

Core competence v Core business

By Gwynne Richards Apprise Consulting Ltd

Having recently concluded a survey on outsourcing on behalf of the Chartered Institute of Logistics and Transport in the UK (1) I'm always surprised that companies continue to suggest that one of the main reasons for outsourcing their logistics is because it isn't their core business and that it is a non-core activity.

I can understand that logistics is not a core competence for many companies – hence the rapid growth in third party logistics (3PL) contracts in the 1980s and 1990s and their continued growth today, albeit at a slower pace.

However ensuring that getting the right product to the right place, at the right time in the right quantity at an economic cost must surely be core to the majority of businesses, whether managed in-house or sub-contracted to a third or fourth party – or am I missing something?

The six main reasons for outsourcing found in the survey which are fairly common across most outsourcing surveys are as follows:

- The requirement for additional expertise (1)
- The need to reduce costs (not always attained) (2)
- The need for flexibility (3)
- Reduction in capital spend (5)
- Risk sharing (6)

The fourth on the list is the ability to concentrate on the company's core business. This may be where the problem lies and it's possibly more of a language or timing issue than anything else.

Most people would suggest that the core business for a manufacturer is undoubtedly the efficient sourcing of raw materials, production of the relevant product and sales and marketing of the finished item. Getting the product to the customer has to be core also. It may therefore be that the company, having outsourced its logistics function – a core part of the business - can then concentrate on the remainder of its core business where it has greater know how and the ability to innovate.

The fact that many Logistics and Supply Chain professionals are now on the Board of Directors of many companies is surely recognition of the importance of Logistics for today's companies.

Comments please!

(1) <http://www.appriseconsulting.co.uk/downloads/yet-another-outsourcing-survey.pdf>

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