to enlarge and strengthen the geographical network concerning a specific business (support for the European network)*; *to penetrate new markets (new competencies)*; *penetrate new geographic markets, mainly outside Europe (new geographic markets)*. The frequency of each objective for setting up horizontal logistics alliances is shown in table 4.

Table 4. Reasons for creating horizontal logistics alliances

Objectives	Number of alliances
(1) Support for the European network	10
(2) New competencies	14
(3) New geographic markets	17
Total	41

Source: compiled by the author.

⁴⁷ Cooper M.C., Lambert D.M., Pagh J.D., What should be the transportation provider's role in supply chain management? // Proceedings of 8th World Conference on Transport Research, 12–17 July, Antwerp, Belgium, 1998.

⁴⁸ Delfmann W., Nikolova N., Strategische Entwicklung der Logistik-Dienstleistungsunternehmen - Auf dem Weg zum X-PL? // Wissenschaftssymposium Logistik der BVL 2002. München: Huss, 2002.

In reference to *support for the European network* it should be noted that the development of logistics chains requires the creation of an extensive logistics network, covering every step from the source point to the end consumer. Wide networks allow cost reduction for unit of product (economies of scale), acquisition and retention of new customers, and, at the same time, can create barriers for potential newcomers. "Global suppliers operating in global transport develop large integrated networks and establish complex supply chains with large, integrated hub and spoke systems"⁴⁹.

The development of integrated networks through acquisition can be risky, as the complexity of organizational and structural integration together with cultural differences can be underestimated, and the possibility of saving costs through joint activity, conversely overestimated. In contrast, through partnerships, access to networks can be gained to achieve operating flexibility and retain the choice of the ideal partner without necessarily undertaking additional investment in infrastructure or financial operations. As shown in table 5, horizontal alliances have been set up in Europe for such services as refrigerated transport and express delivery.

Table 5. Major horizontal alliances in European networks

Companies involved in the alliance	Objective of the alliance
French Nexia (formerly Exel Froid Logistics) and Dachser	They made an agreement to set up a pan-European network for bulk and refrigerated transport for food.
EB Trans and Giraud International	EB Trans took control of Giraud Vrac Liquid (VL) to strengthen their position in the European market for the transport of hazardous materials.
Gefco and Kuehne and Nagel	They created a European alliance for freight road transport covering Germany, Belgium, Italy, Holland, Portugal, and Great Britain, operating under the brand Gefco-KN.
Calberson, Gel Logistik (Germany), Schiphol Express (Benelux countries), Target (Great Britain), and Seur (Spain)	They set up a partnership structure, Net Express Europe, for a unified transport network.

Sources: annual reports, specialized press.

Such horizontal alliances may act as only a temporary expansion route. The stronger entity in the alliance may become more dominant, determining the level of integration of the weaker one. However, mergers and acquisitions can overwhelm a nominally stable alliance, like the one DP took part in, which occurred over the last five years in Europe. DP's acquisition of Danzas destroyed the Danzas-DFD strategic alliance, giving access to networks in Northern and Western Europe.

The need to acquire *new competencies* for the effective management of existing and new clients leads to the creation of partner relationships be-

⁴⁹ Lemoine W., Dagnaes L., The Organisation of Transport Firms in Europe. Institute for Transport Studier, Denmark, 2001.

tween transport operators, logistics specialists, and complementary service providers. Among the new segments of European logistics, three are particularly relevant for their strategic options and/or their potential development; these are supply chain management, combined intermodal transport, and e-commerce. Table 6 shows examples of horizontal alliances between 3PLs and IT consultants, software producers and integrated logistics firms, giving their participants the opportunity to be competitive in emerging markets.

Table 6. Major horizontal alliances for new competencies

Companies in the alliance	Objective of the alliance
Giraud and Qualcomm Wireless Business Solutions (specialist in mobile communications)	They made a six-year partner alliance to provide communication services for the transport industry.
Danzas and Descartes Systems Group (leading European software producer)	They agreed on a partnership for the development of integrated supply chain management.
Schenker and Panalpina	They agreed to manage procurement for Hewlett-Packard Europe using supply chain management.
Exel and CSC Ploenske (IT consulting)	They formed a joint venture to bring together technological and logistical competencies.
TDG and CAP Gemini	They formed an exclusive strategic alliance to offer integrated logistics solutions and process restructuring in logistics.
Hays and Technologies	Hays created a partnership with Technologies, a world leader in supply chain management and e-commerce.
Stinnes and Deutsche Bahn	They created a joint venture "Railog" to operate a combined transport rail-route.

Sources: annual reports, specialized press.

The search by logistics service providers for higher capability in the provision of "global consulting" on supply chain management could be interpreted as the evolving role from 3PL to 4PL.

Finally, the wish to enter *new geographic markets*, mainly beyond Europe, encourages 3PLs to set up alliances. In the global economy, substantial differences exist between geographic areas, in terms of macroeconomic conditions, market structures, distribution channels, entrepreneurial culture, and consumer behaviour. A 3PL that decides to penetrate a new geographic area with different characteristics than those of its normal competitive environment can entrust some functions to a local operator as part of the internationalization process (table 7).

Alliances among 3PLs operate throughout Europe. Nonetheless, their long-term stability, especially in regards to the horizontal alliances shown in the table above, is questionable.

Table 7. Major European horizontal alliances to penetrate new geographic markets

Companies in the alliance	Objective of the alliance
Gefco and Chinese DTW	They created a joint venture in order to become the first private logistics service providers for the Chinese automotive industry.
Exel and Turkish EFES	They created a joint venture, Exel Uluslararası, specializing in logistics for the automotive and telecommunications industries in Eastern Europe.
Schenker and Seino Transportation	This German-Japanese alliance enabled Schenker to consolidate its position as freight forwarder in the far east.
T&B and Hutchison Ahampoa	They organized a joint venture to distribute Procter & Gamble products in 300 Chinese cities, expanding the global coverage of T&B.
TPG and Koç	TPG created a joint venture with the Turkish group to expand in Turkey using an import-export platform for the automotive industry, the Russian Federation, and the Balkans.

Sources: annual reports, specialized press.

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