

Overcoming the Challenges of Logistics Outsourcing in Selected Oil and Gas Companies in Rivers State

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Abstract

Logistics outsourcing as a conscious business decision to move internal work or activities to an external supplier has become a means of minimizing cost, reducing internal workload and gaining core competency for organizations as well as Oil and Gas companies in recent times. In spite of the enormous advantages of logistics outsourcing as reported by previous studies such as cost reduction, effective base and warehouse management, improved safety, risk sharing, Knowledge transfer, training and development. However, research has shown that logistics outsourcing have, other times turned into a wellspring of corporate disappointment and dissatisfactions. In this work, the challenges that could lead to an unsuccessful logistics outsourcing were investigated to uncover the inherent challenges and recommend possible solutions to overcoming them. The sample size was focused on the managers and assistant managers in the selected oil and gas companies and their logistics providers. A total of 350 copies of questionnaire titled Logistics outsourcing and organizational performance questionnaire (LOOPQ) was designed and administered to elicit primary information and data from respondents who were chosen from the oil and gas companies and service providers with a 90% respondent rate. Secondary data was obtained from company records. The data for this study were analyzed using the Statistical Package for Social Sciences (SPSS) for both descriptive and inferential statistics. The present study found that the failure of logistics outsourcing in the oil and gas companies can be connected to any of these challenges. The study have exposed the major challenges of logistics outsourcing in the oil and gas companies and recommended that a strategic management of logistics outsourcing which can overcome the challenges inherent in logistics outsourcing and improve organizational performance in the oil and gas industry should include: Provision of New/Standard equipment and regular maintenance by logistics providers, Effective communication network between logistics providers and the selected oil and gas companies under study, provide motivation for members of staff, Advanced Customer/Client Relation Management, ensure good Quality Assurance and Control and effective monitoring of projects.

Keywords: Strategic Management, logistics outsourcing, challenges, Oil and Gas Companies , effective communication

1.1 Introduction

The basic objective of every business organizations especially in Oil and Gas companies is to minimize cost and maximize profit ((Odagme, *et al.*, 2016; Oriji & Odagme ,2016; Oriji & Odagme ;2015). Therefore, they employ several strategies which ensure that their objectives are met and one of which one is logistics outsourcing. Some of the benefits of logistics outsourcing includes: cost reduction and enhances productivity, capacity building and internal efficiency (Onyebueke & Wordu.2017., Kidi., 2014., Jüriado, 2014.). In this regard, Naveed & Muhammad (2015) studied the effects of outsourcing logistics on cost of operations using the value chain concept and discovered that it changes "cost propositions" into "value propositions", emphasizing that activity like operations and supply chain are increasingly utilizing the strategy as an "opportunity" rather than "cost". It leads to a progression from cost reduction to value addition to the supply chain.

Despite these arguments, scholars like Lambert et al (1999) in their study on logistics outsourcing inferred

that while the advantages of outsourcing could be all-around achieved, however the pitfalls have received less consideration. In addition, Boyson *et al.*, (1997) contended that there is clear proof that sometimes "logistics outsourcing has turned into a wellspring of corporate disappointment and dissatisfaction". Brown (2005) suggested that outsourcing companies should streamline operations and fix the problems before outsourcing the process. They should not transfer key employees to the vendor. It is also important that they manage the relationship, plan adequately for the co-management process and establish control points. Rosenthal (2000) discovered that logistics service providers are often too rigid when it comes to change. Also, they do not put enough emphasis on pricing strategies and need to learn how to build alliances and be frank about them. They put too much focus on service levels and not enough on strategy. Muhindo *et al.*, (2014) investigated the use of logistics outsourcing as a strategic tool of reducing cost in the oil and gas operations but did not show to what extent was this cost reduced. Denisa *et al.*, (2013) did a qualitative study on use of logistics outsourcing by manufacturing companies and suggested a mixed system in-house and third party facilities. These researchers focused on benefits such as reduced-costs, increased production and business networking fresh market. The literatures reviewed emphasized the successes of logistics outsourcing and how it saves cost for the logistics consumers but the challenges and limitations of logistics outsourcing that impede quality delivery and enhancement of target setting for logistics consumers have received less attention. Hence, this study investigated the challenges that often lead to an unsuccessful logistics outsourcing and develop management strategies required to improve logistics outsourcing in the selected Oil and Gas Companies under study.

1.2 Brief History of Rivers State

Rivers State referred to as "treasure base of the nation" is a multi-ethnic state with Port Harcourt as the headquarters. The population size is about 5,198,716. Male: 2,673,026. Female: 2,525,690 (NPC, 2006) and land mass of 11,077km². Some major languages are the Ikwerre, Ogoni, Kalabari and Okirika languages among others with twenty three (23) Local government Areas. There several oil /gas companies and other industries in the state. As the key oil producing state in Nigeria having greater than 40% of Nigeria's daily Oil production and two (2) functional refineries and also seaports and oil and gas free zones located in Onne Eleme local Government in Rivers State. Onne is a port of Nigeria situated besides Ogu Creek, a side-arm to Bonny River. It is part of the Odido Clan in the Eleme Local Government Area of Nigeria. It is a major port in the region and has several quays with facilities for cargo ships up to 60,000 grt. This gives Onne the advantage of handling both commercial and oil related cargoes. Her proximity to the eastern market is a big advantage for customers. Onne host many oil /gas companies and fully equipped with a fleet of modern container handling equipment. However, logistics companies (providers) such as Intels Nigeria Limited, MGM Logistics Limited and Orlean Invest Africa Limited are all located in Onne. These firms are registered with Haulage Association of Nigeria (HAN) Rivers State and renders logistic services to the Oil and Gas companies such in Port Harcourt and Rivers State at large.

2.1 Theoretical Framework

The Core Competency Theory

This theory was propounded by C.K. Prahalad and Gary Hamel as a resource-based theory and proposed as the collective learning in the organization, especially in coordinating diverse skills of production and integrating multiple streams of technologies. This concept has become popular in scholarly discussions in outsourcing and has been predominantly used to develop and check various outsourcing decision frameworks with the argument that the core activities shall remain in-house to the organization.

Core competencies come in diverse ways including technical know-how, a reliable process, maintaining a good relationship with customers. It can also include good market coverage, industry knowledge, product development or cultural values peculiar to an organization such as employee dedication and best human resource management, among others.

The rationale for adopting the Core competency theory in this work was well founded. In today's business environment where survival belongs to the fittest, firms and organizations must adopt measures and strategies to be ahead of other competitors. This is where the strategy to adopt this theory comes to the fore – as organizations are better positioned to keep their financial and market positions in their industry if they

major on their areas of strength and outsource the other non-core functions. This strengthens the firm's ability in those areas or functions of competence. Therefore, organizations must orientate their strategies to tap into this theory to stay afloat in today's highly competitive business environment.

2.2 Conceptual Review

2.2.1. Evolution of Logistics Outsourcing as a Business Strategy in Nigeria

Before the mid-1980s, it was common for firms to adopt merger acquisitions as strategies to diversify, expand their businesses and reduce risks. This shift in investments and merger acquisitions strategy for expansion showed the limited advantages inherent in running large businesses. Merger acquisitions are primary growth strategy by logistics providers used in networks expansion globally, they supports cross selling opportunities, and leverage on the best global advances in technology.

Subsequently, many organizations who attempted to overcome the global market competition within 1970s and 1980s became handicapped mainly by their lack of relevant capacity to compete effectively in a fierce competitive international market place. Examples abound of companies that suffered huge business losses doing everything themselves.

For instance, firms such as Nigerian Breweries and the Coca Cola Company of Nigeria were initially managing their transport and haulage activities themselves and that caused them severe pressures until they started outsourcing logistics sub-functions to third party transporters. The strategy is same for marketers of petroleum product where the likes of Oando, Forte Oil, ConOil, Total Oil and Mobil Oil hold sway. In the past, their Transport divisions were running the company logistics with their owned fleet; but the case is different today as they have outsourced movements of their petroleum products to truck and tanker owners, albeit with the monitoring of their relevant departments. This has, no doubt, improved efficiency of service deliveries to the clients.

However, with focus directed towards increasing the flexibility and level of creativity, a many companies delve into new strategies of maintaining core business areas. This required the ability to identify critical processes and deciding which could be outsourced (Fischi., 1996). A good example is the recent relationship between ExxonMobil and the Intels Nigeria Ltd. It was in the late 1990s that ExxonMobil completely outsourced their logistics operations in the Onne Shore base to Intels Nigeria Ltd. and focused on exploration and producing oil been their core operations. Intels have resident logistics managers and supervisors who begin and end their day's activities around the shore base belonging to ExxonMobil.

Outsourcing was formally recognized in 1989. However, most organizations before then were hardly self-sufficient; they contracted those functions of little or no internal competence. In the 1990s, as organizations began to focus more on cost - saving measures, they started to outsource those functions necessary to run a company but related specifically to their fundamental areas of operation.

Outsourcing is a complex procedure that requires new sets of skills and creativity on the part of managers, who must examine all the many critical aspects of a particular business. Organizations are in need of a coherent outsourcing strategy that can be reliable and focused on handling the needs of their unique customer base relative to company's operational activity to an external organization that have operational expertise (Frank, 2002).

Recently, the logistics outsourcing business has been shaped by the expansion resulting from the introduction of mergers and also acquisitions driven by customer demands, new competition and industry changes. Komninus (2003) believes that with the globalization and standardization of products, companies were faced with the duty of carrying complex products with limited space and increased time frame. In this light, Sanchez (2010) opined that as both global economies continue to evolve, it therefore, becomes imperative that organizations continue to fashion out strategies to maintain relevance in market.

The advances in recent times has increased the drive for the identification and development of "core competencies"; a unique combination of experience and expertise that would provide competitive advantages in any given organization or industry. To this end, most organizations have gone into outsourcing to enhance performance in their areas of operations. Consequently, outsourcing which resulted from a general shift in business philosophy has increased continually.

Eliot and Torkko (1996) defined outsourcing as a conscious business decision to move internal work to an external supplier. Still on the emerging outsourcing model, McCarthy, and Anagnostou, (2005) conceived outsourcing as the subcontracting of a focal operational activity which a company normally provided for

itself (internally) to another firm (external partner). Wild (1999) argued that since outsourcing was increasingly becoming a common option for companies to enhance core competences and leverage the skills of other companies hence, reduces the costs and capital investment, improve on service delivery, time and speed of response, enhance quality, and provide other strategic benefits. Kidi (2014) agrees that inleveraging and consolidating on the merit of outsourcing, organizations are embracing the outsourcing model. Building on these merits, King (2006), maintained that decisions on the outsourcing are the very key strategic decisions of the management of most organizations, as it addresses the choice of functions or internal expertise for development.

In business, logistics involves managing the flow of materials and services between the point of origin and consumption to meet the demand of customers or corporations. Several resources managed in the process ranges from movable items such as foods, materials, animals and equipment; abstract items, such as information a. The logistics of movable objects involve integrating the flow of information, handling of materials, transportation packaging, inventory, warehousing, and Escort security. Logistics outsourcing and 3PL started within the 1980s as an important strategy to improve the effectiveness within the main supply chain (Maloni and Carter., 2006). Furthermore, Khairul (2011) argued that outsourcing have grown as an effective strategy for many organizations in pursuit of an excellent operation to meet the challenges of globally competitive market. With the continuing rise in global businesses and the consequential increase in competition, the need for an enhanced logistics functions within organizations has gain more attention, especially as value and time utilities have become drivers of today’s competition. Writing from the perspective of supply chain, Razzaque & Sheng (1998), discussed that management of logistics functions in modern organizations involves making great decisions for the systematic distribution and delivery of goods, equipment, services and information.

Since outsourcing of logistics has been established as an integral part of oil/gas companies for more than six decades to day (Hätönen & Eriksson, 2009), the need therefore to critically examine the challenges facing the business have become imperative.

3.0 Research Methods

3.1 Research Design and Population of Study

The survey research design was adopted in this study. The management and senior staff of the selected Oil and Gas companies in Logistics department and their corresponding logistics providers in Rivers State were the target population.

A total of 2211 members of staff were drawn from the 3 major logistics providers to the selected oil and gas companies and 3 major International Oil and Gas Companies based on available personnel data provided by them

3.2 Sample Size Determination

The sample size for the study was determined using the Taro - Yamane formula (Baridam, 2001) as approximately two significant figure = 350 (See Table 1).

Table 1 Sample Size Calculation

S/N	Shell Petroleum Development Company	Total E&P	Exxon Mobil	Intels Nig. Ltd	Orlean Nig. Ltd.	MGM Nig. Ltd.	Total
Population	495	480	300	724	154	58	2211
Population Ratio	0.2240	0.2170	0.1356	0.3274	0.0696	0.0262	1
Sample Size Ratio	78.40	75.98	47.50	114.50	24.46	9.18	350
Approximation of Ratio Size	78	76	48	115	24	9	350

Source: Onyebueke & Wordu (2017).

3.3 Sampling Technique and Method of Data collection

The purposive sampling technique was adopted

The study employed the primary and secondary data collection method for the study Primary: information acquired from the respondents through questionnaires and interviews. Secondary: books, newspapers, magazines, journals, and internet and company records: For Example: Personnel Data 2015, Logistics Manager, Exxon Mobil, Total and Shell.

3.4 Method of Analysis –Qualitative and Quantitative

The Statistics Package for Social Sciences (SPSS) and simple percentages were adopted for the stud while the company records were analyzed qualitatively.

3.5 Reliability and Validity of the Research Instrument

Test re-test method was adopted for reliability test. However, in cases of ambiguity in the questionnaire, the questions were rephrased for clarity for respondents to answer them accurately. Also, the research instrumentation was developed by the researcher in liaison with her supervisors.

4.0 Result and Discussion 4.1 Data Presentation

Data gathered from the retrieved questionnaires and interviews with Managers and Assistant Managers in charge of management of logistics outsourcing for the selected logistics providers and consumers in the oil and gas industry were analyzed and discussed to balance the reports from the respondents and the data are presented in Table 2

Table 2: Questionnaire Response Rate

Selected Companies	No. of Questionnaire Administered	No. of valid Questionnaire Retrieved	No. of invalid Questionnaire	Percentage Valid Respondents %
Shell Petroleum	78	72	6	92.30
Total E&P	76	71	5	93.40
Exxon Mobil	48	44	4	91.67
Intels Nigeria Limited	115	98	17	85.21
MGM Nigeria Limited	24	22	2	91.67
Orlean Invest Africa Ltd.	9	8	1	88.89
Total	350	315	35	Average= 90%

Source: Survey Data from Onyebueke & Wordu., (2017)

The results presented in Table 2 shows that SPDC received 78 copies and 72 valid (92.3% response rate) were retrieved. The respondents from Exxon Mobil Nigeria got 48copies and 44 were valid (91.67% respondent rate) and Total E&P received 76 and 71copies of valid questionnaire were retrieved (93.4% response rate).

For the logistics providers, 115 structured questionnaire were administered to the respondents from Intels Nigeria Limited, out of which 98copies valid (85.21% response rate) while MGS Nigeria Limited got 24 copies and 22 copies were valid (91.67% respondent rate and 9 copies were administered to the management staff of Orlean Invest Africa Limited due to their low staff strength and 8copies (88.89% response rate) were valid. Therefore, a total of 315 questionnaire were retrieved the oil and gas companies and logistics providers making up 90% response rate on the average. These valid copies of questionnaire were used for the analysis. The questionnaire were delivered and retrieved personally by the researcher and a few assistants from each of the companies that helped in collection of the completed copies. These assistants also helped in ensuring the high respondent rate of the questionnaires administered.

4.2 Areas of logistics Outsourcing and Extent to which Oil and Gas Industry Outsource Logistics.

The oil and gas industry outsources several services from the exploration to production, refining, marketing and distribution of Oil and Gas. Data gathered from the research survey from the selected oil and gas companies in Rivers State: SPDC, Exxon Mobil, and Total E&P Nigeria showed that the major areas in which oil and gas companies outsource.

Equipment Leasing: The oil and gas companies do not buy all equipment which they use instead they rent or take most equipment on lease. Examples of equipment they take on lease include: rigs, cranes and many more.

Furthermore, the oil and gas companies also outsource for terminal supply services, Marine warehouses for offshore activities, Land rig warehousing for on-shore and land drilling activities, yard management, Quality Base Management, Safety and Receipt of Equipment, Storage Facilities, Transportation of Materials, Lifting of Rig Materials, Inventory Management, Interface with Offshore activities, Transit Operations, Shipping Activities, Field Operations, Technical Operations, Housing/Accommodation, Loading/Off-loading to FPSO, Drilling logistics, Work-over logistics, Information Technology (IT), Maintenance, Auditing, Material handling and dispatching from one location to the other and they also outsource for contract workers, to support their operations and pay them less wages in comparison to the wage structure applicable in the International Oil Companies(IOCs).

It therefore implies that much money goes into logistics outsourcing yet it is not a core area for the oil and gas majors. Due to outsourcing, the international oil companies can concentrate on those operations that are directly related to exploration, production and sales of oil and gas, including drilling, completions, exploration and production and sales. Therefore, the logistics companies are critical part of the oil and gas business. Research has shown that logistics sum up to a 30% of the cost of producing a barrel of oil (Herrera, 2012). However, information received from mostly of the managers interviewed indicate that about upwards 35% spend on the cost of production of a barrel of oil is for logistics services. Therefore we can deduce from this study that logistics takes about 30-35% of the total cost of producing a barrel of oil and/or gas in Nigeria.

4.3 The Effect of logistics outsourcing on Service Delivery

An organization is set to perform excellently when its actual output or outcome as measured against its intended outputs (or goals and objectives) is achieved. Based on the responses from survey, represented in Tables 2 indicated an improvement in service delivery and increases cost savings from labour cost and related services. The fact that materials are transported to base as at when due, the company can concentrate on core areas of the organization. The cost savings accumulating from logistics outsourcing is a huge financial gain to the company. The response in Table 4.2 shows an average of 85.56% of respondents from the selected oil and gas companies (Exxon Mobil, SPDC, and Total E&P strongly agreed that their service delivery have improved as a result of outsourcing of logistics.

Table 3. Logistic Outsourcing to Improve Service Delivery – Logistics Consumer

Companies	Responses				Total Respondents (%)
	Agree	Strongly Agree	Disagree	Strongly Disagree	
Total E&P	6(8.45)	62(87.32%)	3(4.23)	0	71(100)
ExxonMobil Nigeria	4(9.09)	40(90.91)	0	0	44(100)
SPDC	5(6.94%)	58(80.56%)	9(12.50%)	0	72(100)
Total	15(8.02%)	160(85.56%)	12(6.42%)	0	187(100%)

4.4 Effects of logistics Outsourcing on cost reduction and Profit making and returns for the Oil and Gas companies

Minimizing cost is a strategy of making profit in the oil and gas business. According to Bergers,(2007) logistics outsourcing helps oil and gas companies put all costs under control by utilizing their supply chain to take advantage of contract expertise, working with third-party engineers and drillers to reduce overhead. Working with contractors can lower the company's overhead costs and labour cost and enable it to accommodate ebbs and flows in its production cycles.

To minimize the risks of using contractors and optimize delivery, they developed long-term partnerships with these contractors (logistics providers in bringing the same teams of drillers and engineers onto every project. They pay less, hire less and contract and outsource more. Build less infrastructure and pay for less space. Data obtained from the present study was not far from Bergers view in terms of labour and operating cost reduction.

Answers obtained from analysis of research question indicated that showed that logistics outsourcing had brought about huge reduction in cost. Figure 3 show that 80% of respondents believed that, they have reduced cost , enable them meet up with set targets and increased profit making the their companies to a high extent. The implication is that employing direct staff involves a huge liability in the form of healthcare, accommodation, huge salaries at international scale, leave allowances, retirement benefits, welfare for employee families - all these constitutes liability to the company. Thus, by outsourcing much cost are averted.

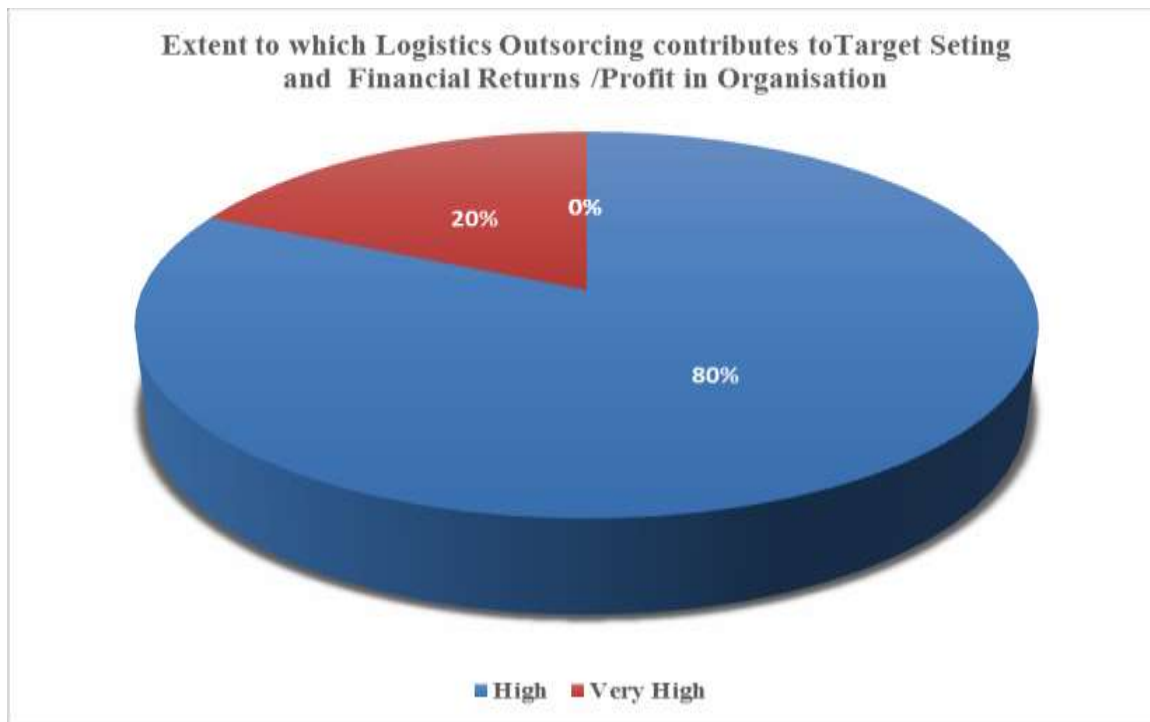


Figure 1 Logistics Outsourcing on Target Setting and Financial Returns /Profit in the Selected Oil and Gas Companies in Rivers State.

4.5 Challenges of Logistics Outsourcing within Oil and Gas Industry

In spite of the numerous benefits of logistics outsourcing to the oil and gas companies under study discussed above as seen from this study such increase in quality of service delivery, cost reduction , production enhancement and many more, the various challenges of logistics outsourcing that can lead to failure or ineffectiveness when not properly manage includes: Poor maintenance culture and poor service condition of the Staff of logistics providers, Late payment of LPO by logistics consumers, poor communication management, hidden charges and pricing issues , poor or inadequate documentation, Use of unskilled

personnel , change in management or difference in Policy /Modus Operandi (mode of operation), Company's Secret been at risk and delay. These challenges and how to overcome them are discussed as follows:

4.5.1 Delay in Service Delivery from 3PL Providers

This happens when the outsourcing companies wait for materials from others which they collect materials from. There is always occasional delay in 'just in' delivery resulting from emergencies or unplanned activities. Since the 3PL providers works for other customers, it is difficult to give a 100% attention to a single company which sometimes, results in delays and inaccuracies in the work output.

4.5.2. Company's Secret can be Unsafe

The risk of losing sensitive data and the loss of confidentiality is major limitation .This happens when 3PL providers exposes the secret to other competitors knowingly or unknowingly. Bradley (1995) made the following submissions against outsourcing: losing control over vital information, failures in selection & management of providers properly, inability to respond to changes in the requirements, lack of understanding and difficulties of changing providers.

4.5.3 Managing Liability Risk

This involves the threats of companies/individuals having to bear the consequences of damage of breaching standards due to, products, act of neglect or errors.

4.5.4 Change in Management or Difference in Policy and Modus Operandi

Adapting to changes in the mode of operation could be a major issue to a logistics provider. Other times, a policy change or change in management, make things difficult in the supply chain. Over 67% of respondents from the data gathered in this study believed that Lack of understanding could lead to wrong item delivery, poor job performance and low productivity and therefore, poor service delivery and failure of contracts. A new manager may not have confidence in a logistics provider and this makes it difficult for the provider to effectively execute projects.

4.5.5 Use of Unskilled Personnel

Sometimes, in a bit to cut down cost, 3PL tend to employ unskilled or poorly experienced Personnel to Man their activities. Since they have little knowledge of such activity, they use try and error. The resultant effect is damage to equipment, delay of processes and loss of money to loss or damage materials. Lower level of training of the workers of logistics providers undermines the competency of their staff and underscores the claimed benefits of outsourcing.

4.5.6 Poor or Inadequate Documentation

A key part of business operation is the ability and culture of keeping proper records. The data gathered from respondents and the interviewed conducted among the logistics consumers decried the poor document handling by the logistics providers. A situation were the documents of one company are misplaced , lost or even mismanaged by mixing them up with the document of their competitors puts their information at risk and discredits the very reason of good record keeping which is for reference , statistics and overall reporting.

4.5.7 Hidden charges and Pricing issues

Hidden costs and legal problems may arise if the outsourcing terms and conditions were not defined in clear terms. This reports from some managers during this work indicated that some logistics providers, technically have hidden charges in their contracts. This is caused by corruption; some corrupt managers of the logistics consumers could secretly agree on some percentage which should be given to them for approving the contract and logistics providers compute it into the account statement as hidden charges. Other times, the 3PL also hid some charges classifying them as additional charges which were not part of the initial budget.

4.5.8 Poor Communication Management

Poor communication occurs when a bridge in information or lack or poor sharing of information as regards the projects to be executed are identified. This communication gap could leads to losses and damages.

4.5.9 Late payment of LPO resulting in delay in Payment of Salaries to workers

Legal Process Outsourcing (LPO) is a document signed by both logistics providers and the consumers that stipulates detailed regulations and financial implication for their clients. The LPO also consist of the firm's risk management specification on a particular outsourced contract, to their clients which Seal delivered with assurance and insurance. When delay occurs in the signing of this document, the logistics providers would be handicap because money would be disbursed very late. Also, they might have been indebted to their staff, unable to make provision for certain services on time from their 3PL providers. This cumulatively leads to delay in services delivered and poor performance.

4.5.10 Poor Maintenance Culture and Poor Service Conditions of members of Staff

When a logistics provider has a poor maintenance culture, there would be lack of adequate maintenance of trucks, ships and other equipment. This leads to the use of very old trucks, ships and equipment for transportation and distribution of cargoes, containers and services. Consequently, accidents results and break down of trucks and vehicles on the way side, losses are incurred and loss of life and delay in service deliver. Also, data obtained during this study suggested that some of the members of staff are under paid due to lack of jobs. This was the view of 68% of respondents from the logistics consumers. Again, the condition of service may be uncomfortable and demanding. This condition also makes the members of staff under perform and ultimately affects the supply chain.

4.5.11. Poor Risk Assessment and Management

The risk involved in logistics outsourcing as summarized by Li-jun,(2012) includes:

Contract risk – Here the 3PL provider cannot fulfil all requirements in required quality or required time.

Management risk –caused by difference between the management methods and the culture of the company used by provider and client. **Information risk** – the risk of poor quality information sharing. **Market risk** – Due to market fluctuations such as labour price, raw materials price, the changes in customer demand, etc.

Financial risk – the real return on investment of logistic outsourcing is lower than expected.

There is therefore, great need for the oil and gas companies to carry out a good risk assessment and effective management.

4.6 Strategic Management of logistics Outsourcing for Improved Performance

Having considered the many challenges and Limitations of logistics outsourcing, it's of great necessity to examine key management strategies which can practically be applied to ensure an effective and productive mutual business between the logistics providers and consumers in the Oil and Gas business. In this wise, Jennings, (1997) proposed that a proper use of logistics outsourcing could play an important role in the competitive industry. Base on the data gathered from the answers given from the questionnaires and interviews during this research, the following Management strategies are suggested.

4.6.1 Regular Shareholders and Management Meetings

To ensure excellent management of logistics outsourcing, an efficient management should provide opportunity for series of meetings with the players in the outsourcing business. These meetings could be in three categories namely:

- a. Client /Contractor Meetings – At management level
- b. Formal combine meetings for both staff of the providers and consumers- -At staff and supervisors level
- c. Contractor Safety Forum – at contractor level

The reason for such regular meetings at stakeholders, contractor/client, staff and supervisor levels should be to check for new updates and changes on projects, receive operations report prepared by providers, for vetting, review progress reports, review terms and conditions based on situation reports on finances, safety and duration. It could also be to correct mistakes and short comings. Therefore, such meetings could be daily, weekly or on monthly basis, even on quarterly and annual bases. This strategy would settle pending

issues, check ambiguity, limitations and barriers that are capable of creating impediments to project successes, thereby enhancing organizational performances.

4.6.2 Advanced Customer/Client Relation Management

This involves a situation where the logistics consumers develop and maintain a good relationship with the 3PL providers and vice versa. It goes as far as obtaining contacts in form of sending emails, making phone calls, use of social networks and any other form of communication to keep in touch clients. With advance customer/client management, critical issues are resolved. Also when challenges occurs the logistics consumers and providers should be open to dialogue and find a way out. This strategy is a win –win strategy is profitable, if effectively utilized. This finding is in agreement with the works of Wang and Regan (2002) who found that advance customer management would increase gains, loyalty, improve information quality and reduce information delay and strengthens customer client relation in outsourcing services.

4.6.3 Faculty Induction and Compliance Program

System integration/Compliance programs would enhance integration of the mode of operations of providers and consumers of logistics. Whereas System Compliance Assessment involves a voluntary assessment done by the logistics consumers to improve safety standards and specification and prescribed in terms of references are followed. Consumers should include the logistics companies in their daily pep talks and safety inductions to improve safety and compliance level (Sohail and Sohal 2003).

4.6.4 Quality Assurance and Control with Effective Monitoring

An issue raised by Somuyiwa *et al.*, (2015) was that big companies such as the oil and gas companies have difficulty in effectively monitoring their projects when outsourced. To solve such problems, a Quality control checklist and well standardize selection process should be in place for any project outsourced.

Secondly, monitoring teams such as Marine road shows were recommended by 58% of the managers interviewed during this work, to enhance effective monitoring of logistics providers in the offshore region. Thirdly, Memorandum of Understandings (MOUs) must signed and complied with by both parties .Fourthly, a proper frame agreements must be signed and strict compliance by all parties be enforced to guide bothside. Also, business practice review sections (BPR) should review terms and conditions from time to time for flexibility and reduction in job ambiguity.

As parts of monitoring, the study found that regular checks of equipment usage and closely monitoring of contracts to ensure compliance with standard procedures are good strategies that can position outsourcing for an improved performance as this is also a form of quality assurance and control.

4.6.5 Motivation

Motivation is a catalyst (Mello and Stank., 2008). Motivation can be from either side of the coin (Provider or Consumer). Cultural motivation stems from the norms of a company, and can be based on established organizational behaviours (De Boer, Gaytan, and Arroyo., 2006). Some organizations believe in appreciating those that work for them by giving gifts and awards. Letters of recognition and recommendation to outsourcing company could be written from top management personnel to the 3PL providers in recognition of their role in effective service delivery. Findings from this work indicated that 72% of believed that motivation from clients (selected oil and gas industry under study) was a key factor in bringing out excellent results. However, it is noteworthy that as encouragements in form of motivation are given for job well done, penalties should also be enforced where standards are compromised and for areas of poor performance (Lau and Zhang, 2006). More so, the Logistics companies need to provide a good service condition for their staff. Over 87% of respondents the insisted that their service condition needed to be improved to enhanced their performances.

Additionally, mutual respect for Logistics Company's staff and organizing annual get together dinner between contractor staff and client could also be a motivating strategy to build trust, confidence and enhance good relations among staff and management while Logistics providers can also decide to reduce cost for regular logistics consumers as a means of motivation. A combining all the various motivating strategies can enhance better performance for both the logistics consumers and providers.

4.6.6 Effective Communication System

Effective communication can solve a lot of problems in the logistics business. This requires that Operational challenges feedback process are maintained, real time updated are utilized, just in decision are promptly communicated and changes implemented. Furthermore, the client should also be given opportunities to communicate directly with stakeholders to ensure that requested service and actually delivery. Effective and prompt communication between client/contractor would reduce conflicts among providers and consumers of logistics (Stewart, 1995).

4.6.7 Use of Skilled, Trained, and Experience Man power by Providers

This situation occurs, if a Logistics companies while trying to cut cost and make more profit, recruit under qualified staff to certain technical jobs. This condition can make the inexperienced and untrained worker learn the job by doing it, thereby making costly mistakes, damaging expensive equipment and incurring losses (Bajec, 2013). It is thus, recommended that logistics companies should employ skilled and experience staff, organize regular training programs for their staff to increase their job competency. Joint Training in areas of job quality and prompt delivery of service can be arranged to exchange ideas and man power in areas perceived to be weakness (Capgemini, 2013). Logistics companies can also send their staff on external course on safety and other professional course and conferences. The resultant effect of this strategy is to team development of qualified, trained and skilled personnel for effective job delivery and improved organizational performance.

4.6.8 Provision of New/Standard equipment and Regular Maintenance

Logistics Providers should use the appropriate equipment for a specified job. Regular maintenance would reduce risk of accident, breakdown, reduce redundancy and improve delivery of services.

5.0 Conclusion

The drive for greater efficiencies and cost reductions in the face of fierce competition has forced many Business organizations particularly; the oil and gas companies to increasingly specialize in a limited number of core areas and outsource non-core areas of their operation. This strategy enhances productivity, capacity building, efficiency and core competency thereby improving organizational Performance. Notwithstanding, the challenges of logistics outsourcing that could lead to ineffectiveness as discovered from this study includes: Poor maintenance culture and service condition of the Staff of logistics providers, Late payment of LPO by logistics consumers, poor communication management, hidden charges and pricing issues, poor or inadequate documentation, Use of unskilled personnel, Company's Secret been at risk, change in management/Policy /Modus Operandi. However, a strategic and effectively managed logistics outsourcing would yield tremendous benefits to the oil and gas companies in Nigeria.

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