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REVISITING LOGISTICAL FRIENDLINESS: PERSPECTIVES OF INTERNATIONAL FREIGHT FORWARDERS

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Logistical friendliness (unfriendliness) refers to the ease (difficulty) of arranging international freight operations to/from a particular country. The present paper builds upon previous research by 1) examining logistical friendliness and unfriendliness as two different constructs (rather than as opposite ends of the same continuum), and 2) linking the delineation of logistically friendly and unfriendly countries with the reasons for friendliness (unfriendliness). The study results could be quite valuable with corporate decisions as to which countries to do business in, as well as with the appropriate organizational strategies for entering the chosen countries.

As the level of cross-border trade continues to expand, so does the prominence and importance of efficient logistics management. Indeed, there is little question that international logistics is more costly and more challenging than domestic logistics. With respect to the former, Hise (1995) has estimated that between 10% and 30% of the costs of international orders are logistics-related. Challenges associated with cross-border logistics include, but are not limited to, longer lead times, increased inventory levels, and unfamiliar and/or inadequate transportation systems.

While it has been suggested (Czinkota and Ronkainen, 1998) "...that logistics may well become the key dimension by which firms

distinguish themselves internationally...", logistical considerations may not assume high priority when companies are making decisions about 1) countries to do business in and 2) the appropriate organizational strategy (e.g., exporting, direct investment) for entering these countries. Previous research by the current authors has suggested that logistical considerations can be incorporated into the country of choice and method of entry decisions by evaluating a country's logistical "friendliness" or "unfriendliness." Briefly, logistical "friendliness" ("unfriendliness") refers (Murphy and Daley, 1994) to the ease (difficulty) of arranging international freight operations to/from a particular country.

Previous empirical research involving both international freight forwarders (IFFs) and smaller businesses revealed that participants could clearly articulate logistically friendly and unfriendly countries. IFFs, for instance, listed (Murphy, Daley, and Dalenberg, 1993a) Great Britain, Germany, Japan, and Holland as particularly friendly countries; China, Saudi Arabia, and Brazil emerged as particularly unfriendly. According to small business managers, Canada, Great Britain, and Hong Kong (Murphy, Daley, and Dalenberg, 1993b) were viewed as the most logistically friendly countries, while Japan, Brazil, and China were the most logistically unfriendly.

Unfortunately, neither the IFF study nor the small business study identified features or attributes of logistical friendliness (unfriendliness). A subsequent research project (Murphy and Daley, 1994) identified a number of overriding themes associated with logistical friendliness, and suggested that many of these themes were *non-logistical* in nature. Prominent non-logistical themes included "trade relationships", "economic conditions", and "cultural issues."

THE PRESENT STUDY

Our previous research on logistical friendliness, while valuable, is lacking in several respects. First, as pointed out above, the research on the features or attributes of logistical friendliness was conducted separately from that involving the delineation of logistically friendly (unfriendly) countries. In short, the features or attributes of logistical friendliness cannot be linked *directly/explicitly* with individual countries. Second, the research on the features/attributes of logistical friendliness only investigated logistical friendliness, and not logistical unfriendliness. Is it possible that certain features/attributes are associated with logistical friendliness, while different features/

attributes are associated with logistical unfriendliness?

In an attempt to address these shortcomings, the present paper reports the results of a study involving international freight forwarders (IFFs) designed to learn 1) about logistically friendly and logistically unfriendly countries and 2) the reasons why these countries are viewed as logistically friendly (unfriendly). IFFs appear to be an excellent sampling frame for investigating logistical friendliness (unfriendliness) because they are widely used logistical intermediaries (Lambert, Stock, and Ellram, 1998) that provide numerous functions (e.g., preparing export declarations, determining shipment routings) to facilitate cross-border trade. As such, IFFs should possess valuable knowledge concerning logistically friendly (unfriendly) countries.

With respect to the study methodology, a total of 431 IFFs were identified from a recent edition of *The Official Intermodal Guide*. Each of these 431 companies was mailed a four-page survey dealing with various issues influencing the contemporary IFF industry. The initial mailing consisted of a cover letter explaining the purpose of the study, a copy of the survey, and a postage-paid return envelope. Approximately one month later, there was a follow up mailing, which was identical in content to the initial one.

A total of 86 surveys were returned as undeliverable, thus reducing the effective sample size to 345. While there may appear to be a relatively large number of undeliverables in this study, it should be noted that our previous IFF study (Murphy and Daley, 1995) also reported an unusually large number of undeliverables (i.e., 105). The large number of undeliverables in these two studies is possibly indicative of a continuing shakeout (Ozsomer, Mitri, and Cavusgil, 1993) in the forwarding

industry. Indeed, some have suggested (Gillis, 1996) that smaller IFFs will be extinct by the turn of the century.

We received 79 usable responses, representing an effective response rate of 22.9%. As shown in Table 1, the 79 responding organizations offer a broad diversity in terms of their length of time as IFFs. Indeed, 5% indicated that they were founded prior to 1900, with another 35% beginning operations between 1900 and 1949. On the other hand, approximately 35% of the responding organizations have been founded since 1975.

The size of the responding organizations, as measured by the number of employees, reveals (see Table 2) that approximately 70% of the responding organizations employ fewer than 50 people. Thirteen percent of the companies employ between 50 and 99 workers, with 17% employing 100 or more employees. Interestingly, these percentages are nearly identical to those reported in our previous IFF study (Murphy and Daley 1995). Approximately 75% of the respondents are in a senior management position—owner, CEO, president, vice president—suggesting that they should be quite knowledgeable about the relevant subject matter.

**TABLE 1
YEAR FOUNDED**

Year founded	Percentage of respondents
Prior to 1900	5.1
1900-1924	14.1
1925-1949	19.4
1950-1974	26.8
1975-1997	34.6

**TABLE 2
NUMBER OF EMPLOYEES**

Number of employees	Percentage of respondents
1-9	19.0
10-49	51.9
50-99	12.7
> 99	16.5

RESULTS

In separate open-ended questions, respondents were asked to identify two logistically friendly countries (i.e., those perceived as being the easiest in arranging international freight operations) as well as two logistically unfriendly countries (i.e., those perceived as posing the greatest challenge in arranging international freight operations). An open-ended question was also employed to learn why respondents view particular countries as either logistically friendly or unfriendly. Not every respondent could/would identify two logistically friendly and two logistically unfriendly countries; similarly, some respondents could not/would not explain why particular countries are logistically friendly (unfriendly).

Simple frequency distributions are used to tabulate information on logistically friendly (unfriendly) countries; this section includes results only for those countries named by at least 10% of the respondents. Similar to research by Johnson and Schneider (1995), content analysis is used to first delineate, and then categorize, the reasons for logistical friendliness (unfriendliness).

Logistically Friendly Countries

Nearly 20 different countries were identified as being logistically friendly by the respondents, including Australia, Italy, the Netherlands, and Singapore. As shown in Table 3, the United Kingdom (UK) was most frequently cited as a logistically friendly country, having been named by approximately 50% of the respondents. Four other countries were cited by at least 10% of the respondents, namely, Germany, Japan, Hong Kong, and Canada.

TABLE 3
LOGISTICALLY FRIENDLY COUNTRIES

Country	Percentage of respondents
United Kingdom	50.6
Germany	21.5
Japan	15.2
Hong Kong	11.4
Canada	10.1

Analysis of the reasons associated with logistical friendliness yields some intriguing results. The United Kingdom, for example, is viewed as logistically friendly primarily because of its language similarity to the United States. Other key reasons for the UK's logistical friendliness include reasonable documentation, its overall similarity to the US, and "good agents." "Good agents" were also a prominent reason for Germany's logistical friendliness, as were its relatively low language barriers and its perceived similarity to the US. Not surprisingly, Canada's logistical friendliness stems largely from its geographic proximity to the United States, as well as its limited documentation requirements. There were no dominant reasons offered for the logistical friendliness of either Japan or Hong Kong.

Logistically Unfriendly Countries

The IFF respondents identified over 30 separate countries, such as Bolivia, Iraq, Korea, and Uzbekistan, as being logistically unfriendly. The information in Table 4 indicates that the most frequently named logistically unfriendly country, by one-third of the respondents, was Russia. Other countries that were identified as logistically unfriendly by at least 10% of the respondents include Brazil, China, India, and Nigeria.

TABLE 4
LOGISTICALLY UNFRIENDLY COUNTRIES

Country	Percentage of respondents
Russia	32.9
Brazil	20.3
China	15.2
India	11.4
Nigeria	10.1

Analysis of the reasons for logistical unfriendliness reveals a number of different issues. According to the IFFs, a lack of cargo security, corruption, and an inadequate transportation infrastructure are the major contributors to Russia's logistical unfriendliness. Brazil's logistical unfriendliness is overwhelmingly viewed as stemming from the country's extraordinary bureaucracy. China, on the other hand, is seen as logistically unfriendly largely because of its poor transportation infrastructure. Documentation issues and government bureaucracy account for much of India's logistical unfriendliness, and the most common complaint about Nigeria involves corruption.

Comparing Logistical Friendliness and Unfriendliness

The primary contributors to logistical friendliness and unfriendliness are presented in Table 5. A common theme among the logistical friendliness variables appears to be "similarity", as evidenced by "language similarity" and "overall similarity to the United States." By contrast, logistical unfriendliness appears to be reflecting elements of "risk", as manifested in the variables "lack of cargo security" and "corruption."

TABLE 5
PRIMARY CONTRIBUTORS TO
LOGISTICAL FRIENDLINESS
(UNFRIENDLINESS)

Friendliness:

- Language similarity
- Overall similarity to the United States
- Reasonable documentation
- Good agents
- Geographic proximity

Unfriendliness:

- Lack of cargo security
- Corruption
- Inadequate transportation infrastructure
- Bureaucracy
- Documentation problems

freedom of approximately 160 countries, is based on the openness of each nation's markets, along with each nation's level of taxation and degree of government regulation. The lower the ranking, the greater the level of economic freedom.

TABLE 6
INDEX OF ECONOMIC FREEDOM
RANKINGS FOR LOGISTICALLY
FRIENDLY (UNFRIENDLY) COUNTRIES

Category	Country	Economic freedom rank ^a
Friendly	Hong Kong	1
Friendly	United Kingdom	7 (tie)
Friendly	Japan	12 (tie)
Friendly	Canada	14 (tie)
Friendly	Germany	25 (tie)
Unfriendly	Brazil	90 (tie)
Unfriendly	Nigeria	95 (tie)
Unfriendly	Russia	106 (tie)
Unfriendly	India	120 (tie)
Unfriendly	China	124 (tie)

a: Derived from Johnson, Holmes, and Kirkpatrick (1998)

The information in Table 6 indicates that none of the most logistically friendly countries ranks lower than 25th in the 1998 Index of Economic Freedom (Johnson, Holmes, and Kirkpatrick, 1998). On the other hand, none of the most logistically unfriendly countries ranks higher than 90th in the Index of Economic Freedom. This index, which measures the economic

The information in Table 6 indicates a positive rank order correlation between a country's perceived logistical friendliness/unfriendliness and its economic freedom. As such, the Index of Economic Freedom offers an initial indication as to the degree of a nation's logistical friendliness/unfriendliness. Designed for other purposes, the Index does not provide

insight on the *dimensions* of a nation's logistical environment.

IMPLICATIONS

This study's findings have implications for a number of logistical constituencies, to include international shippers and receivers, international freight forwarders, federal governments, and academicians. With respect to international shippers and receivers, at a minimum the study introduces the concept of logistical friendliness, a concept which might be explicitly incorporated into company decisions about which countries to do business with. Our discussions with companies involved in global business have indicated that a particular country's logistical capabilities are sometimes given little or no emphasis in the country choice decision.

The study results offer information about some of the more logistically friendly and unfriendly countries, as well as reasons for the friendliness/unfriendliness. Such information would be especially valuable in the case of logistical unfriendliness. For example, the fact that "lack of cargo security" emerges as an important component of logistical unfriendliness suggests that companies choosing to do business in potentially unfriendly countries should prepare to take extra measures (e.g., package labeling which does not reveal shipment contents, the use of armed guards, etc.) to bolster the security of their shipments.

The findings are also valuable for international freight forwarders. For example, several of the most frequently named unfriendly countries (Brazil, China, India) have been identified by the U.S. Department of Commerce as Big Emerging Markets, or those deemed to possess a great deal of business potential over the next decade. International freight forwarders may

choose to specialize in serving logistically unfriendly countries; so doing might generate a great deal of business as well as provide important market differentiation from other forwarders. Indeed, the authors are aware of an international freight forwarder (annual revenues of about \$1 million) that in a one year period in the early 1990s added over \$10 million in revenues upon specializing in serving Russia.

The study results would also be valuable to governments, particular those of logistically unfriendly countries. For example, inadequate transportation infrastructure could be the catalyst for government involvement in terms of improving highways, railways, water ports, and airports. Indeed, the Chinese government is actively involved in upgrading China's highways and airports.

As another example, the Brazilian government is actively involved in efforts to improve the Brazilian shipping system. Their focus (Fabey, 1998) is to make Brazil as cost and service efficient as other industrial countries in terms of moving freight through Brazil (which is South America's largest country, population-wise). To this end, some of Brazil's largest water ports are in the process of being transferred from government to private control.

Finally, from an academic perspective, much remains to be learned about the concept of logistical friendliness. For example, the present study reported information from U.S. employees of international freight forwarders. How do international freight forwarders in other countries view logistical friendliness? What are the components of logistical friendliness/unfriendliness? The answers to these and other questions will hopefully result in more efficient and effective global logistics management practices.

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