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Research Article

The effect of logistics practice on organizational performance: In case of Kombolcha textile share company

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ABSTRACT

Logistics is in charge of managing supply through serving customers from which a firm obtains cash. The purpose of this study was to assess the logistics practices and its effect on organizational performance in the case of kombolcha textile Share Company. This research is cross sectional and associational in design. So as to attain the objectives of the study, stratified sampling method were employed in order to get a precise sample size. Quantitative data gathered through Questionnaire were employed as a research instrument to collect primary data. The data was collected from 128 employees of the Company who are directly or indirectly involved in logistics activities. The data were analyzed using statistical package for social science version 20. Descriptive and Inferential statistics were made to describe each of the variables and to test the relationship and influence between independent and dependent variables. The result revealed that logistics dimensions: customer service, inventory management, supply management, transportation management, and warehouse management have highly practiced in the company. The identifying logistics practice dimensions have positive association with organizational performance and have significant influence on organizational performance in this research data set. Therefore; KTSC should take improvement actions in its way of managing logistics process to benefit from best logistics system.

Keywords: *Logistics Practice; Organizational Performance; Independent Variable; Dependent Variable; Kombolcha Textile Share Company*

1. INTRODUCTION

In an era of shrinking product life cycles, proliferation of product lines, shifting distribution chains and rapidly changing technological advancement, use of logistics had become an essential ingredient for organizations in gaining competitive advantage (Njambi & Katuse, 2013). It is through the logistical process that materials flow into the manufacturing capacity of an industrial nation and products are distributed to consumers (Bowersox et al., 2002).The ability to transport goods quickly, safely, economically and reliably (logistics) is seen as vital to success of businesses, and to a nation's prosperity and capacity to compete in globalized economy (Debela, 2013). Logistics activities such as procurement, inventory management, warehousing, materials management, distribution and customer service are vital for both manufacturing and service organizations to be competitive in today's market conditions (Harrison & Hoek, 2008). Superior logistics practices represent an important option not only because they can lead to more efficient operations but

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because they can effectively increase customer loyalty(Christopher, 2011). Chen et al., (2010) demonstrated that logistics is a strategic vector in companies' organization and influences their performance, namely in terms of service quality and overall profitability. Without appropriate configuration and implementation of the whole logistics function, companies are risking being rigid, disorientated and ultimately being driven out of the market (Kotsifaki et al., 2007). Logistics is a channel of the supply chain which adds the value of time and place utility. In Textile Industry where so many stages are need to pass from Raw materials to finished goods and then to reach at customers end within stipulated time frame, the logistics management plays a vital role in satisfying customers need and brings delighters in business circle. Most textile manufacturers handle all logistics functions including trucking and warehousing through their own logistics and transportation departments (Shen et al., 2017). Bagshaw (2017) investigated logistics management and firm performance and confirmed that logistics activities have influence on firm performance on the rate of production output, market share and profitability. Ristovska et al., (2019) Explore impact of company's logistics on efficiency and effectiveness performance and revealed that reduction of the cost of each logistics activity influences the total amount of costs and enhances company's performance and optimally manage all logistics activities results in increased business efficiency, customer satisfaction and competitiveness. An analysis by Ilic & Aleksandra Tesic (2016) pointed that logistics and supply chain management practices have associated benefits such as lower cost, higher quality, better customer service, flexibility and improved competitive advantage. Ethiopia's textile and clothing sector has experienced a boom in export-led growth in recent years, and the sector is characterized by strong value addition throughout the entire value chain from cotton to clothing, with high local processing of cotton lint into textile and apparel products. The textile industry is considered to be one of the first steps into industrialization and give opportunities for employment and increase the possibilities for global trading (International trade center [ITC], 2020). Accordingly, the Ethiopian textile sector is facing a fierce competition for raw material and markets due to the coming of foreign firms to the sector especially from china, India, Indonesia, Turkish and due to the establishment of industrial parks. This is a big deal for the country's economic development and employment opportunities. However; this warns the existing textile firms to look seriously at their functional areas to struggle with the competition. One way that firms can win such competition is through logistics excellence (ITC, 2020). Research findings on the area of logistics practice in Ethiopia as well as particular to business firms revealed that logistics is not fully understood yet and still it is poor in practice. The logistics performance of Ethiopia is characterized by lack of coordination in the chain, lack of coordination in areas of inventory planning and warehouse management, less attention on customer satisfaction, inadequate vehicles in delivery of goods to customers and also lack of coordination with transporters (Debela, 2013). A study on logistics practice in Ethiopian manufacturing by (Ayenew, 2016; Tsemrie, 2016; Tura, 2017) indicate that logistic component has not been given the required attention and inefficient transportation, less developed warehouse facility, and longer lead times, interrupted production and information flow are apparent. Since it is established in 1984 Kombolcha textile Share Company is engaged in the production of 100% cotton products.

To produce superior quality cotton products the company is highly dependent on local suppliers of state and private cotton farms. Failure to do well with those suppliers can stop the company's production since lint cotton is its major input for production. Excellent logistics on its supply base can help the company to achieve significant cost savings and to feed its production the required quality cotton. On the other hand maintaining strong relationship with suppliers and excel at supply logistics activities would keep the company uninterrupted in production and will enhance its logistics performance. It also observed that running out of stock at the factory sales center for most of its products is a common phenomenon. The company need to understand the impact that stock out has on its sales and profit margins as well for its customer's satisfaction. Besides this major portion of the company's products are exported and sold to foreign markets like (America, Italian, China, German, Swaziland, srael) and making available products in those market is another area of the company's logistics which needs serious attention since simple failure in warehousing and transportation logistics in delivery can have significant impact on the performance of the company. There are also local targets for the company's product in different parts of Ethiopia particularly regional urban centers addis ababa, mekele, bahirdar, dessie and kombolcha. Hence the logistics of providing quality product at short lead time can enhance the company's revenue, customer service and greatly improves its market share. In other words, the logistics role should optimize the flow of goods in order to maintain quality, on time delivery and satisfaction. All this depicts that the company's existing logistics practice needs to be researched to understand the effect that logistics has on the company's performance. The main purpose of this study was to assess logistics practices and to determine the relationship between logistics practices and firm performance with the focus on the case company. More specifically this research aimed at addressing the following specific objectives.

1. To describe the existing logistics practice of kombolcha textile share company.
2. To examine the relationship between logistics practice and organizational performance.

2. REVIEW OF RELATED LITERATURE

2.1. Logistics Activities/Practices

In spite of its obvious importance, logistics has not always received its fair share of attention. Historically, organizations put their entire endeavor into making products and gave little consideration to the associated movement of materials. Managers accepted that transport and storage were needed, but they were viewed as technical issues that were not worth much attention; they were simply the inevitable costs of doing business (Waters, 2003). Logistics represents a collection of activities that ensures the availability of the right products in the right quantity to the right customers at the right time. Logistics activities serve as a link between production and consumption and provide a bridge between production and market locations or suppliers separated by a distance and time. The main purpose of logistics is to coordinate a bunch of related activities which work

together to create a supply chain and provide time and location benefits for customers (Ozalp et al., 2010) . A common way to structure a company, from a logistics perspective, is in three main activities: procurement, operations and distribution (Christopher, 2011). However, the typical elements of logistic activities, such as customer services, sales forecasting, distribution communications, stock control, materials handling and ordering, amongst others, may give companies competitive advantages, especially when based on the exchange of reliable information between the links in the chain (Bowersox et al., 2002).

2.2. Customer Service

According to Frazelle, (2002) the logistics of customer response includes the practices of developing and maintaining a customer service policy (CSP), monitoring customer satisfaction, orders entry (OE), order processing (OP), and invoicing and collections. Customer service is one of the most critical factors in attracting new and retaining old customers, and improving the competitive position of the company on the market as well. The main field of activity of the customer service is in charge of the logistics activities of a company.The most important influence on the policy of the customer service has major logistics functions: transport, inventory keeping, and warehousing (Melović et al., 2015).While in some ways it's an insight into the obvious, it is important to establish initially that logistics contributes to an organization's success by accommodating customers' delivery and availability expectations and requirements (Bowersox et al., 2002). Ultimately the success or failure of any business will be determined by the level of customer value that it delivers in its chosen markets. Customer value can be defined quite simply as the difference between the perceived benefits that flow from a purchase or a relationship and the total costs incurred (Christopher, 2011). Customer service represents a measure of the efficiency of the logistics system in creating time and space value for the product, including after-sales activities of the company. In the highly competitive market of final products, the level of customer service can help firms get new and/or retain old customers (Melović et al., 2015). Frazelle, (2002) argues that in today's just-in-time world the ability to respond to customers' requirements in ever-shorter time-frames has become critical. Most authors and practitioners agree that building and enhancing long-term relationships with customers generates positive returns to firms (Daniel et al., 2017). To do this the whole purpose of supply chain management and logistics is to provide customers with the level and quality of service that they require and to do so at less cost to the total supply chain (Christopher, 2011). The process of the customer service involves all those activities that facilitate customers to get to the required-new product, or which allows consumers to purchase. Companies can rarely achieve the satisfaction process of their customers. Therefore, the customer service is put in the value chain activities of the delivery. The more efficient the customer service is, the more opportunities the company will have to achieve competitive advantage in the market, with increased sales, market share and profit (Melović et al., 2015).

2.3. Inventory Management

Inventory management includes activities of forecasting, order quantity engineering, service level optimization, replenishment planning, and inventory deployment (Frazelle, 2002). Inventory management is critical to an organization's success in today's competitive and dynamic market. This entails a reduction in the cost of holding stocks by maintaining just enough inventories, in the right place and the right time and cost to make the right amount of needed products. Performance measures such that cost, flexibility, time and quality appear to be highly influenced by Inventory control. According to Richard, (2010) this activity influences costs because inventory control contributes not only to keep a low level of products but also to remove all sources of waste, contributing to a decrease on costs. furthermore, a good inventory control allows firms to keep an adequate level of inventory in order to increase its responsiveness to the market; exceed the gap of time between suppliers and consumers; and support Just-in-time programs between suppliers, sellers, and customers (Lambert et al., 2001). Beyond the impact of this activity on costs, flexibility and time, the quality of logistics service seems also to be influenced by inventory control and, more exactly, by the level of inventory (Karia & Wong, 2013). Inventory turnover has a favorable result on firm's performance which was determined by sales return. In addition, inventory reduction has also a favorable impact on organization performance (Demeter, 2003). Therefore, inventory management plays a crucial role in balancing the benefits and disadvantages associated with holding inventory. When organizations fail to manage their inventory effectively they are bound to experience, stock out, the decline in productivity and profitability, customer dissatisfaction (Bowersox, 2002).

2.4. Supply Management

Supply management is focused on the acquisition process recognizing the supply chain and organizational contexts. Special emphasis is on decision making that aligns the supplier network and the acquisition process with organizational goals and strategies and ensures short- and long-term value for funds spent. The overall objective of supply management is to minimize the total acquisition cost while meeting the availability, response time and quality requirement stipulated in the customer service policy (MENG, 2006). New purchasing and supply management practices in the commercial sector have been reported to substantially improve performance and reduce the costs of purchased goods and services. For a firm to deliver maximum value to its customers, it must receive maximum value from all its suppliers in the supply chain (Moore et al., 2002).

It is also demonstrated that by treating suppliers as allies and sharing strategic information with them, firms can achieve better lead times and quality, increase operating flexibility, and establish long-term cost reductions, all of which could help these firms enhance value for the ultimate customer (Nyamai, 2018).

Moore et al. (2002) argued that delivery performance improvements from adopting supply management, which include improved supplier responsiveness and reliability, allow firms to reduce their inventory levels. Many purchasing and supply management

initiatives reportedly produce both cost savings and performance improvements.The effort towards strong cooperation between buyers and suppliers also results from the global and competitive market place that focuses on cost, quality, delivery, flexibility, and technology, which subsequently create a greater need to emphasize inter-firm collaboration with various business partners(Nyamai, 2018). Frazelle, (2002) explained that best supply management indicators are e-procurement, supplier certification and award programs, demand information sharing, supplier visibility, supplier information sharing, supplier partnership. supply management interface capability aims for increasing responsiveness when properly integrated. A higher level of supply management interface capability automatically results in integration of logistics activities through seamless connection between suppliers and the manufacturer. It creates a strong positive influence on firm performance throughthe development of joint resources and the exchange of valuable information (Nyamai, 2018).

2.5. Transportation Management

Transportation management is another important activity in logistics. Improved transportation management may cause to increased sales, increased marketshare and ultimately to increased profit contribution and growth. Transportation adds “place” value to a firm’s product(Ozalp et al., 2010). Transport system is the most important economic activity among the components of business logistics systems. Transport management is the planning, controlling and decision making on operational area of logistics that geographically moved and positioned inventory (Bowersox et al., 2002). Today, organizations are concerned about transportation management because transportation represents a major expense item. Transportation occupies one-third of the amount in the logistics costs and hence transportation systems influence the performance of organizations hugely (TAYLOR et al., 2017).Transportation is the key element in a logistics chain, which joints the separated activities. A logistical system should be designed to minimize the transport cost in relation to the total system cost.Through transport goods could be sent to the right place at right time in order to satisfy customers’ demands.Without well designed transport systems, logistics could not bring its advantages into full play. Transportation makes goods and products movable and provides timely and regional efficacy to promote value-added under the least cost principle. Transport affects the results oflogistics activities andof course, it influences production and sale (TAYLOR et al., 2017).

Transportation enhances the value of goods by providing time and place utility. That is, effective and efficient transportation moves products to points where there is a demand for the product and at a time when it is needed at desirable cost (Waters, 2003). Obviously, a product has more value at a retail store than it did in a firm’s warehouse, because in the retail store it is available for sale (Laird, 2012). From the logistical system point of view, three factors were fundamental to transportation performance: cost, speed, and consistency (Bowersox, 2002). The cost of transport is the payment for shipment between two geographical locations and the expenses related to maintaining on-transit

inventory. Logistical systems utilized transportation that minimized total system cost (Bowersox, 2002).

According to Bowersox (2002) speed of transportation was the time required to complete a specific movement. Speed and cost of transportation were related in two ways. First, transport firms capable of offering faster delivery typically charged higher rates for their services. Second, the faster the transportation service was, the shorter the time interval during which inventory were on transit and the higher the charges (Bowersox, 2002). Thus, a critical aspect of selecting the most desirable method of transportation to a firm is to balance speed and cost of service. By shipping in car loads or truckload quantities rather than less than carloads or less than truckload quantities, a company may experience lower per unit transportation rates (Ozalp et al., 2010). As long as the transportation cost savings exceed any expenses associated with warehousing the additional volumes of product, it will be advantageous to ship in the larger quantities. Also, shipments in large volumes may experience better service, such as faster transit times and more reliable and consistent service. These results will help to reduce other costs such as in transit inventory carrying cost and potential costs of lost sales due to product unavailability at point of sale or use (MENG, 2006). In some circumstances low-cost, slow transportation is satisfactory. In other situations, faster service will be essential to achieving operating goals. Finding and managing the desired transportation mix across the supply chain is a primary responsibility of logistics management (Harrison & Hoek, 2008).

2.6. Warehousing Management

A warehouse is typically viewed as a place to hold or store inventory. However, in contemporary logistical systems, warehouse functionality can be more properly viewed as inventory mixing. While effective logistics systems should not be designed to hold inventory for extended times, there are occasions when inventory storage is justified on the basis of cost and service (Bowersox, 2002). Warehousing is an important part of a firm's logistics system that stores products (raw materials, parts, goods-in-process and finished goods) at and between points of origin and points of consumption. Warehousing can be provided by either warehouses or distribution centers (Murphy & Domicone, 2008). Christopher, (2011) lists the roles of warehouses as being make/break bulk consolidation centers, transshipment facilities, assembly facilities, product fulfillment centers, returned goods depots and other miscellaneous roles such as customer support. This therefore means that warehouses play a key role in supporting supply chain strategies particularly when it is facilitated with warehouse management system software's, radio frequency identification tool and advanced ICT tools.The direct labor and capital invested in warehouse operations equipment is a significant element of total logistics cost. When performed in an inferior manner, warehouse operations can result in substantial product damage (Bowersox, 2002). The roles of warehouses are being seen as increasingly important as they change from holding yards to switching yards. Warehousing is one of the important auxiliaries to trade. It creates time utility by bridging the time gap between production and consumption of goods. They may simply serve markets or hold inventory

and therefore provide means for achieving appropriate customer service and cost reduction in an environment prone to long lead times and disruptions (Christopher, 2011). Harrison & Hoek, (2008) identify strategic considerations as a criterion, operationalized as competition, current facilities, market size and penetration as well as expansion capabilities. According to Lambert et al., (2001) warehouse management contribute to a multitude of the company's missions, like; Achieving transportation economies (e.g. combine shipment, full-container load), achieving production economies (e.g. make-to-stock production policy), taking advantage of quality purchase discounts and forward buys, supporting the firm's customer service policies, meeting changing market conditions and uncertainties (e.g. seasonality, demand fluctuations, competition), overcoming the time and space differences that exist between producers and customers, providing temporary storage of material to be disposed or recycled (i.e. reverse logistics).Warehousing seems to have an impact on the following performance measures: time, flexibility and cost. The impact on time is, because, according to Bowersox, (2002) regular availability of stocks on warehouses allow firms to decrease their lead times. The consequence of this is an increase on customer satisfaction. Warehousing is also associated with flexibility since the storage of products allows firms not only to increase their operational flexibility but also its responsiveness to costumers' requirements. An important decision for many firms is the criteria for locating the warehouse facilities. Cost factors are prevalent in the decision making models. Resources such as skilled labour are also emphasized in some of the models. Another dominant factor is what might be named as accessibility, meaning infrastructure and availability of transportation modes (Ye & Wu, 2014). Ye & Wu, (2014) also gives a high concentration on time and reliability related considerations. This includes the proximity of customers manufacturing facilities and suppliers.On the other hand from the point of view of Ozalp et al., (2010) the way warehouses are managed will contribute to a reduction on costs and time; accuracy and timely fulfillment of customerorders. Economic benefits of warehousing occur when overall logistics costs are reduced. As Bowersox, (2002) stated warehouse in a logistical system reduces overall transportation cost by an amount greater than required investment and operational cost, and then total cost will be reduced. Warehouse service can provide benefits through enhanced revenue generation. When a warehouse is primarily justified on service, the supporting rationale is that sales can be increased, in part, by such logistical performance. Establishing a warehouse to service a specific market may increase cost but should also increase market sales, revenue, and potentially gross margin. Warehouses can provide service as a result of spot stocking, full line stocking, product support, and market presence (Bowersox, 2002).

2.7. Organizational Performance

Firm performance comprised the actual output or results of an organization as measured against its intended outputs (or goals and objectives), it involved the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently (P. J. Richard et al., 2009). Ultimately, the success of every organization depends on customer satisfaction. If it does

not satisfy customers, it is unlikely to survive in the long term, let alone make a profit, have high return on assets, add shareholder value, or achieve any other measure of success. So organizations must deliver products that satisfy customers. Unfortunately, customers judge products by a whole series of factors (Waters, 2003). Kirui & Nondi, (2017) argues that marketing performance (sales and market share growth) and financial performance (return on investment and profit growth) are consequences of performance of logistics activities.The main mission of Logistics is "the process of strategically managing the acquisition, movement and storage of materials, parts and finished inventory and the related information flows through the organization and its marketing channel in such a way that current and future profitability is maximized through the cost-effective fulfillment of orders (Christopher, 2011). Management of logistics activities can affect a firm's sales revenue, return on investment and other balance sheet items. Logistics customer service and logistics cost efficiency significantly determines a company's sales revenue and profit. Pipeline management, invoice accuracy, just in time logistics inventory, and asset utilization, has also determined the firms (cash, net receivables, inventory, and fixed assets) capital employed hence its return on investment (Christopher, 2011). Hence the aim of logistics can be phrased adding value for the products by providing place and time utility for customers. Through this way logistics enhances the firms' capability of achieving market and financial oriented goals. According to Richard et al., (2009) firm performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment); market performance (sales, market share); and, customer satisfaction/value added (P. J. Richard et al., 2009). Financial performance measures are more likely to reflect the assessment of a firm by factors outside of the firm's boundaries. These measures would include conventional indicators of business performance, such as market share, return on investment,and sales growth (Cucchiella & Gastaldi, 2010). Marketing performance reflects the organization's ability to increase sales and expand market share as compared to its competitors (Green et al., 2008). Financial performance reflects an organization's profitability and return on investment as compared to its competitors (Green et al., 2008). Based on this market share, the growth in market share, the growth in sales, return on investment, growth in return on investment, profit margin on sales and overall competitive position proposed for this study which has both natures of financial and market-oriented objectives as a measure of organizational performance.

2.8. Empirical Review of Studies

In spite of its obvious importance, logistics has not always received its fair share of attention. Historically, organizations put their entire endeavor into making products and gave little consideration to the associated movement of materials. Managers accepted that transport and storage were needed, but they were viewed as technical issues that were not worth much attention; they were simply the inevitable costs of doing business (Waters, 2003). Logistics represents a collection of activities that ensures the availability of the right products in the right quantity to the right customers at the right time. Logistics activities serve as a link between production and consumption and provide a bridge

between production and market locations or suppliers separated by a distance and time. The main purpose of logistics is to coordinate a bunch of related activities which work together to create a supply chain and provide time and location benefits for customers (Ozalp et al., 2010). A common way to structure a company, from a logistics perspective, is in three main activities: procurement, operations and distribution (Christopher, 2011). However, the typical elements of logistic activities, such as customer services, sales forecasting, distribution communications, stock control, materials handling and ordering, amongst others, may give companies competitive advantages, especially when based on the exchange of reliable information between the links in the chain (Bowersox et al., 2002).

Logistics has traditionally been considered necessary for connecting production and consumption. From this perspective, a company's logistics function was seen only as a generator of costs with no capacity for differentiation (Ballou, 2016). However, now researchers arrived that the logistics activities within a business organization attempt to satisfy customers through achieving the time and location related market challenges and also through the cost of the service provided as well as the quality, taking into consideration customers' needs and purchase power and has the capability to impact firms overall profitability.There have been various studies conducted by different researchers on the area of logistics practices and its contribution for companys' performance. For instance Mukolwe & Wanyoike (2015) conducted a research with the objective of assessing logistics management practices on operational efficiency of Mumias Sugar Company Limited, in Kenya.The study considers Information flow, Warehousing, Distribution, Transport Management as logistics activities and reveals that effective management of information flow improves the company's internal and external processes; Automation of warehousing activities greatly enhances accuracy, speed of operations and reduces wastage; Transport management practices allows faster and cost effective flow of goods and raw materials thus improving operational efficiency. However their study also found that physical distribution is not significant in explaining the relationship between logistics management practices and Operational Efficiency. Another study by Kirui & Nondi (2017) investigated the effects of logistics management on the organization performance of shipping firms in Mombasa, Kenya.The study was sought to address the effect of warehousing management, inventory management and transportation management, reverse logistics managementon organizational performance of shipping firms in Mombasa.The study confirmed that components such as warehouse management, inventory management, transport management and reverse logistics were highly practiced in most of the firms studied and had a positive impact on organization performance. Ristovska et al.,(2019) had been worked on impact of company's logistics management including transportation, warehousing, packaging, inventory and information management to the efficiency and effectiveness on different companies in the Republic of Macedonia. Their finding showed that the necessity of logistics managers to optimally manage all logistics activities in order to gain increased business efficiency, customer satisfaction and competitiveness. They added that reduction of the cost of each logistics activity influences the total amount of costs and

enhances company's performance. Other researchers also found that there is strong relationship between logistics and financial performance. Muslimin et al. (2015) when they examined the relationship between logistics practice and financial performance of small and medium scale enterprises in Indonesia Central Sulawesi Province. They were take logistics cost, flexibility, reliability, security, service quality as an independent variable and financial performance as dependent. Their result indicated that logistics cost and service quality have positive relationship to small and medium enterprises' (SMEs') financial performance. On the other hand flexibility, reliability and security have negative correlation to SMEs' financial performance. Azlan et al., (2016) examined that the relationships between logistics competency, logistics performance, and financial performancein Taiwan. Their study identified four logistics competencies; integration and knowledge competency, customer focused logistics competency, measurement competency, and agility competency. Their finding confirmed that logistics competency has significantly related to logistics performance but not significantly associated with financial performance, and logistics performance has positively associated with financial performance. They also conclude that logistics competency has an indirect effect on financial performance through logistics performance. Dubey (2011) has been conducted a study on improving firm performance through logistics activities in Dehradun, India.The objective of this study was empirically testing the impact of a set of logistics activities on firm's performance. The study was taken logistics activities as Warehousing, Inventory control, Handling, Packaging and Picking.This study confirms that logistics activities have positive impact on firm's performance in terms of sales, market share, profitability and growth. Gacuru (2015) investigated the factors affecting efficiency in logistics performance of trading and distribution firms in Kenya logistics performance as measured in Cost reduction, Quality of product/service,Timeliness of delivery, Competitive advantage.The study comes with the finding that information technology, level of competence and business to business relationship affects the efficiency of logistics performance in trade and distribution firms.

Bagshaw (2017) examined the relationship between logistics management and performance of 122 selected firms within Rivers State, Nigeria.The findings of the study showed that logistics management has an influence on the rate of production output, market share and profitability. Furthermore, inventory and warehouse management helps in eliminating production short-outs; enhances effectiveness of the production system and improves performance of manufacturing firms.The relationship between supply chain management strategy, marketing, logistics and company performance for breweries in Serbia have been analyzed by (Ilic & Tesic, 2016) and Logistics and supply chain management practices have associated benefits such as lower cost, higher quality, better customer service and improved competitive advantage. Furthermore, the analysis confirmed that logistics service/product quality, logistics costs, logistics flexibility and timeliness have a significant and positive impact on financial and market performance of company. Gunasekaran et al., (2007) identified logistics activities as Transportation, Warehousing management, inventory management, Order processing, and Packaging when he conducted a case study on the successful management of a small logistics

company on Tolam Logistics third-party logistics (3PL) company in Hong Kong. His finding shows that reduction in logistics costs and improvement in customer services will help bring a company to realize the full potential of its value-added and to gain a significant competitive advantage. Odhiambo et al.,(2017) conducted a study on effect of logistics activities on performance of agro processing firms in uasin gishu county, Kenya.The study concludes that the constructs understudy were like transport management, material handling, packaging and information and communication technology are key in enhancing the performance of agro processing firms in Uasin Gishu County.Thus the finding of the study provides an absolute support to the suggestion that logistics activities be recognized as a significant precursor for the performance of firms.It is apparent that efficient and effective management of logistic activities for organizations is an important ingredient to satisfy the various needs of supply chain management and in return eliciting high performance of the agro processing industry .While there are other factors crucial for organization performance, From the results; The study recommends that industry should pay more attention in addressing transport management, material handling , packaging and information communication in order to increase the performance of the industry.

2.9. Conceptual Framework

Based on the review of related literatures the following conceptual framework is constructed in which this particular research were governed. The figure below shows the relationship between variables under study; the relationship between dependent and independent variables demonstrated conceptually.

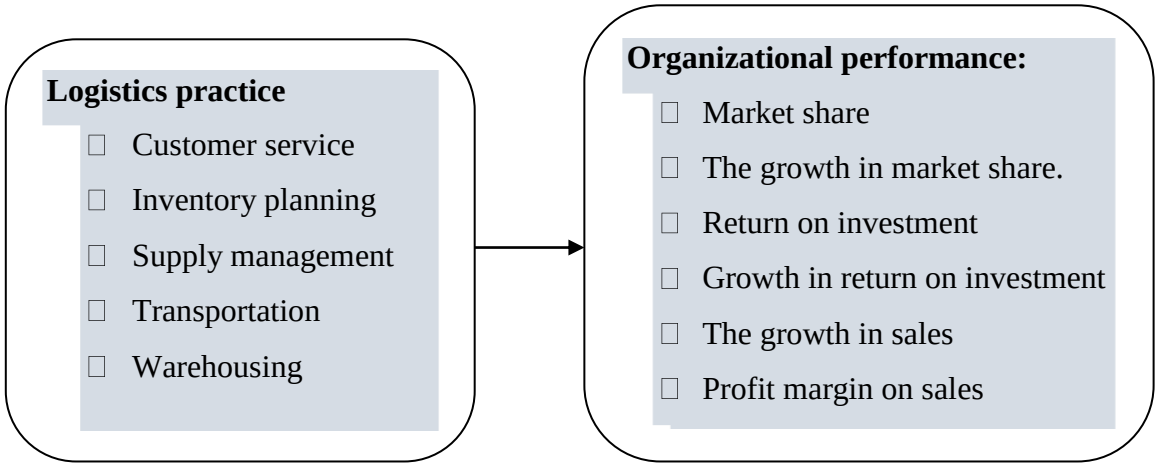

Fig. 1. The research framework adapted from (Mwangangi, 2016; KiruiandNondi, 2017) and modified by the researcher.

3. RESEARCH METHOD

3.1. Description of the Study Area

This study was conducted on kombolcha textile Share Company which is located in south wello amhara region; 380 km a way from Addis Ababa to the north. The study was aimed

at analyzing the effect that logistics practice has on the Company performance. The main reason that KTSC is selected as the case company for this research was since KTSC is textile manufacturing firm which sources cotton as its core raw martial from different parts of the country and distributes its product mix to local and foreign markets. In doing this logistics has a great role on the company's daily operations and the overall organizations performance. The concept of logistics management is broad and the company manages some of these activities under the division of procurement and property control. Therefore, the researcher has selected customer service, , inventory planning, supply/procurement process, transportation, warehousing, logistics information system and organizational performance (Market share, The growth in market share,the growth in sales, return on investment, Growth in return on investment, Profit margin on sales and overall competitive position) the areas to be touched in this study.

3.2. Research Design

The essence of this research is to analyze correlation between logistics practice with firm performance. Hence, based on the number of contacts with the study population this research is cross sectional. Besides this the study is also associational in design because there is the intention to establish the relationship between dependent and independent variable of the study. Therefore, the researcher had been used Cross-sectional research design to test association between logistics practices and organizational performance of the case Company.

3.3. Population, Sampling and Sampling Techniques

The target populations of the study were employees of kombolcha textile Share Company, particularly those their function is related with logistics activities. The study was used probability and non-probability sampling technique. From probability sampling technique random stratified sampling was used to choose the proportion of samples from selected departments (strata) which have chosen purposively based on their direct and indirect link with logistics activities. The target population for the study is classified into six strata (classes) based on the departments and section in the organization which is directly or indirectly related with logistics activities of the organization. Then the samples were selected from each stratum/class according to their proportion to the total population. Since the information required for the study needs different people who have knowledge and awareness about logistics practices and organizational performance of the company, stratified sampling technique were used to have the right proportion of people from every concerned department. The departments considered as strata, from which data had been collected, were: procurement and property control, top management (General Manager and Operations Deputy G/Manager), finance department, production department (spinning, weaving and garment), marketing department and quality assurance service. So as to get the required data; sample determination method developed by Taro Yamane‟s (1973) is preferred to be used by the researcher as a method to determine a sample size. This formula is working with a finite

population and if the population size is known, the Yamane formula for determining the sample size is given by:

$$n = \frac{N}{1 + N(e)^2}$$

Where n= corrected sample size, N = population size, and e = Margin of error e = 0.05 based on the research condition.

As it is observed from the below table the total target population is 224 and the researcher is 95% confident that the research will achieve its target which means that the margin of error is 5%. With 5% level of error the sample can be calculated as follows; n= unknown sample and to be determined N=population and is equal to 224; e=error term and it is considered 5%: Sample size (n) = $\frac{224}{1+224(0.05)^2}$ = 143.589 which is close to 144.

Table 1. Number of respondents which were taken from each stratum

No.	Departments or strata	Number of employees in each stratum	$\frac{number\ of\ N\ in\ eah\ class \times n}{total\ population}$
1.	Top management	4	4×144÷224= 2
2.	finance department	29	29×144÷224= 19
3.	procurement and property control	28	28×144÷224= 18
4.	production department	58	58×144÷224= 37
5.	marketing department	10	10×144÷224= 7
6.	quality assurance service	95	95×144÷224= 61
	Total population	224	Sample size=144

Source: Own Competition, 2018

Finally, the proportions which have been taken from each stratum is determined as shown above the questionnaires were distributed to those sampled respondents randomly.

3.4. Data Type, Source and Gathering Instruments

In terms of measurement the data is also both quantitative and qualitative. Regarding the source the researcher was used primary data for the analysis of this study. Those Primary data were collected using self-administered questionnaire and via semi structured interview. The close-ended questionnaires can be administered to groups of people simultaneously, since they are less costly and less time consuming than other measuring instruments. The questionnaire is designed with the five Likert-type scale methods which used a range of responses: 'strongly disagree', 'disagree', 'Neutral', 'Agree', and 'Strongly Agree', with a numeric value of 1-5, respectively had been applied. The questionnaires were used to gather quantitative data from the selected sample of respondents/ employees or from each stratum (procurement and property control, production, finance, administration, marketing, and quality assurance) of kombolcha textile Share Company. The researcher has backed up the data gathered via questionnaires with the data which was obtained through semi structured interview. The interview was conducted with two chief executives of the company. Secondary data, annual financial statements of the company have been also used for some matters of analysis.

3.5. Data Analysis

In this study, the collected quantitative data were analyzed using Statistical Package for Social Sciences (SPSS) versions 20 to derive descriptive statistics, mean and standard deviation have been used. Inferential statistics, particularly the Pearson's correlation was used to show the relationship; the strength/degree as well as direction of associations between variables. The other inferential statistics multiple linear regression analysis was used to show interdependence of independent and dependent variables. Thus, both the strength of the relationship between variables and the influence of independent on dependent variable and statistical significance is assessed. The following Regression model was developed to show the relationship between logistics practices and organizational performance:

$$Y = a+b_1X_1+b_2X_2+b_3X_3+b_4X_4+b_5X_5 +e$$

Where; Y: represents organizational performance; a= the Y intercept when X is zero; b_1, b_2, b_3, b_4, b_5, and b_6 are the regression weights attached to the variables; X_1=customer service, X_2= inventory management, X_3= supply management, X_4= transportation, X_5= warehousing, and e= is the margin of error considered 5%.

4. RESULTS AND DISCUSSION

4.1. Respondents Profile

The information regarding profile of respondents considered in the study was the respondent's gender, Age, level of education, their experience in the organization, and department/work unit. The result shows that majority of the respondent were male at 59.4% while female was 40.6% showing that comparatively most of the respondents participated in this study were male. About 6.3% of the respondents were between 18-24, 42.2% of the respondents were between 25 and 30, 27.3% of them were ages of 31-35, 13.3% of the respondents were between 36 and 40, and 10.9% of the respondents were ages of above 41. The result indicated that most of the employees (82.8%) in the Company are between the ages of 25 and 40. This is significant for the company's overall productivity since they are under the productive age group. Regarding respondents' level of education, 28.1% of the respondents have college diploma, 69.5% of the respondents have first degree and 2.3% of them have second degree. The result convinced that close 70% of the company's (KTSC) employees have obtained first degree. This shows that more than 60% of the respondents have first degree.

The respondents have been asked to indicate the number of years they have stayed in the organization. In accordance 7 respondents (5.5%) said that they stayed less than 2 years, 52 respondents (40.6%) said that they have been in the company for 2-5 years, 46 respondents (35.9%) replying that they have been in the company for 6-10 years and 22 respondents (17.2%) have been in the company for more than 10 years. The result showed that majority of (53.1%) the company's (KTSC) employees have been in the organization for 6 years and above. This indicates that majority of respondents are appropriate to answer

the research question and supposed to have information about kombolcha textile share company logistics practices and its impact on the company performance level.

Table 2. Profile of Respondents

Variable	Frequency	Valid Percent
Gender		
Male	76	59.4
Female	52	40.6
Respondents age group		
18-24	8	6.3
25-30	54	42.2
31-35	35	27.3
36-40	17	13.3
Over 41	14	10.9
Respondent's level of education		
College diploma	36	28.1
First degree	89	69.5
Second degree	3	2.3
Years Respondents stayed in the organization		
Less than 2 years	7	5.5
2-5 years	52	40.6
6-10 years	46	35.9
Over 10 years	22	17.2

Source: Field Survey, 2018

4.2. Response Rate

A total of 144 questionnaires were distributed in person to the designated respondents only 128 questionnaires were properly filled and used in the analysis. From the remaining 16 questionnaires; 7 were not returned at all, and 9 were not correctly filled. Therefore, the overall response rate was 88.9%.

4.3. Descriptive Statistics

Based on the responses obtained from the participants, mean scores and standard deviations of each variable have been computed. Standard deviation shows how diverse responses are the participants give out on a particular construct. In other words, the higher the standard deviation discloses the higher the disparity of the respondents view about a given dimension which means that respondents give variety of observation, and low standard deviation implies that respondents express close observation on a common matter. The statistical descriptive results of each of logistics practice constructs and organizational performance are presented in table 3 below. Mean scores and standard deviation are computed for each item under each construct. The mean values are interpreted based on the assumption that Kidane (2012), mentioned the rule to the intervals for breaking the range in measuring variables that are captured with five-point scale (that ranges from strongly disagree to strongly agree) is 0.8, which is actually found by dividing the difference between the maximum and minimum scores to the maximum score (5-1/5). Hence, a calculated individual and overall mean value that ranges from 1 to 1.80 implies strong disagreement, whereas the remaining ranges of 1.81 to 2.6, 2.61 to 3.4,

3.41 to 4.2 and 4.21 to 5.00 representing respondents‟ perceptions of disagreement, neutrality, agreement and strong agreement respectively.

Table 3. Mean scores and Standard deviation of Logistics Constructs

Constructs	N	Mean	SD
Customer Service	128	3.96290	.03401
We have clearly defined customer service policy.	128	3.87500	.793676
We frequently monitor our customers level of satisfaction	128	3.95313	.761881
We have various options for our customers to place and enter their orders. (e.g, telephone, mail, fax, internet).	128	4.2422	.92000
We have multiple collection and payment options. (e.g, mobile banking, electronic transfer, internet banking)	128	3.7813	1.07906
Inventory Planning and Management	128	3.86012	.06834
We have established inventory planning and control policy.	128	4.0078	.76843
We have able to reduced lead times with efficient inventory planning. (e.g., economic order quantity).	128	3.8672	.74634
We able to maintain improved inventory visibility with our suppliers.	128	3.5625	.97811
With Improved forecast accuracy we able to minimize lost sales and customer dissatisfactions.	128	3.6016	.71364
We able to maintain minimum inventory with quick response and just in time.	128	3.7500	.81328
Supply Management	128	3.94123	.04932
We have clearly established supplier service policy.	128	3.7578	.76071
We monitor and evaluate our suppliers' performance on a consistent basis.	128	4.0234	.66953
We have established criterion for supplier certification and reward.	128	3.9844	.67561
We maintained proactive exception reporting with suppliers.	128	3.7812	.93857
We frequently exchange information via electronic communication with suppliers (e.g., EDI, fax, and e-procurement).	128	3.8281	.69994
We have maintained strong partnership and collaboration with suppliers.	128	4.2187	.73106
Transportation Management	128	4.01250	.14426
We have efficient transportation services in moving materials	128	4.06250	.78117
We have collaborative relationship with our transport Carriers.	128	4.0391	.92560
We have clear freight management principles.	128	4.0469	.77215
We have achieved economies of scale via transport consolidation.	128	3.9375	.82050
We frequently Measure the transport performance of transport companies and rewarding them accordingly.	128	3.6875	.92003
Warehouse Management	128	4.1641	.13008
We able to design a warehouse convenient for loading and unloading.	128	4.11719	.828822
We have adequate shelves in warehouse to facilitate order picking.	128	4.07813	.901524
We receive materials with assurance of quantity and quality as per ordered.	128	4.26562	.704143
We have maintained up to date records and reports of warehouse data.	128	3.89063	.941053
We have skilled personnel that can handle warehouse activities.	128	4.32031	.802885

Source: Field Survey, 2018

Regarding logistics practices of kombolcha textile Share Company majority of the respondents agreed that logistics customer service is practiced in the company. As per the finding indicated that the overall mean value of the items for customer service is (M=3.96290) with standard deviation of (.03401) which showed that the company has various options for customers to place and enter their orders, multiple options of order placement and entry, multiple collection options.

Responses on inventory management also indicate that it is highly practiced in the company with overall mean value of items (M=3.86012) with standard deviation of (.06834)

indicating that the company has defined inventory control systems, established Inventory planning and control policy, able to reduce lead times with efficient inventory planning, improved inventory visibility, able to minimize lost sales and customer dissatisfaction with improved forecast accuracy, been able to maintain minimum inventory with quick response and just in time.

Supply management is also highly recognized by the company and employees as indicated with overall mean value of items (M=3.94123) with standard deviation of (.04932) implying that the case company has established supplier service policy, monitors its supplier's performance on consistent basis, defined criteria for supplier certification and reward, maintained exception reporting with suppliers, having strong partnership and collaboration with suppliers.

The overall mean valuefor transportation management is (M=4.01250) with standard deviation of (.14426) indicating that the company has an efficient transport service, has collaborative relationship with transport carriers, has freight management principles, reward transport companies based on their performance.

The overall mean value of Responses on warehouse management is (M= 4.1641) with standard deviation of (.13008) which depicted that respondent agreed that warehouse management is well practiced in the company. Which means that the company has a convenient warehouse, has maintained adequate shelves, up-to-date record and reports of warehouse data, skilled personnel to handle warehouse activities.

4.4. Correlation Analysis

Correlations are the measure of the linear relationship between two or more variables. Pearson correlation analysis as it is the most widely used methods of measuring the strength and direction of relationship between and among variables. A correlation coefficient has a value ranging from -1 to 1. Values that are closer to the absolute value of 1 indicate that there is a strong relationship between the variables being correlated whereas values closer to 0 indicates that there is little or no linear relationship. As described by Pallant (2007), the correlation is a commonly used measure of the size of an effect: values of ± 0.1 represent a small effect, ± 0.3 is a medium effect and ± 0.5 is a large effect. In this section, correlation analysis conducted in the light of each research objectives developed. The logistics practice and organizational performance were investigated using correlation analysis. This provided correlation Coefficients which indicated the strength and direction of relationship. The significance value also indicated the probability of this relationship's significance.

Table 4. correlation of logistics practice constructs and organizational performance

Model		CS	IM	SM	TM	WM	OP
CS	Pearson Correlation	1	.511**	.530**	.534**	.567**	.324**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	128	128	128	128	128	128
IM	Pearson Correlation	.511**	1	.399**	.430**	.547**	.224*
	Sig. (2-tailed)	.000		.000	.000	.000	.011
	N	128	128	128	128	128	128

Model		CS	IM	SM	TM	WM	OP
SM	Pearson Correlation	.530**	.399**	1	.481**	.480**	.279**
	Sig. (2-tailed)	.000	.000		.000	.000	.001
	N	128	128	128	128	128	128
TM	Pearson Correlation	.534**	.430**	.481**	1	.569**	.347**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	128	128	128	128	128	128
WM	Pearson Correlation	.567**	.547**	.480**	.480**	1	.378**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	128	128	128	128	128	128
OP	Pearson Correlation	.324**	.224*	.279**	.347**	.378**	1
	Sig. (2-tailed)	.000	.011	.001	.000	.000	
	N	128	128	128	128	128	128

Source: Field Survey, 2018

Based on the above table 4.13, the result of correlation matrix between each logistics practice constructs and Organizational performance (OP) is analyzed as follow: As per table 4 above showed, customer service (CS) positively related to organizational performance (OP) with a Pearson correlation coefficient of 0.324 (r=0.324) and significance value 0.000. This significance tells that there is medium effect and positive relationship between customer service and organizational performance (OP). Table 4 also depict that as there is small effect and positive association between inventory management (IM) and organizational performance (OP) with a Pearson correlation coefficient of 0.224 (r=0.224) significance value 0.00. This significance tells that there is small effect and positive relationship between inventory management and organizational performance. On the other hand, the Pearson correlation test indicated in the table 4 also showed that there is small effect and positive correlation between supply management (SM) and organizational performance (OP) with a Pearson correlation coefficient of 0.279 (r=0.279) and significance value is 0.001. This significance tells that there is significant association of supply management and organizational performance. As per the above table 4 the correlation test conducted between transportation management (TM) and organizational performance, clearly indicates that there is moderate and positive relation between the two. The result of correlation coefficient showed 0.347 (r=0.347) and significance value is 0.000 which indicates as there is significant relation between them. The correlation test on warehouse management (WM) and Organizational Performance (OP) also shown a medium effect and positive correlation with a Pearson correlation coefficient of 0.378 (r=0.378) and significance value 0.000. This significance tells that there is significant relation between warehouse management (WM) and Organizational Performance (OP). As table 4 above, indicated all the independent variables are positively correlate with the dependent variable 0.01 and 0.05 level of significant. In connection to this fact (Odhiambo et al., 2017) also proved that logistics activities have significant positive association to improvement of the organizational performance.

4.5. Regression Analysis

So as to verify how the independent variable predicts the dependent variable, multiple linear regression analysis was conducted. Regression analysis is a statistical method to

deal with the formulation of mathematical model depicting relationship among variables which can be used for the purpose of prediction of the value of dependent variable, given the value of the independent variable (Kothari, 2004). Therefore, multiple linear regressions analysis was made to determine the predictive power of the independent variables (i.e., customer service, inventory management, supply management, transportation management, and warehouse management) on the dependent Variable (organizational performance).

4.6. Regression of Organizational Performance on Logistics Practice Dimensions

The table 5 below asserted that adjusted R Square of the model formulated regarding organizational performance is 0.785 that embraced the ability of the model in predicting the change in dependent variable by 78.5%. Moreover, the 0.785 adjusted R Square depicts that the model doesn't comprise 21.5% of the variables which can predict the dependent variable (organizational performance). The results also showed that a correlation value (R) of 0.890 which depicts that there is a good dependence between the independent and dependent variables.

Table 5. Regression of organizational performance on logistics practice dimensions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Organizational Performance	.890[a]	.793	.785	.355 2.76174

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	61.773	5	12.355	97.929	.000[b]
	Residual	16.148	128	.126		
	Total	77.921	133			

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
Coefficients	(Constant)	1.143	.264		4.054	.000
	customer service	.372	.050	.360	6.288	.001
	inventory management	.148	.038	.131	2.564	.003
	supply management	.119	.030	.108	2.091	.003
	transportation management	.421	.075	.392	7.864	.000
	warehouse management	.241	.082	.407	6.499	.001

a. Dependent Variable: organizational performance

b. Predictors: (Constant), transportation management, inventory management, supply management, customer service, warehouse management.

Source: Field Survey, 2018

The Table 5 above also shows the ANOVA results of the multiple regression analysis. The significance value of 0.000 indicates that the regression relationship is significant in predicting the effects of logistics practice dimensions on organizational performance of the firm. The F-ratio in the ANOVA table tests whether the overall regression model is a

good fit for the data and the F ratio of 97.929 and the significance of 0.000 shows that there was not much difference in means between dependent and independent variables.

R-square value indicates only the variance in the organizational performance as it is explained by independent variables. When we look at the detail to what extent each independent variable influences the dependent variable: all the included variables (i.e., customer service, inventory management, supply management, transportation management, and warehouse management) were found to be determinant of organizational performance. They are statistically significant to the dependent variable that is organizational performance since they have scored probability value below the acceptable range ($p<0.05$). The regression model specified in the methodology section ($Y= a+b_1X_1+b_2X_2+b_3X_3+b_4X_4+b_5X_5 +e$) can be rewritten as: $Y=1.143+0.36X_1 -0.131X_2 -0.108X_3 +0.392X_4+ 0.457X_5$. If all logistics activities have not been performed on the company or (when X_1, X_2, X_3, X_4, and $X_5 = 0$), the organizational performance of the company will be 1.143. From the above equation, Standardized regression coefficient implies that a unit increase in X_1 (and X_2, X_3, X_4, X_5, keep constant) Y (organizational performance of the company) will differ by b_1 units, on average. The same holds for the other variables. Therefore, for the model if the customer services increase by 1%, on average, the organizational performance of the company will be increased by 36.0%. With respect to this data set, the result is similar with the finding by (Mwangangi, 2016); Gunasekaran and Ngai, 2003) their study confirmed that logistics activities have positive contribution for organizational performance.

5. CONCLUSION

Based on the results of the study and the summary of findings the following conclusions are provided.

- Assessing the extent of logistics practices of kombolcha textile Share Company and its impact on organizational performance were the objectives that this study intends to achieve. Accordingly, the obtained data suggested that logistics is well practiced in the company that majority of the respondents show their agreement about parameters of logistics dimensions customer service, inventory management, supply management, transportation management, and warehouse management.
- In this study it is also found that logistics dimensions (customer service, inventory management, supply management, transportation management, and warehouse management) have significant and positive correlation with organizational performance and they are responsible for significant variation for organizational performance. Logistics practice dimensions; customer service, inventory management, supply management, transportation management and warehouse management have significant influence on organizational performance with probability value within the acceptable range.
- The finding of this study provides an addition to the existing literature with respect to the logistics constructs which have positive relationship and influence on organizational performance.

- In relation to this, the result is consistent with previous studies by (Mwangangi, 2016; Ilic and Tesic, 2016). This finding also has a great value for kombolcha textile share company's management and logistics personnel to understand their company's logistics functioning so as to revisit the process in managing logistics activities and to make changes to bring improvement in logistics activities so that logistics would result strong positive impact on overall profitability of the company.

6. LIMITATION AND FURTHER RESEARCH DIRECTIONS

This study is conducted at only one company (kombolcha textile Share Company) so that it may be difficult to extend the result to other textile factory. The research considers internal logistics process of the company and has not included the company's partner's customers, suppliers and transport carriers. The company was also not willing to provide recent financial and market related reports due to confidentiality nature to support questionnaire data with secondary information. Therefore; future studies should consider expanding their scope to include the whole textile companies in Ethiopia and expanding the evaluation to customers, suppliers and transport carriers or futures studies would look the evaluation of the companies' logistics from the customers and suppliers perspective. Furthermore future studies can also extend research on logistics practice to other manufacturing industries like food and brewery, wood and metal products, service sectors with varying research instruments and the result may be changed in those conditions.

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