



ISSN: 2278 – 0211 (Online)

Impact Of Cost Management On Logistical Performance Of Security Firms: A Case Study Of G4s Kakamega Cluster

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Abstract:

The purpose of this paper was to investigate G4S Kakamega Cluster logistics situation in delivering services to its customers in a less costly way and also formulate proposals that will result to efficient networks geared towards high performance in supply chain activities. The project targeted 60 G4s staff involved directly in logistics work in Kakamega cluster. This research adopted a census approach. Data collection was done using, observation and questionnaires. The data collected was analysed by the use of descriptive statistical measures. The study finding indicates that 93.6% respondents confirmed that the organization is involved in cost cutting measures which are essential in achieving targets. Hence cost minimization efforts are key to achieving high logistical performance. Since firm's competitiveness can be enhanced through cost minimization and service improvements in logistics activities, it is important that companies are steadfast in measuring logistics related performance.

Key words: Cost management, Logistical performance, G4s Kakamega cluster

1.Introduction

Logistics applications have been paramount in the human race and its use can be traced long time ago in history. Activities involved in the construction of human structures for instance pyramids in Egypt and others such as simple bridges can be termed as early application of logistics. Formal sense of logistics gained momentum when man started to enter into military actions. According to (Lysons 2006) logistics management was a military term dating back to the Napoleonic wars. From a military point of view logistics is defined as a science of planning and carrying out the movement and maintenance of the forces. Proper logistical operations are geared towards achieving quality at the least cost possible. Douglas (2004) Concludes that logistics is that part of the supply chain management that seeks to plan, implement and control the efficient and effective forward and reverse flow and storage of goods and services and related information from the point of origin and point of consumption in order to meet customer needs.

G4s Kenya is divided into Nairobi Region and 9 clusters spread across the country namely; Mombasa, Malindi, Thika, Nyeri, Nakuru, Kisii, Kisumu, Eldoret and Kakamega. Kakamega cluster consists of four branches which are Webuye, Bungoma, Mumias and Kakamega itself.

1.1.Problem Statement

In current globalized markets, each and every organization has tried to stay put on its core mandate thus maximizing on their competencies while outsourcing non-core activities. G4S is a specialist in handling 3PL, it has taken the opportunity to breach this gap by handling some of these outsourced functions. The main intervention of this paper is that there are high unit prices for services rendered in G4s creating opportunity for easy entry in the market and steady growth of the competition. This has continued to happen

despite being the leading security, safety and logistics service provider in the market. This has created a major outcry from its key clients prompting a significant number of them to shift to more reliable competitors.

1.2.Objectives

The aim of this research is to determine the impact of cost management on logistical performance of security firms.

1.3.Specific Objectives

- To determine ways of reducing costs in the supply chain.
- To determine the impact of cost management on logistical performance of security firms.

1.4.Research Questions

- Is value analysis important in logistics management?
- Do cost management measures have an impact on the logistical performance of security firms?

1.5.Scope Of The Study

This study was carried out in G4S Kenya Limited in its Kakamega Cluster which is situated in western Kenya. The study was limited to employees involved in logistics activities of the company.

2.Literature Review

2.1.Introduction

Brian S.F (2006) narrates that as a result of this challenging competition in the consumer products, service providers strive for their products to reach the final customers before they turn their heads to their rivals. In the current business orientation, most managers tend to place logistics as a support function rather than strategic. Ideally in many companies, most attention is given to functions such as finance, IT and HR with no equal observation to logistics management. The end result is loss of opportunities to improve systems and maximize on profits by eliminating waste in the supply chain. Greater emphasis on integrated logistics would mean lesser costs and efficiency in provision of services to clients which to a greater extent enhances market share of the respective firms.

Reducing costs is a long-term goal of a logistics firm such as the G4s Kenya Limited. Reducing the cost to transport and to warehouse materials in a SC increases the profit the company earns from every transaction. For instance, energy costs and motor running costs are one area of logistics that adds to the cost of each shipment. Objectives such as consolidating shipments can help reduce these costs to the logistics company. Maximizing transportation routes have also resulted in a lower cost for the company. In addition to increasing the profit to the logistics firm, the cost savings initiatives can be passed on to the customer. A system of continuous improvement should be put in place to help a logistics company achieve its goals where all employees can participate in this value analysis or value engineering initiatives.

According to James et al (1994) confirms that any logistics systems in a company should demonstrate accurate placement and filling of orders, consistent lead times, ability to expedite orders, have a plan to communicate foreseeable delays in service and more importantly to have a working formula of receiving feedback to facilitate correcting actions. All this should be done within least cost possible. Khanittha (2011) says that in a competitive global market, firms inevitably have to reduce costs. Therefore companies seek to design low cost logistics plans and networks from various locations. As a result, logistics cost is a major concern to 3pl, considering the number of clients and the distance from their point of service. In order to lower costs, each organization busy itself in designing a network that is favourable. Since a firm's competitiveness can be enhanced through cost minimization and service improvements in logistics activities. Defence Acquisition University in USA (1994) clarifies that a firm may increase its market share if it significantly invests in its cost control. According to Lysons (2006), companies often have many business partners in different locations where goods and services are constantly in motion. In a nutshell one of the biggest challenges in transporting items isn't determined the routing but rather managing its cost. Costs related to reduced lead time can be put on focus in this area. Suppose a customer's average consumption is 20 units per day. If the order cycle of a logistic network is 4 days then a customer will need 80units in each order stock. If the network is made efficient cycle time reduced to 2 days then a customer will have to only keep 40 units. This means an enhanced customer relationship and the client is enabled to save some holding costs.

Bernie Hart et al (2009) says that fuel prices form a major SC cost which sometimes are beyond a firm control. Complex international laws, changes in technology and security aspects also form part of the fleet costs. Therefore one should look for other areas that will see costs cut through value analysis. Improper control of costs can wipe out the profits of an organization. If not well managed professionally an attempt to reduce one cost can result to the emergence of other expenses which can be higher than initial expenditure therefore logistics officers should to stay on target not to incur other incidental costs. In a bid to eliminate waste in the logistics systems, care should be taken to ensure revenue expenditures are not interfered with as non observance to this will lead to more damage. According to Reza et al (2009) narrates that cost distribution in any logistics plan will be determined by the geographical situation, infrastructure, human resource dynamics, advance of technology and laid down administrative procedures. One more way of reducing costs in the supply chain is by automating all critical stages that interfaces each other. Semi automated functions have proved to be a way to increasing overlap costs (Lysons 1994). Avoidance of unnecessary paperwork helps the organization to increase efficiency. The use of systems such as EDI, ERPs, Exchange, B2B, and VMI helps greatly in scheduling and routing. Traditional

performance measure such as profitability are less relevant for measuring S.C.P because they tend to have an individual focus and fail to consider chain – wide areas for cost performance improvement. Bechtel C at el (1997) advocates the use of integrated measure that motivate firms to consider chain wide performance, rather than their own individual performance cost measures

2.2. Conceptual Framework

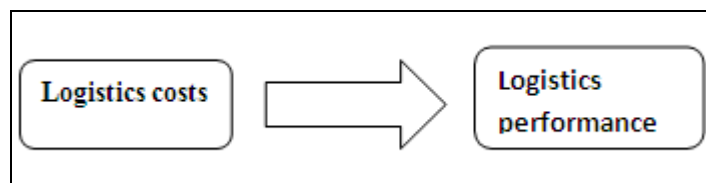


Figure 1: Conceptual Frameworks

3. Research Methodology

3.1. Research Design

A case study was used in this research work on the basis of in depth observation. These designs were used because of technical reasons and nature of data to be collected.

3.2. Target Population

The project targeted 60 respondents across the company's service lines, carefully picked to ensure credible data achieved. These were staffed directly involved in logistics functions including managers and division heads of different service lines.

3.3. Sample and Sampling Technique

A census was conducted to ensure all relevant data is captured. This technique was appropriate because the respondents identified were manageable in totality.

3.4. Instruments

Questionnaires were used to collect data. This was an important tool because most of the staff were always in the field and could hardly find enough time in offices for interviews. In some instances observation technique was used especially for variables that are visible

Branches	Questionnaires Delivered	Male	Female
Kakamega	30	24	6
Bungoma	10	7	3
Mumias	10	9	1
Webuye	10	8	2
Total	60	48	12

Table 1: Distribution Of Questionnaires In The Cluster Branches

3.5. Data Collection Procedure

Tools of questionnaires and observation were used to collect data from targeted respondents. Questionnaires were used on the respondents who are busy in logistics operations and cannot be accessed easily during the day. The observation came in handy on variables that can be seen by naked eyes of the researcher. The questions that were applied were mainly closed and open ended questions.

3.6. Data Processing And Analysis

Computer software of statistical package for social sciences (S.P.S.S.) was used to analyse the data. The data collected was analysed by the use of descriptive statistical measures of collection, measures of dispersion and fugitive of S.P.S.S. was used to analyze data.

4. Research Findings And Discussion

The raw facts were interpreted into information and presented using various forms of data presentations. This was followed by discussion of the results in detail to elaborate on the findings.

4.1. Response Rate

A total of 60 questionnaires was issued to various staff members working with G4S Security Company, Kakamega cluster. Out of the total 60 questionnaires issued, 51 were collected back. The questionnaires were verified to ensure no blank questionnaires or having more than 50% questions unanswered formed part of the study. During the verification, four questionnaires were not fully answered and had more than 50% unanswered questions hence were considered spoilt and excluded from being part of the study. Therefore, out of the 51 questionnaires received back, only 47 were used for the study. This represented 78.3% useful response rate, which was deemed appropriate as this may be a serious disadvantage of this instrument

4.2. Gender Analysis

Based on the respondents' gender, the results shown in Table 4.1 were posted. Of the total population, 80.85% of the respondents were male while only 19.15% were female.

Gender	Frequency	Percent
Male	38	80.85
Female	9	19.15
Total	47	100.0

Table 2: Respondent's Gender Frequencies

4.3. Designation Analysis

Of those polled, 78.7% of those polled held other positions other than those listed. 14.9%, 4.3% and 2.1% held the positions of Supervisor, branch manager and cluster managers respectively.

4.4. Work Experience Analysis

Findings revealed that 40.5% of the respondents had a working experience of between one and five years. 37.8% had a working experience of between six and ten years whereas 21.6% had an experience of more than ten years. This was considered representative enough because the bulk of the organization's employees has worked between one and ten years. This cumulatively provided 78.4% of the respondents hence the data collected was valid enough as this pool understand the logistics involved in the supply chain.

4.5. Ways of Reducing Cost in Supply Chain

Reducing costs is a long-term goal of a logistics firm with a lieu of maximizing profits. During the study, the researchers sought to establish the ways which G4S as a logistics firm is putting in place to cut down costs. Cost cutting measures involve all people within the organization as it cuts across all the departments. As Khanitha (2011), observes that in a competitive global market, firms inevitably have to reduce cost which is a wholesome and inclusive exercise.

4.6. Response Cost Cutting Measures

Do you carry out cost cutting measures in your organization?

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	44	93.6	93.6	93.6
NO	3	6.4	6.4	100.0
Total	47	100.0	100.0	

Table 3: Cost Cutting

From these results, it was evident that the organization was involved in cost cutting measures. 93.6% affirmed that the organization is involved in cost cutting measures whereas a paltry 6% felt that there were no costs cutting measures.

4.7. Measures To Cost Cut

From content analysis, the following were cited;

- Cutting Power Bills

27% of the respondents observed that there was a need to try to minimize the power bills that the organization pays. One measure that could be put in place is to switch off electricity during the day. Further, proposed was the installation of

power saving bulbs to ensure that the high power consuming bulbs are removed and possibly disposed off at a fee to raise some monies to the organization.

- Freeze Employment

As stated by 21%, respondents observed that the organization had frozen hiring of new staff in a measure to cut costs. However 9.5% of the respondents contracted and on their opinion felt that there was need to have additional staff deployed and hired in lieu of reducing risks.

- Cutting Fuel Costs

As proposed by 32% of the respondents, there were needs to cut costs in the fuel bills. This matches what Bernie-Hart et al (2009) says that fuel prices forms a major SC cost which sometimes are beyond a firm control. In order to cut costs, the organization could look into how it executes the transportation of members between various stations. The vehicle expenses were also cited as an area where their fuelling needed a close scrutiny as well as their maintenance costs.

- Communication and Transportation Bills

Though not highly mentioned, 7.7% of the respondents observed that there was need to cut the costs incurred during calls. Though not commonly cited, calling is an emerging trend in the Kenyan market and thus needs to be checked as over time, it will emerge as one of the areas where calling bills will be higher in organizations. Other areas to focus on include; Creation of sub-stations for couriers hence make it easier to serve some regions hence cutting the costs of fuel moving into the remote areas; Improve on vehicles used in the courier services. This would be perhaps by acquisition of recent vehicles which would consume less fuel. This would reduce on the breakdowns on the fleet of vehicles. The other area which was cited as a worthy focus is to train staff on cost cutting measures as well as motivate them to observe the value of it.

4.8. Levels Of Agreement With Company Cost Cutting Measures

Fig. 2 below is a summary of the level of agreement with the measures the company has employed to control cost.

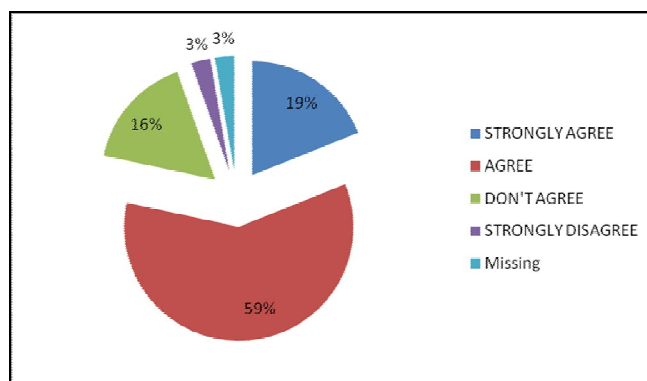


Figure 2: Pie Chart Showing Satisfaction Levels Of Staff With Organization's Cost Cutting Measures

As observed in the above figure, 59% agreed that they were satisfied with the measures the organization had put in place to cut costs. Additionally 19% strongly agreed that they were satisfied with the Company measures. Cumulatively, 19% were not satisfied with the organizational measures as 3% and 16% strongly disagreed and didn't agree respectively.

During the study, the respondents were also asked to enumerate the areas which required some focus in order to improve on logistics performance. Provision of security tools such as vehicles, torches as well as enhancing the provision of refresher courses to boost the training skills of the staff was cited.

4.9. Summary

The demographic information of the population showed that the number of respondents was spread across the various cadres and the ages of the employee. Cost cutting is a key area as indicated in this chapter. Top management always puts in place various measures to curb the rising organizational costs. However, apart from freezing the employment, there is need to develop mechanisms to cut fuel costs and through the staff encourage responsible use of power to reduce on the power bills. Discussed in this chapter, training of the staff was deemed very vital in ensuring improved service delivery at least cost.

5. Summary, Conclusions And Recommendations

5.1. Summary

A good understanding and regular analysis of costs have a direct impact on G4s overall performance. In this globalized business environment, movement of materials, items and information from one point say the origin to another say consumption point is much quicker with a steady increase of volume. Cost control policies should properly be enshrined in any logistical strategy hence value analysis should be continuous processes because markets are dynamic.

5.2 Conclusion

Logistics operations in G4S Security services (K) Ltd have been challenged by cost factors which need to be addressed and appropriate solutions found. This calls for a formulation of a logistical policy to re-affirm commitment to its service delivery to both existing and prospective customers. Cost control both within and without the business should take a more contemporary form such as the use of new technological advancement.

5.3. Recommendations

G4s security services (K) services command the largest market share in the secure logistics security industry, it should therefore be in the forefront in working closely with stakeholders in creating proper logistical systems. Better cost control initiatives ensure low burden of service provision hence enabling the company to price competitively. Vehicles, staff, power resources should be well matched to available volumes to avoid strain or unnecessary idle capacity as this scenarios increase avoidable costs.

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