Logistics Outsourcing in Brazil and in the U.S.: an Institutional Theory Perspective

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You are receiving this report as an act of appreciation for your valuable participation in the study of logistics outsourcing in the U.S. and Brazil

Introduction

- Research conducted as an honors thesis in partial fulfillment of the requirements for the Bachelor of Science in Business Administration degree in Transportation and Logistics in the Sam M. Walton College of Business, University of Arkansas
- Participants were logistics managers and executives from 3PL providers and 3PL users in the U.S. and Brazil
- For more information, contact details are provided in the last slide
This study reveals that the institutional environment has a strong impact on logistics outsourcing behavior.

**Executive Summary**

- In the current global and uncertain economic environment, the logistics outsourcing industry continues to increase in importance and size.
- The industry is experiencing a big transformative change where 3PLs and 3PL users are going from a transactional relationship to a more strategic partnership, based on collaborating to achieve shared goals.
- As 3PLs and 3PL users expand operations to other countries, they may fail to understand that what works in one location may or may not work elsewhere.
- Data from semi-structured interviews with 3PLs and 3PL users provide evidence saying that the institutional environment – composed of economic, regulatory, and sociocultural dimensions - plays a role in several aspects of the logistics outsourcing behavior, such as contracting and selection, operations, and relationship between 3PLs and 3PL users.
- The study focuses in Brazil and the U.S., two key players in the world’s economy that exhibit differences in its logistics outsourcing behavior.
The sample represents 3PLs and 3PL users operating in Brazil and in the U.S.

### Participants from companies operating in the U.S.

<table>
<thead>
<tr>
<th>Participant</th>
<th>Industry</th>
<th>Position</th>
<th>Years in the Industry</th>
<th>Years in the position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Consumer of Packaged Goods (3PLuser)</td>
<td>Director of Wal-Mart Global Supply Chain</td>
<td>34</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>Consumer of Packaged Goods (3PLuser)</td>
<td>Transportation Security Manager</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Logistic Outsourcing (3PL)</td>
<td>Global Director, Network Solutions</td>
<td>33</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>Logistics Outsourcing (3PL)</td>
<td>USA Regional VP</td>
<td>25</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>Logistics Outsourcing (3PL)</td>
<td>Managing Director of Customer Strategy</td>
<td>13</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Participant</th>
<th>Industry</th>
<th>Position</th>
<th>Years in the Industry</th>
<th>Years in the position</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Consumer of Packaged Goods (3PLuser)</td>
<td>Customer Service Manager</td>
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<td>7</td>
<td>Consumer of Packaged Goods (3PLuser)</td>
<td>Corporate Manager</td>
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<td>0.5</td>
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<tr>
<td>8</td>
<td>Oilfield Services (3PLuser)</td>
<td>Domestic Logistics and Sales Manager</td>
<td>3</td>
<td>1.5</td>
</tr>
<tr>
<td>9</td>
<td>Logistics Outsourcing (3PL)</td>
<td>Director of Sales for Latin America</td>
<td>19</td>
<td>4</td>
</tr>
<tr>
<td>10</td>
<td>Logistics Outsourcing (3PL)</td>
<td>Latin America VP</td>
<td>25</td>
<td>2</td>
</tr>
</tbody>
</table>

### Participants from companies operating in the Brazil
The sample was composed of experienced professionals

Position and years in the industry of participants

- More than 50% of participants had over 20 years of experience in the industry
- 80% of participants were individuals in upper level managerial positions

Relevant Information
Supply chain complexity has been increasing and the logistics outsourcing industry is growing; two contributing factors to this are: globalization and economic volatility.

### Two contributing factors to the growth of logistics outsourcing

#### Contributing factors

- **Wave of Globalization**
- **Economic Volatility**

#### Growth of the Industry

**80% of Fortune 500 companies outsource at least 1 function**

*(Langley JR., 2010)*

**65% of 3PL users reported to have increased their use of 3PLs**

*(Langley JR., 2010)*

### Relevant Information

- Globalization has led to large-scale consolidations, increasing the demographic reach of the supply chain.

- Economic volatility brings pressures for prices and margins reduction, increasing the need for shippers to be flexible and agile.

- The increasingly complexity of supply chains and the pressures for high performance have led to an increased number and variety of logistics services outsourced to 3PLs.
The 3PL industry is going through a big transformative change on how the supply chain performance is evaluated and managed by 3PL users.

### 3PL’s capability developments are emerging into meaningful strategic relationships with clients

**Past**

- 3PLs hired for the execution of transactions
- The movement of a container to destination

**Future**

- 3PLs hired for execution of transactions in addition to visibility
- The automation of certain business processes

- 3PLs hired to be a strategic supply chain partner
- Design and operate client’s supply chain network

### Relevant Findings

- 3PLs have been upgrading their services from simple execution of transactions such as arranging to pick up shipments and preparing all needed documentation, to more strategic services such as the collaboration on the design and operation of the client’s supply chain.

- Partnerships with 3PLs are going from a transactional relationship based on leverage, to a strategic one based on sharing goals and collaborating to achieve them.

- 3PL managers are expected on a regular basis to develop global positioning strategies, restructure their organizations, and deliver solid value propositions to clients across the globe.
The Brazilian 3PL industry seem to be with years of delay regarding major 3PL capability developments as compared to the U.S.

Comparison between the evolution of 3PL’s capability developments in Brazil and the U.S.

 Relevant Findings

- While many 3PLs in the U.S. have already developed strategic supply chain partnerships with customers, the majority of small, mid-sized local firms in Brazil seem to have only evolved to a more upgraded transactional relationship.
  
  (Participant 10, October 12, 2011).

- If there is a strategic supply chain partnership between a 3PL and a 3PL customer in Brazil, it generally is because the firms are based elsewhere (e.g.: in the U.S.) and the same business procedures as the corporate office are followed.

I. Local and mid-sized firms in Brazil

II. U.S. based firms with operations in Brazil

Firms in the U.S.
Like in many developing countries, transport infrastructure in Brazil is lagging compared to the U.S.

### Transport Infrastructure in Brazil and the U.S.

<table>
<thead>
<tr>
<th>Country</th>
<th>2010 Total</th>
<th>With paved runways</th>
<th>2010 Total</th>
<th>With paved runways</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Airports</strong></td>
<td></td>
<td></td>
<td><strong>Airports</strong></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4072</td>
<td>253</td>
<td>15,079</td>
<td>5,194</td>
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<tr>
<td>Heliports</td>
<td>2010</td>
<td>13</td>
<td>Heliports</td>
<td>2010</td>
</tr>
<tr>
<td>Total</td>
<td>13</td>
<td></td>
<td>Total</td>
<td>126</td>
</tr>
<tr>
<td>Railways</td>
<td>2010</td>
<td>13</td>
<td>Railways</td>
<td>2010</td>
</tr>
<tr>
<td>Total</td>
<td>28,538 km</td>
<td></td>
<td>Total</td>
<td>224,792 km</td>
</tr>
<tr>
<td>Roadways</td>
<td>2004</td>
<td>28,538 km</td>
<td>Roadways</td>
<td>2008</td>
</tr>
<tr>
<td>Total</td>
<td>1,751,868 km</td>
<td></td>
<td>Total</td>
<td>6,506,204 km</td>
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<tr>
<td>Waterways</td>
<td>2010</td>
<td>2,751,868 km</td>
<td>Waterways</td>
<td>2008</td>
</tr>
<tr>
<td>Total</td>
<td>96,353 km</td>
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<td>Total</td>
<td>4,374,784 km</td>
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<tr>
<td>Pipelines</td>
<td>2010</td>
<td></td>
<td>Pipelines</td>
<td>2010</td>
</tr>
<tr>
<td>Condensate/gas</td>
<td>62 km</td>
<td></td>
<td>Condensate/gas</td>
<td>62 km</td>
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<tr>
<td>Gas</td>
<td>13,514 km</td>
<td></td>
<td>Gas</td>
<td>13,514 km</td>
</tr>
<tr>
<td>Liquid petroleum gas</td>
<td>352 km</td>
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<td>Liquid petroleum gas</td>
<td>352 km</td>
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<tr>
<td>Oil</td>
<td>3,729 km</td>
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<td>3,729 km</td>
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<td>Refined products</td>
<td>4,684 km</td>
<td></td>
<td>Refined products</td>
<td>4,684 km</td>
</tr>
<tr>
<td>Merchant marine</td>
<td>2010</td>
<td></td>
<td>Merchant marine</td>
<td>2010</td>
</tr>
<tr>
<td>Total</td>
<td>126</td>
<td></td>
<td>Total</td>
<td>41,009 km</td>
</tr>
<tr>
<td>Ports &amp; terminals</td>
<td>2010</td>
<td></td>
<td>Ports &amp; terminals</td>
<td>2009</td>
</tr>
<tr>
<td>Total (cargo ports, container ports and oil terminals)</td>
<td>11</td>
<td>Total (cargo ports, container ports and oil terminals)</td>
<td>18</td>
<td></td>
</tr>
</tbody>
</table>

**Relevant Information**

- 82% of airport runways are unpaved in Brazil versus 66% in the U.S. In addition, 13 of top 20 airports have no terminals that can meet today's demand.
- As of 2004, only 5% of roadways were paved in Brazil. Today, the number has increased to 12%. In contrast, 67% of U.S. roadways were paved as of 2008.

(Source: World Factbook)

(South America Transport & Logistics 2011, 2011)
A wide variety of 3PL services are offered in Brazil and in the U.S. but there are differences regarding the most demanded services in each country.

**Most Demanded Services**

- Domestic Transportation
- Customs Services
- Warehousing
- Supply Chain Consultancy
- Transportation planning & management
- Labeling, packaging, assembly knitting
- Warehousing
- Customs Services
- Domestic Transportation

**Relevant Information**

- 3PLs in the U.S. appear to have a higher demand for the most specialized and strategic outsourcing services as compared to Brazil.
The key premise of this study is that understanding the environmental forces in Brazil and in the U.S. can shed some light in explaining observed differences in logistics outsourcing practices in both countries.

Three categories of environmental pressures are proposed to shape logistics outsourcing practices:

- **Regulative environment**: Business management is influenced by the governmental, judicial and professional institutions and regulations.

- **Socio-Cultural environment**: Hofstede’s model of cultural dimensions affect decisions and strategies and has become an internationally recognized standard.

- **Economic environment**: How powerful a country is as an economy compared to the rest (e.g. infrastructure) affects decisions and outcomes in logistics outsourcing.
‘Long Term Orientation’ (LTO) is a cultural dimension that helps to understand differences between behaviors in the U.S. and Brazil.

**Characteristics**

- Ordering relationship by status and observing this order
  - Sense of shame
- Strong Work ethic

**Relevant Information**

- Long Term Orientation can be interpreted as dealing with society’s search for virtue.
- In Brazil there is a strong work ethic and a tendency to order relationships by status and observe this order when making decisions.
- In the U.S., individuals strongly focus on protecting their personal stability, fulfilling obligations and protecting their status in society.
- Thus, a strong commitment to one’s job and an attempt to go an extra mile for the customer is very common in American business settings.
‘Individualism’ (IDV) is a second cultural dimension that helps to understand differences between behaviors in the U.S. and Brazil.

- Individualism refers to the presence for a loosely-knit social framework in which individuals are expected to take care of themselves and their immediate families only; collectivism is its opposite.
- Brazil has a collectivist culture; individuals manifest a closer long-term commitment to the member group, “expect to be taken care of in exchange for unquestionable loyalty.
- The U.S. is a very individualistic country where people are very independent and would mainly look out for themselves and their closest ones. Achieving one’s objective is a crucial societal rule among Americans.
**Proposition:** Differences in cultural dimensions impact the 3PL selection process. Specifically, lower levels of long-term (LTO) and higher levels of individualism (IDV) in the U.S. leads to a stricter process while selecting a 3PL.

**Individualism & Long Term Orientation Dimensions**

- **High LTO (Collectivist):**
  - Ordering relationship by status and observing this order
  - Sense of shame
  - Strong Work ethic
  - Societal rule: Loyalty
  - Personal steadfastness and stability
  - Focus on achieving quick results
  - Protecting one’s face

- **Low LTO (Individualistic):**
  - Societal rule: achieving one’s objective

**The impact on 3PL Selection**

- Selection based on the 3PLs reputation
  - No need for strict quality assessments

- The 3PL that the client has a closer relationship with, may be selected

- Strict and careful selection process followed by 3PL and 3PL users

**Relevant Findings**

- 3PL users in the U.S. look for 1. quality, 2. service, and 3. cost while selecting a 3PL. Generally, initial selections are followed by quality assessments before reaching the final selection. 3PLs are selective too: how transactional the potential client thinks and how the profile of its actual logistics looks like are crucial factors for a 3PL.

- In Brazil it is not all about the service that the 3PL may offer; a previous or extended relationship with the 3PL may surpass the former factor for reasons of loyalty and commitment.
‘Uncertainty avoidance’ (UAI) is a third cultural dimension that helps to understand differences between behaviors in the U.S. and Brazil.

**Uncertainty Avoidance Dimension (UAI)**

- **High UAI**
  - Uncomfortable by the unexpected
  - Risk adverse attitude

- **Low UAI**
  - Motivated by change
  - No fear to risks

**Relevant Findings**

- Uncertainty avoidance is the highest dimension in Brazil.
- Brazilian authority and organizations provide detailed plans and adopt many rules, laws, policies and regulations that are strictly implemented in order to avoid change or the unexpected.
- In the U.S. rules and structure are not imposed unless necessary.
- In the U.S. there is a greater tolerance for a variety of ideas, thoughts, and beliefs than in Brazil.

**Employees may “fear that change (e.g. acquisitions of technology) would put them out of work.”**

( Participant 11, October 03, 2011)

**“There is the set mind that is takes off jobs and increases costs”**

( Participant 10, October 12, 2011).
**Proposition:** Lower levels of uncertainty avoidance in the US, leads to higher levels of innovation in logistics outsourcing relationships as compared to Brazil.

**Uncertainty Avoidance Dimension (UAI)**

- **High UAI**
  - Uncomfortable by the unexpected
  - Risk adverse attitude
  - Employees may “fear that change (e.g., acquisitions of technology) would put them out of work.”
    (Participant 11, personal communication, October 03, 2011).

- **Low UAI**
  - Motivated by change
  - No fear to risks

**Impact on Operations**

- “What would take 3 calls and a couple of memos and analysis in the US, would actually take six to eight months in Brazil”
  (Participant 10, personal communication, October 12, 2011).

- Selling innovative solutions is challenging for a U.S.-based 3PL in Brazil

- “… they should know the best of what businesses are doing and should be bringing more innovative things to us as opposed to just meeting their needs.”
  (Participant 2, personal communication, August 16, 2011)

**Relevant Findings**

- Higher levels of uncertainty avoidance in Brazil hinders firms’ openness towards 3PL’s suggestions on major innovational changes. Brazilian clients have the mindset that it may bring unexpected outcomes or put jobs or expenses at risk.

- Thus, you do not see much demand for supply chain consulting services as you see in the U.S.
‘Power distance’ (PD) is a fourth cultural dimension that helps to understand differences between behaviors in the U.S. and Brazil.

- **High PD**
  - 3PLs and 3PL users do not see themselves as equal
  - Respect towards senior level personnel turns into fear and intimidation

- **Low PD**
  - Equal and open interaction among different hierarchical levels

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**Relevant Information**

- A low power distance in the U.S. is indicative of equality among different hierarchical levels within the government, organizations, and even families.

- In Brazil, the less powerful members of organizations accept and expect power to be distributed unequally.

- In all societies, power and inequality are significant subjects to analyze; however, some societies are more unequal than others.

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"In America the customer is not a God but just a person..."

(Personal communication, Participant 4, August 22, 2011).
**Proposition:** Higher levels of power distance (PD) in Brazil are detrimental to the development of collaborative partnerships between 3PL and 3PL users. Conversely, lower power distance (PD) in the US is beneficial to such development.

In America the customer is not a God but just a person…

*(Participant 4, August 22, 2011)*

A U.S. based 3PL:

"Many times when our sales team try to sell an innovative idea to the client, the contact employee may agree to it but would never flip it to his/her boss"

*(Participant 11, October 3, 2011)*

The power distance within a Brazilian firm can present challenges to a U.S.-based 3PL trying to sell an innovative idea to a Brazilian client. The employee may agree to the idea but for reasons of power distance would fear trying to sell it to his/her boss.

Foreign 3PLs in Brazil need a sales staff able to speak the language of sophisticated potential customers that encourage change, as well as being able to sell towards more standardized and commoditized services which is the case for the majority of small and mid-sized Brazilian clients.
Regulative Environment: the government facilitation style in a country significantly influences business management behavior.

**Characteristics**

- **History of behavior:**
  - Corruption
  - Distrust towards governmental, judicial, and professional institutions

- **Lack of trust between managers in businesses partnerships**

- **Individuals build social networks to avoid public rules and protect their own interests**

- **Trust towards governmental, judicial, and professional institutions**

**Relevant Information**

- Facilitative governments are “supportive of organizations, and provide structural assurances supporting exchanges.”

- Non-facilitative governments “are unwilling or incapable of providing the infrastructure to support extensive impersonal exchange.”

- The U.S. mode of governance is known as rule-based because it is a country that is able to enforce transparent rules that are easily spread to all public and universally applied.

- The Brazilian mode of governance can be labeled as relation-based because individuals are lead to build personal relationships and social networks in order to avoid public rules and protect their own interests.
**Proposition:** Regulatory forces such as a facilitative vs. non-facilitative government may strongly impact the evolution of the logistics outsourcing industry in Brazil and the U.S.

### Regulative environment

- **Non – Facilitative Government**
- **Facilitative Government**

#### Relation-based

#### Rule-based

### Impact on 3PL – 3PL user Relationship

- **History of behavior:**
  - Corruption
  - Distrust towards governmental, judicial, and professional institutions

- **Lack of trust between managers in businesses partnerships**

- **Individuals build social networks to avoid public rules and protect their own interests**

- **Trust towards governmental, judicial, and professional institutions**

- **Client lacks transparency on sharing strategic goals, internal issues or supply chain conflicts with 3PLs**
  - 3PLs are not usually hired for supply chain consultancy

- **Brazilian mid-sized and local clients seem to “have only evolved to a more upgraded transactional relationship” with 3PLs**
  - (Participant 10, October 12, 2011)

- **Client shares goals and conflicts with the 3PL**
  - 3PLs are able to develop a more strategic relationships with the client

### Relevant Findings

- **While a 3PL - 3PL user relationship in the U.S. is developing into a more strategic one, in Brazil they are only evolving to a to a more upgraded transactional relationship with 3PLs.**
  - (Participant 10, October 12, 2011)

- **Even though commitment to collaboration and trust between 3PL and 3PL users is higher in the U.S., it is still emerging. “This is a history of behavior and we (3PLs) need to train people to think differently; 3PLs have to be the first ones to show that they can be trusted and the customer will reciprocate by being more candid with us.”**
  - (Participant 3, August 22, 2011).
**Proposition:** A non-facilitative governance and relation-based regulation in Brazil leads to the disregard of Brazilian 3PL customers towards contracting procedures. The effect is the opposite in the U.S. which is exposed to a facilitative government with a rule-based regulation.

<table>
<thead>
<tr>
<th>Regulative environment</th>
<th>Impact on Contracting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Facilitative Government</td>
<td>History of behavior:</td>
</tr>
<tr>
<td>Relation-based</td>
<td>- Corruption</td>
</tr>
<tr>
<td>Facilitative Government</td>
<td>- Distrust towards governmental, judicial, and professional institutions</td>
</tr>
<tr>
<td>Rule-based</td>
<td>Lack of trust between managers in businesses partnerships</td>
</tr>
<tr>
<td></td>
<td>Individuals build social networks to avoid public rules and protect their own interests</td>
</tr>
<tr>
<td></td>
<td>Trust towards governmental, judicial, and professional institutions</td>
</tr>
<tr>
<td></td>
<td>Local 3PL clients use contracts infrequently and rely on social networking and personal relationships in protecting their business arrangements.</td>
</tr>
<tr>
<td></td>
<td>Generally it is multinational clients in Brazil that use contracts because they follow the procedures applied in their corporate office (E.g. in the U.S.)</td>
</tr>
<tr>
<td></td>
<td>Contracts are widely used in the American 3PL industry</td>
</tr>
<tr>
<td></td>
<td>There is no need for reciprocal relationships to protect interests.</td>
</tr>
</tbody>
</table>

**Relevant Findings**

- Respondents emphasized that while local clients in Brazil do not commonly require contracts, clients in the U.S. generally do, and these would be two-year contracts with a subject to renewal.

- In Brazil, a contract would not mean as much to local 3PL clients; instead, the reputation of the partnering 3PL or whether they already have an established extended relationship with the latter or not, is a more promising factor in regards to the protection of arrangements.
**Proposition Cont’d:** In addition, personal steadfastness and stability, common behaviors in a society with a low level of long-term orientation like the American, contributes to the use of short term contracts with a subject to renewal.

- **Relevant Findings**
  - The low level of long term orientation in the U.S. adds to the importance of contractual procedures.
  - Observations stress that logistics practitioners in the U.S. generally use short term contracts with a subject to renewal. Firms avoid holding to a 3PL partnership that may possibly hinder the stability of the organization in the future.
The economic environment impacts logistics outsourcing practices in the U.S. and Brazil

**Economic Environment**

- Leading economic power in S.A.
- Poor Transportation Infrastructure.
- Technological advances
- Leading Economic Power
- Good Infrastructure.
- Robust technology

**Relevant Information**

- Brazil is the seventh largest economy in the world and the U.S. is the largest.

- Poor infrastructure in Brazil hinders major international interest in Brazil. However, international investors wanting to expand operations to S.A. see Brazil as the place to start.

- While there is trillions of dollars being spent in deteriorating infrastructure around the world, the U.S. is not adequately investing in theirs which may weaken competitiveness in the future.
**Proposition:** Poor logistics infrastructure in Brazil contributes to operational inefficiency and higher logistics costs as compared to the U.S.

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**Economic Environment**

- Poor Transportation Infrastructure:
  - Not enough rail transportation flows among regions
  - 82% of airport runways are unpaved
  - 13 of top 20 airports have no terminals that can meet today’s demand
  - 60% of freight uses road system but only 12% of roads are paved

- Good Infrastructure:
  - Improvements on intermodal connections in the past few years
  - World’s longest national railroad network
  - 66% of roads are paved.

**Impact on Operations**

- Easily adds 20% to transport, fuel and maintenance costs.
  - E.G. Volkswagen parts are held in house for 3 days minimum, more than in the U.S. → $118 billion in excess inventory
  - In average firms hold inventory for 65 days as opposed to 43 in the U.S.

- Challenge: to get products to the market in a timely manner

- Rail costs $27 per 1000km as opposed to $117 by road but the rail network is in worst state of repair

- 3PLs increasing their investments on warehousing and related logistics services

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**Relevant findings**

- An inefficient infrastructure challenges 3PLs in reducing supply chain costs for clients and in getting the product to the market on a timely manner for suppliers

- Recent improvements on intermodal connections is leading 3PLs to increase their investments: Penske Logistics, “recently opened a new 110,000 square foot distribution center in Manaus to support their customer Whirlpool”
  (South America Transport & Logistics 2011, 2011)

- None of the respondents suggested that infrastructure may be a problem in the U.S.
In conclusion: In Brazil, socio-cultural and regulative environment appear to be the most critical and with stronger impact on logistics outsourcing behavior.

Relevant Information

- Propositions were made based on the level of importance that certain behaviors or practices had for the logistics outsourcing executives that participated in this study.

Relevant findings

- Observations on the logistics outsourcing behavior of respondents suggest that the socio-cultural and regulative environment are the most influential to logistics outsourcing practices in Brazil.

- In Brazil, the economic environment appears to hinder the efficiency of logistics outsourcing practices but not as strongly as the socio-cultural and regulative environment.
In the U.S., the socio-cultural environment seems to be the most influential to the industry’s behavior.

- Observations on the logistics outsourcing behavior of respondents suggest that the socio-cultural environment is currently the most influential to logistics outsourcing practices in the U.S.
- In the U.S., the economic environment appears to hinder the efficiency of logistics outsourcing practices but not as strongly as the socio-cultural, followed by the regulative environment.

Relevant findings:

- Observations on the logistics outsourcing behavior of respondents suggest that the socio-cultural environment is currently the most influential to logistics outsourcing practices in the U.S.
- In the U.S., the economic environment appears to hinder the efficiency of logistics outsourcing practices but not as strongly as the socio-cultural, followed by the regulative environment.
Summary of the findings

- In the current global and uncertain economic environment, the logistics outsourcing industry continues to increase in importance. Companies can focus on their core competencies while third party logistics providers (3PLs) improve their logistics processes and reduce costs.

- There is an ongoing evolution in 3PLs’ capability developments that is still emerging throughout the globe, in some countries faster than others. More specifically, 3PLs have been upgrading their services from simple execution of transactions such as arranging to pick up shipments and preparing all needed documentation for it, to more strategic services such as the collaboration on the design and operation of the client’s supply chain. 3PLs need to train current or potential clients to think differently and be the first ones to prove that they can be trusted; the client would then, reciprocate by being more candid with the 3PL.

- The institutional environment plays a role in logistics outsourcing practices such as: contracting and selection, operations, and 3PL-3PL user relationships. Understanding the environment inherent to each country better prepares firms in the coordination of logistics outsourcing practices and engagement of 3PL-3PL user relationships with foreign companies.
Summary of the findings (Continued)

U.S. 3PLs expanding operations to Brazil should be aware that:

- Their sales staff needs to be able to speak the language of sophisticated potential U.S.-based customers that actually encourage change and innovation, as well as being able to sell towards more standardized and commoditized services, which is the case for the majority of small and mid-sized Brazilian clients.

- In many instances, selection of 3PLs in Brazil is not based on the quality and breadth of services that a potential new 3PL may offer; but yet to a previous or extended relationship with the current 3PL used for reasons of loyalty and commitment inherent to the culture.

Brazilian 3PLs expanding operations to the U.S. should be aware that:

- Very often and unlike their clients back home, U.S. firms expect the 3PL to go an extra mile for the client if necessary as opposed to meet the previously agreed performance only; thus, they may have no qualms in terminating the partnership if that is not the case.

- When selecting a 3PL in the U.S., cost is important but the quality and service provided has more weight for an American client. Moreover, the reputation or social networking of the 3PL is not as crucial for the customer as it is in Brazil.
Local 3PL users in Brazil should be aware that:

- If there is an interest on outsourcing services to a U.S. based 3PL with operations in Brazil, the latter are cautious on the clients they target. They follow strict procedures to identify potential convenient clients. For instance, these 3PLs look at how transactional the 3PL user thinks and the profile of its actual logistics in order to identify how profitable to their organization the potential client would be.

- As mentioned earlier, managers should be attentive to all these aspects. Understanding the institutional environment inherent to each country may better prepare firms in the coordination of logistics outsourcing practices and engagement of 3PL-3PL user relationships with foreign companies.
In the U.S., the socio-cultural environment seems to be the most influential to the industry’s behavior.

- The aggregate results of this study will be published in the University Libraries at the University of Arkansas in digital format as an undergraduate honors thesis.
- For additional information, please contact Maria Barrenechea in the email or phone numbers provided below.
- Once again: Thank you for your participation!

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