

The Effects of Corporate Governance: Implications for Third Party Logistics Providers' Marketing Capability and Long-Term Relationships

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Abstract: Corporate governance principles have been very important recently for the firms which want to promote performance and offer a more qualified service for their customers. In this study, an investigation has been done about corporate governance in logistics enterprises. Likert type scale has been used to evaluate corporate social response, accountability and transparency which are sub-dimensions of corporate governance. The research has been carried out on the third party logistics service providers which are actively operated in the Marmara region. The Questionnaires have been collected by pollsters; available data has been 218 after the dropped which have been filled carelessly have been removed. Data has been analyzed using SPSS statistical packet program. Besides demographic variables and descriptive statistics, exploratory factor analysis, Cronbach alpha, correlation and regression analysis have been done. As a result, corporate governance scale's reliability and validity has been tested and significant relationships have been obtained between factorial constructs. On the other hand, implications have been done about the levels of corporate governance in logistics firms and also presented the findings to the benefits of enterprises and academics.

Keyword: Corporate Governance, Corporate Social Responsibility, Accountability, Transparency, Third Party Logistics Service Providers

Kurumsal Yönetişimin Etkileri: Üçüncü Taraf Lojistik Hizmet Sağlayıcıların Pazarlama Yeteneği ve Uzun Dönemli İlişkileri Üzerine Çıkarımlar

Öz: Kurumsal yönetim ilkeleri, performanslarını artırmak ve müşterilerine daha kaliteli hizmet sunmak isteyen işletmeler için günümüzde oldukça önemli olmaya başlamıştır. Bu çalışmada lojistik işletmelerinde kurumsal yönetim üzerine bir araştırma yapılmıştır. Kurumsal yönetişimin alt boyutları olan kurumsal sosyal sorumluluk, hesap verebilirlik ve şeffaflık boyutlarını ölçmek için Likert tipi ölçek kullanılmıştır. Araştırma, Marmara bölgesinde faaliyet gösteren üçüncü taraf lojistik hizmet sağlayıcılar üzerinde yürütülmüştür. Anketler, anketörler aracılığıyla toplanmış; geçersiz anketler çıkarıldıktan sonra elde edilen veri sayısı 218 olarak gerçekleşmiştir. Verilerin analizinde SPSS

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istatistik paket programı kullanılmıştır. Demografik değişkenlerin, tanımlayıcı istatistiklerin yanı sıra açıklayıcı faktör analizleri, Cronbach alpha, korelasyon ve regresyon analizleri yapılmıştır. Sonuç olarak, kurumsal yönetim ölçeğinin geçerliliği ve güvenilirliği test edilmiş olup, faktör yapıları arasında anlamlı ilişkiler elde edilmiştir. Diğer yandan, lojistik işletmelerinin kurumsal yönetim düzeyleri hakkında çıkarımlarda bulunulmuş, ayrıca elde edilen bulgular işletmelerin ve akademisyenlerin istifadesine sunulmuştur.

Anahtar Kelimeler: Kurumsal Yönetişim, Kurumsal Sosyal Sorumluluk, Hesapverebilirlik, Şeffaflık, Üçüncü Taraf Lojistik Hizmet Sağlayıcılar

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I. Introduction

Corporate Governance has recently become one of the indispensable values of primarily the business enterprises, followed by the societies. The businesses seek to bind themselves with certain responsibilities or in other words try to discipline themselves within a certain framework in the light of corporate governance principles. The businesses set to improve their performance with corporate governance and accordingly aim productivity and profitability. Customers also benefit from the corporate governance, thanks to, for instance, a closer acquaintance with the businesses and build confidence as such.

Challenges that emerge as a result of the businesses' desire to grow have made it difficult for the managers can maintain more productive and efficient operation. As a result, the importance of professionalism in management has increased. Owners and managers of the businesses have been separated. Those in charge of the management of the business have assumed a significant role before both the business, and the society. Therefore professional managers influence the society as well as their businesses. In other words, businesses have to take into consideration the requests and expectations of the surrounding groups during their operational activities. Therefore, the business managers should, on the hand, ensure business growth and on the other hand pursue policies that would balance the expectations of the aforementioned interest groups (Koçel, 2003:465). During performance of the said activities, the managers are also compelled to present complete and accurate information to the stakeholders. Corporate governance understanding paves the way for the businesses can comply with the above requirement.

Today, many businesses conduct basic operations by themselves, while outsourcing the tasks that are outside their fields of direct operation. Logistics activities within businesses constitute an important part of outsourcing. Logistics outsourcing or in other words employing logistics providers (3PL) is the activity, which includes having the other companies (third-party logistics providers, or 3PL) conduct, in whole or in part, the logistics activities that have been traditionally performed in an organization (Chen *et al.*, 2010). According to Christopher (2005) 3PL can be defined as the organizational

application of outsourcing for logistics activities in improving the customer services and minimizing the costs (Selviaridis and Spring, 2010). Third party logistics service providers are required to comply with certain liabilities against the businesses, primarily accountability and transparency.

II. Background to the Study

Corporate governance involves in the interactions of the business executive managements in charge of strategic management and conduct with other stakeholder groups and organizational structures (Ülgen and Mirze, 2010). Corporate government is a guarantee of sustainability of business and that such issues as the composition of board of directors in businesses, the decision making processes, which information should be disclosed when and in which form, and what type of stakeholders / shareholders should be communicated and contacted are decided in corporate governance processes (Baraz, 2004). Corporate governance also deals with the interest groups of the business and handles the strategic alternatives within the organization and tasks of the executive management in a wider perspective (Luo, 2005). The present study aims to discuss the fundamental domains of the corporate governance, namely Corporate Social Responsibility (CSR), Accountability, and Transparency.

Due to the dynamic construct of the market, it is important for the companies to adapt with rapid and unexpected changes and have wide support in the field in order to gain competitive advantages. Internal supply chain integration strategies in addition to external integration strategies should focused on in companies with a high level of logistical competency (Mollenkopf & Dapiran, 2015:1). Thanks to corporate governance, companies achieve the said integration strategies by developing many relations oriented to the needs of internal and external interest groups.

A. Corporate Social Responsibility

A good corporate citizenship leads to social liabilities for corporate social investment and interest groups of a business (Porter, M. and Kramer, M., 2006). CSR is the social aspect of a sustainable supply chain management (Seuring, 2013). CSR deals with both social, and environmental issues despite the 'corporate' word in its composition. CSR cannot and should not be considered separate from business strategies or activities. CSR is to incorporate the environmental and social issues into the business strategies and activities. CSR is voluntary-based. Another important extension of CR is related to the companies' sharing with their internal and external stakeholders (Göçenoğlu and Onan, 2008, p.4), which include employees, customers, suppliers, public organizations and local administrations, non-governmental organizations, and social environment.

Corporate social responsibility is a company's performance with respect to its liabilities to its social environment (Quevedo-Puente *et al.*, 2007: 61) and show of willing behavior towards social problems. Corporate social responsibility can also be defined as

an enterprise's performance of its economic, legal, moral, and voluntary responsibilities to its stakeholders (Maignan and Ferrell, 2000: 284). It can be argued that corporate social responsibility has four domains of responsibility, including economic, legal, ethic, and voluntary domains. Economic responsibility is the enterprises' responsibility to gain profit in return for the supply of products and services required by the society. Legal responsibility is the companies' observance of legal regulations during their performance of their economic goals, where ethic component includes certain additional responsibilities expected from the organizations by the society, despite the same have not been provided for in written laws. Voluntary responsibilities and the charity activities expected from the enterprises by the society.

B. Accountability

Accountability is a multi-dimensional notion performed operationally through relations between individuals and organizations (Kaynak and Avci, 2014). Although it is hard to define accountability, according to a certain consensus, accountability is a notion which includes providing information and being accountable to a certain authority (Kluvers and Tippett, 2010). In colloquial language accountability refers to responsibility or means that reason of an act is explicable. Providing the grounds for an act may be a legal requirement or a moral virtue (Hendry and Dean, 2002).

Accountability is the managers' assumption of the responsibility of the values that they have created and decisions they have made, and it implies that they should be awarded accordingly. Executive management of companies with active corporate social responsibility awareness should lead their organization, clearly define this concept and community of interest for oneself, conduct such activities in a result-oriented way, and be accountable for what have been done.

C. Transparency

Transparency has been defined a notion in literature with impact on many elements, including procedures agreed upon in order to build certain relations, fair share, joint concessions, and long-term association (Lamming, *et al.*, 2001). Transparency is considered a process as regards the supply chain network, by which those being served search for information and test the market for better alternatives (Eggert and Helm 2003).

Transparency to stakeholders is another goal of the enterprises. Accounting standards, basic strategies, goals, and corporate values should be shared with the society. Standard applications serve as a mirror for management science and applications, enabling especially the production of transparent and truthful financial information. The present study discusses the domains of corporate governance and the effect of third part logistics business on (a) Sales Capability (b) Logistics Capability, and (c) Long-Term Relationship.

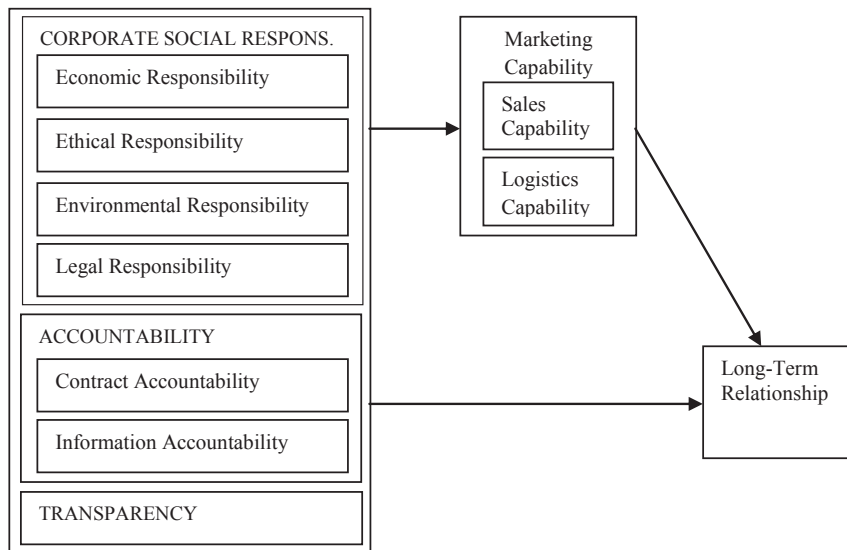


Figure 1. Research Model

III. Methodology

A field study was deployed to test the research model, and survey method was utilized as the data collection method. The research was conducted with the customers of the third part logistics service providers, who were asked to assess the logistics service provider companies. Accordingly the universe of the study was comprised of professional businesses outsourcing the logistics services.

A. Sample and Measures

For the purpose of data collection, surveyors were dispatched to companies randomly selected from the businesses as members to Edirne Chamber of Commerce and Industry and Istanbul Chamber of Commerce. The surveyors were provided with preliminary information as regards the content of the survey and the points to consider. Data collected in 228 surveys. The surveys were conducted with such departments as purchasing, production, marketing, logistics/SCM, and foreign trade that have been involved in decision making processes, and with the middle and high level managers of the companies outsourcing logistics services.

Corporate Governance Scale, one of the scales used in the survey, had three domains and four subdomains, including economic, ethic, environmental, legal accountabilities, agreement, information accountability, and Transparency (Kaynak and Avci, 2014). Sales capability scale was developed by the authors. The scale as developed by Gattorna *et al.* (1991) and Chow *et al.* (1994) was made use of for measuring the logistics capability.

The scale as developed by Cannon and Homburg (2001) was used as for the long-Term Relationship scale.

B. Analysis and Results

Before commencement of the data analysis, the normality assumption of the data was checked. Accordingly, 21 surveys were excluded from the analysis due to the inappropriate nature. Data analysis was conducted with 207 surveys.

Frequency distributions and descriptive statistics performed for examining the sample characteristics were provided in Table 1. The great majority of the participants were male with mean age of 36, and the educational status of the participants indicated that they were mostly high school and university graduates. On the other hand the departments of the interviewees responding the survey suggested a balanced distribution, with most of the participant served mid-level managers in their companies.

Table 1. Sample Characteristics

Gender	Frequency	Percent (%)	Department	Frequency	Percent (%)
Male	148	67,9	Procurement	25	11,5
Female	65	29,8	Production	26	11,9
Missing	5	1,8	Marketing	40	18,3
Total	218	100	Logistics/ SCM	39	17,9
Age	Frequency	Percent (%)	Export/Import	47	21,6
18-25	21	9,6	Others	28	12,8
26-35	70	32,1	Missing	13	6
36-45	69	31,7	Total	218	100
46-55	19	8,7	Position	Frequency	Percent (%)
56-65	2	0,9	Expert	51	23,4
66+	3	1,4	Medium level managers	112	51,4
Missing	34	15,6	Assisfant general manager	6	2,8
Total	218	100	General manager	15	6,9
Education	Frequency	Percent (%)	Business owner	13	6
Primary school	3	1,4	Others	9	12,2
High school	49	22,5	Missing	12	5,5
Associate degree	9	4,1	Total	218	100
Bachelor degree	74	33,9			
Graduate	18	8,3			
Missing	65	29,8			
Total	218	100			

Factor analysis was used for the validity test of the scales employed in the survey; and Cronbach's Alpha coefficients were examined for the reliability tests. Factor analyses provided in Table 1 and Table 2 suggested that the items were distinguished as expected, the items were loaded to the relevant factors, and that the factor loads were significant. Total variance explained by the independent variables, total variance explained by the dependent variables, and KMO test were 68%, 69%, and .914, respectively. Due to factor loads of above 0.5, it was concluded that the scales were valid.

On the other hand the alpha coefficients of the scales used in the survey were above 0.70, except for the alpha coefficient for economic responsibility (.670). Therefore it was concluded that the scales used in the survey were reliable (Nunnally and Bernstein, 1994).

Table 2. Factor and Reliability Analyses for Independent Variables

KMO= .914	Cont Acc	Info Acc	Env Res	Leg Res	Transp	Eth Res	Econ Res
Total Explained Variance: 68%	0.877	0.891	0.863	0.865	0.864	0.824	0.670
Logistics company is accountable to its customers in financial affairs							.651
Accountable to its shareholders in financial affairs							.676
Accountable to public institutions in financial affairs							.564
Accountable as regards the cost of the logistics service							.567
Employees of the logistics company act in line with ethical principles						.715	
Refrain from misinformation and misleading behaviors						.697	
Acts in ethical sense of responsibility when providing customers with information						.736	
All employees have the ethical accountability responsibility						.597	
Logistics company pursues environmentally-friendly policies			.776				
Logistics company is accountable for its impact on the environment			.778				
Logistics company is attentive to recycling and reuse			.740				
Logistics company acts in a responsible manner for the protection of the environment			.593				
Provides its employees with social rights and wages in the framework of laws				.625			

Does not discriminate its employees based on age, sex, race etc.			.687		
Employees are not discriminated in wages and rewarding			.717		
Logistics company maintains equal distance to all its customers			.729		
Applies fair pricing to its customers			.657		
Logistics company is loyal to previously set articles of transportation, storage etc. agreements	.756				
Loyal to the provisions of the agreement as regards the sales and introduction of our products	.738				
Acts pursuant to the instructions provided in the agreement	.801				
Loyally follow the articles of the agreement	.748				
Loyal to the non-disclosure liability as regards the articles of the agreement	.688				
Provides regular information as regards our position in the market	.751				
Provides regular information as regards our customers	.809				
Provides regular information as regards the course of our sales and distribution activities	.738				
Provides regular information as regards future likely sales forecasts	.685				
Logistics provider transparently shares economic issues with its stakeholders				.770	
Logistics provider would unsbtly disclose in case of any change in its organizational structure				.766	
Logistics provider prioritized transparency in its business processes				.745	
Logistics provider provide information via annual activity reports				.678	

Table 3. Factor and Reliability Analyses for Dependent Variables

	Logis Cap	Sales Cap	Long TermO
KMO= .939			
Total Explained Variance: 69%	0.878	0.938	0.876
Helped with increasing our sales to high levels		.786	
Increased the sales rate of the newly introduced products to the market		.842	
Helped with reaching the main target mass and making sales		.809	
Helped with achieving the desired sales goals		.807	
Logistics employees help our sales staff in achieving the sales objectives		.772	
Logistics service provider put importance on inventory management	.628		
Conducts work with an aim to decrease logistics costs	.720		
Makes rational and economic decision regarding transportation	.690		
Pursues to continuously improve the logistics service quality	.740		
Efficient in decreasing loss and damaged rates	.659		
We put importance on timely delivery of products and services	.674		
Demonstrates meticulous care for performing our	.669		
I am happy with the performance of this logistics service provider	.704		
In the future, this company will have a greater share in our dispatches			.737
We hope our business with this company will grow			.775
We will be using this company more frequently in one year			.815
We will be using this company more frequently in three year			.704

Mean, standard deviation, and correlation analysis values for the variables were provided in Table 4. Upon correlation analysis, significant relationships of 0.1 were found between the corporate governance domains of Sales Capability, Logistics Capability, and Long-Term Relationship.

Table 4. Descriptive statistics and correlations

Variables	Mean	Sd	1	2	3	4	5	6	7	8	9
1.Economic responsibility	4,18	0,62	1								
2.Ethical responsibility	4,05	0,70	,513**	1							
3.Environmental responsibility	3,87	0,83	,423**	,606**	1						
4.Legal responsibility	3,97	0,75	,439**	,535**	,489**	1					
5.Contract accountability	4,10	0,60	,471**	,535**	,479**	,544**	1				
6.Information accountability	3,73	0,87	,401**	,514**	,488**	,546**	,547**	1			
7.Transparency	3,73	0,74	,434**	,326**	,394**	,495**	,436**	,517**	1		
8.Sales Capability	3,62	0,82	,406**	,435**	,420**	,515**	,401**	,578**	,525**	1	
9.Logistics Capability	3,97	0,69	,456**	,466**	,410**	,547**	,527**	,597**	,513**	,694**	1
10.Long-Term Relationship	3,87	0,78	,398**	,412**	,361**	,453**	,446**	,561**	,516**	,676**	,686**

**p<0.01 level sig. (1-way).

Three regression models were set for testing the research model. The first regression model had F value of 20.151 (p<0.01) and Adj.R2 of 0.400. It was seen that the Information accountability (.236**) and Transparency (.236**) variables had an impact on Sales Capability at the .01 level and the legal responsibility (.163*) at .05 level.

Table 5. The Regression Results

Dependent Variables	Sales Capability			Logistics Capability			Long-Term Relationship		
	Std. Beta	t	Sig.	Std. Beta	t	Sig.	Std. Beta	t	Sig.
Economic responsibility	,120	1,730	,085	,087	1,339	,182	,079	1,108	,269
Ethical responsibility	,111	1,412	,159	,037	,503	,615	,070	,857	,392
Environmental responsibility	,028	,381	,704	,015	,217	,829	-,031	-,398	,691
Legal responsibility	,163*	2,055	,041	,183*	2,458	,015	,090	1,103	,271
Contract accountability	-,087	-1,161	,247	,116	1,651	,100	,103	1,337	,183
Information accountability	,236**	3,037	,003	,259**	3,549	,000	,267*	3,337	,001
Transparency	,236**	3,214	,002	,193**	2,866	,005	,197**	2,667	,008
F	20,151**			26,507**			16,931**		
Adj. R-Squire	,400			,470			,356		

**p<0.01 level sig.; * p<0.05 level sig.

The second regression model had F value of 26.507 ($p < 0.01$) and Adj.R2 value of 0.470. Information accountability (.259**), Transparency (.193**), legal responsibility (.183*) variables had a positive impact on the Logistics Capability.

The third and the last regression model had F value of 16.931 ($p < 0.01$) and Adj.R2 value of 0.356. Information accountability (.267*) and Transparency (.197**) variables had a positive impact on re-purchasing intent.

IV. Discussion and Conclusion

Interesting results obtained via the present study, which investigated the effect of the corporate governance principles of the third party logistics service providers on marketing capability and long-term Relationship. The effects on Sales Capability, Logistics Capability, and Long-Term Relationship were provided below, respectively.

The corporate governance principles of information accountability and transparency are the two variables, which hold the greatest effect on Sales Capability, Logistics Capability, and Long-Term Relationship. One of the reasons of why Information accountability has a positive effect on sales capability is that it is more important than ever that the organizations inform and share information with internal and external stakeholders. Sales organizations, sales managers, and sales representatives are responsible for informing their customers as regards their behaviors and performance outcomes (Ingram, 2015). Logistics companies will have a positive image, when they inform their customers, act transparently in their processes and transactions, and share open information in issues relating their customers. It can be said that information accountability leads to a positive interaction in purchasing decisions of the customers, increasing the sales capability of the enterprises.

Transparency is very important in inter-organizational procedures. Seller's transparency is one of the effective factors on the purchasing behavior of the buyers. Therefore, transparency has a positive effect on sales capability. This finding is also supported by the relevant literature (Alpay et al., 2008).

One of the interesting results of the present study is that Legal responsibility had a direct effect on sales capability. Buyer companies require that the seller company acts pursuant to legal and bureaucratic processes.

Logistic companies seeking to improve their sales and logistics capabilities, and long-term relations should focus primarily on Information accountability and Transparency. Furthermore, legal responsibility is also one of the corporate governance principles that the companies should achieve in order to improve their sales and logistics capabilities. Another result of the present study was that unlike the emphasis in the relevant literature, the economic responsibility, ethical responsibility, environmental responsibility, and contract accountability had no significant effect on sales and logistics capabilities, and long term relations.

Naturally, the present study has certain limitations as it is with the other studies. First of all, the data was obtained from the members of Edirne and Istanbul Chambers of

Commerce, and enterprises outsourcing the logistics services. The expansion the sample, and especially the inclusion of enterprises registered to Chambers of Industry may increase the significance of such studies. The principles of corporate governance have recently become one of the frequently studied topics. The effect of corporate governance principles on the other performance indicators of the companies may be tested via further studies.

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