

## Consummate Precision of Strategic Management Approach on Transport Logistics and Physical Distribution for Port Performance Efficiency: A Case Study of Nigerian Ports

<sup>1</sup>Ogunsiji A.Sola and <sup>2</sup>Ogunsiji O. Oba

<sup>1</sup>Department of Management & Accounting, Ladoke Akintola University of Technology, Ogbomoso, Nigeria

<sup>2</sup>Department of Logistics and Supply Chain, Heriot-Watt University, Edinburgh, UK

---

### Abstract

*Logistics is viewed as the process of planning, implementing and controlling the efficient flow and storage of raw materials in process, finished goods, services, ideas and related information from point of origin to point of consumption (including inbound, outbound, internal and external movements for the purpose of conforming to customers' requirements. This paper therefore attempts an evaluation of the integrative role of logistics gamut spanning from warehousing and transportation to the entire supply chain. It exposes how supply chain management merges marketing and manufacturing with distribution functions to provide enterprises with new sources of competitive advantage. The expected linkage between the logistics (efficient movements) and storage to fulfill customer requirement was found to be lacking in the Tin Can Ports operations as a result of utterly defective logistics and physical distribution management. Invariably, the defectiveness eroded the anticipated sustainable competitive advantage of the ports operations. The paper therefore attempts the application of Resources – Based View (RBV) as a possible strategic management tool to improve the efficiency of Tin Can sea port operations and restore the customer value and satisfaction, supply chain management improvement, competitive advantage and profitability as a new management re-orientation.*

---

**Keywords:** based view, strategic management, inbound, outbound, freights, transshipment

---

### INTRODUCTION

Ports and maritime transport, in fact play an important role in today's global commerce. It is pertinent therefore to fashion operational definition of what is meant by the term "port", "physical distribution" and "logistics. Stopford (1997) viewed a port as a geographical area where ships are brought alongside land to load and discharge cargo – usually a sheltered deep water area such as a bay of river mouth. More often than not ports have various terminals, that is, a section of the port consisting of one or more berths dedicated to a specific type of cargo handling. Invariably ports handle wide ranges and categories of freight among which are liquid bulk, dry bulk, unitized freight and other general freight. Some ports handle all classes of freight while others concentrate/specialize on particular categories. Regardless of the class of freights handled by a port various types of handling/operating equipment are usually needed. This paper is however focused on Tin Can Island port of Nigeria, which handles all categories of cargo, responsible for handling more than 80% of the nation's general cargo and containers and a very significant proportion of the Import / Export flow. The growing volume of freight has formed a fundamental component of contemporary changes in economic systems at the global, regional and local scales. These changes involve the quantitative/volume (mere freights) as well as structural and operational nature of freights. Structural changes mainly involve manufacturing

system within the geographic area of production, while operational changes concern freight transportation with its geography of distribution. Thus it becomes more fundamental to examine the nature, origins and destinations of freight movements including even the pattern of the movements which bring to the fore front the realms of logistics and science of physical distribution.

### Theoretical View of Terms

Logistics considers the whole gamut of activities concerned with the transformation and circulation of goods material supply, core distribution and transportation function as well as wholesale and retail movements of consumer goods, yet not excluding the related information flow. It is undoubtedly a value-adding set of activities—physical distribution and the derived transport and material management. Ejukwas (2008) saw logistics as the time-related positioning of resources or strategic management of total supply chain. This view presumes the presence of better logistics facilities and their management as a component of transportation cost, as was the case in India, if the port is to assume its significant economic role in global commerce. (Ujjainwala, 2008; Largley et al, 2007). Physical Distribution stands as a collective term for the range of activities involved in the movement of goods from point of production to its final destination points of sales and/or consumption, of course meeting the mobility requirements of supply chain. Transportation management focuses

on the transportation services such as trucking, rail freighting, air freighting, inland waterways, marine shipping and pipelines transshipment and warehousing services. Material management considers other activities related to the movement of materials in the manufacturing of commodities in all the stages of production along a supply chain.

A careful consideration of the above explanation of the terms “Logistic” and “Physical Distribution” showed close integration and interrelatedness exist between the two terms. The interrelatedness of these functions makes considering the operations at a port in a systemic view logical and worthwhile (Raduan et al, 2009; Toby, 2009).

#### **Logistics Management at Nigeria Posts.**

In spite of the increasing advocacy of integrated logistics concept prevalent globally in recent times, its application, in Nigerian business organizations and more especially at its ports, is still at its lowest ebb. This explains why the disintegrated logistics concepts and its defective application in Tin Can Island Port could not result in large-scale action in terms of changed strategies and practice that can bring about comparative advantage since strategic logistic management has not gained wholesale acceptability and support it needed at the top management level. Even when and where it is practiced, the managers are skeptical and practiced it half-heartedly thus making its operation functionally fragmented. The skepticism of the managers and the absence of a holistic approach to logistics management is worrisome and did not promote the comparative advantage of the integrative system of strategic management. In other words the suboptimal efficiency level of performance at the ports is the direct consequence of the fragmentation, defectiveness and the absence of commitment to the practice of strategic management approach to logistics and physical distribution (Putzelt et al, 2009; Ruduan et al, 2009). While some scholars focused on how to measure a nation’s competitiveness and efficiency using various parameters, others merely focus on port efficiency as an important factor for gaining international competitive advantages (Krugman, 1996; Jusoh and Parnel, 2008; Kao et al, 2008).

#### **Performance Evaluation of Ports Operation**

When the operational performance at the ports are put in context of the modern strategic management perspective an abysmal failure reminiscent of the performance of ill-informed team operating outdated method stands clear. For example there is a prevalent unawareness of whether the ports are to be managed as a public enterprise, an infrastructural enterprise, outright social service or a profit making business enterprise (Ogunsiji, 2004)

This lack of appropriate mission, vision direction, focus or objective like a rudderless ship jeopardized the benefit of productive and allocative efficiency of resources at the ports. The managers or management

team are apparently not poised for the major challenges of the resource-based view of strategic management theory. This, therefore is one of the reason why a balanced interdependencies characteristic of international trade which is the bastion of port operation cannot be achieved, and the desired symbiotic relationship between seaport development and the development of the nation cannot be realized (Ogunsanya and Olawepo, 2008) The most basic component of strategic management, that is, planning which could have clearly define the port’s mission ,specify achievable objectives, develop strategies and set policy guidelines seem apparently absent (Hitt et al, 2009). Consequently the operations in the Nigerian ports are neither directional, focused nor tailored to serve any well defined or specific market(s). The operators too are neither proactive nor innovative to explore and exploit the vast inexhaustible though dynamic foreign markets available to the ports with the appropriate strategic marketing concept (Okpara,2009; Quddus, 1993; Lages & Montgomery, 2004). Thus Nigeria, either by design or by accident, more probably inadvertently, is economically disadvantaged against each of her trading partners with a disfavoured balance of trade with respect to import /export ratio either in volume or value (Tables 1&2).The port operators are ignorantly idling away Nigeria’s potentials, throwing the basic principle of comparative advantage or least comparative disadvantage or even worse still competitive advantage into the trash bin. None of her product could be branded or traded as a strategic resource. Efficiency is compromised by weak system-wide incoherence and fragmentation. And each subsequent tenure of managers continuously show disingenuous concern for historical and political reason. There is no management strategy whose process is built to exhibit full set of commitments, decisions and actions required for a firm to achieve strategic competitiveness, and sustainable comparative advantage that may enable the port to earn above- average returns. Actions earn exiguous returns, a product of a mind extempore (Hitt et al, 2009, Bloomen et al, 1994). All is a story of gloom and tragedy, a product of a mind in a state of mental menopause.

Table 1: Import/Export Profile 2001-2006

YEAR	A Import (Tonnes)	B Export (Tonnes)	B/A % Export/ Import
2001	831,281	151,967	19
2002	559,503	89,976	16
2003	2,835,427	70,167	3
2004	2,103,444	54,733	3
2005	3,630,935	94,382	3
2006	7,208,318	163,72	1
TOTAL	17,168,908	628946	4

Source; NPA Annual Reports (2001-2006)

### Resource-Based View and Tin Can Port Operation

Rather than adopt the Resource-based view the management of Tin Can Port continue to relish in already abused traditional bureaucratic approach lacking risk propensity (Panzano & Billings, 2005) with its attendant uncertainly through ill-conceived government policies which could not produce resource synergy and sound business practice (Okpara, 2009; Kroop, Lindsay and Shohan, 2004).

Table 2: Trade (Import / Export) Relationship Between Nigeria and USA & some major European & African Countries Import/Export in Tonnes

Date	UK	USA	EUROPE	AFRICA	Total
2002	76,927	18,859	238,166	16,993	35,094500
2003	45,682	368,937	549,514	54,358	101,849100
2004	35,049	398,448	404,462	55,358	893,22800
2005	100,450	620,232	536,817	105,835	136333400
2006	274,135	605,767	1,660,105	413,153	2953160.00
Total (A)	457,225	2,612243	3,389,064	645,608	6591580000
Export					
2002	12970	105	43,156	8,127	6435800
2003	45,682	6,544	8,158	771	6115500
2004	4,320	-	16,720	547	2158700
2005	64,675	4,216	16,381	5657	90929.00
2006	34,237	13,337	73,761	3529	12486400
Total (B)	161,884	24282	158,176	18,631	36289300.00
B/A x 100	35	0.05	0.47	0.25	0.06

Source; Various NPA Annual Report (2001-2006)

In awareness of these failures and determination, though not converted, to reverse them government has unwholesomely divested itself from the management of the ports through various tried policy recommendations ranging from Renewal of leases, to Revocation of Occupational licenses. Privatization and Port concessioning each of which has failed to varying degrees (NPA Annual Reports, 2006).

Invariably each of these policies never remained permanent to be effective. They are usually inconsistent and sporadically somersaulted to make a sensible or rational measure of corporate performance illusory with corporate objective(s) remaining ill-defined, indeterminate and immeasurable because most of the management team member has no antecedent of successful business performance other them political patronage.

### Financial Evaluation

No one doubts the fact that export development is of paramount importance because it contributes to the economic development of nations by influencing the amount of foreign exchange reserves, enhancing societal prosperity helping national industries to develop, improving productivity and creating jobs (Okpara 2009). Conceptually, growth had often tied inextricably to survival and even development, but in Nigerian ports, growth has not been correlated

with profitability or other growth indices. Since the last decade ,total transport demand in Nigeria has grown at 10% a year, but the domestic transport system has serious deficiencies with service that are by international standards highly inefficient ,and thus deficient system has become a major barrier to economic growth (Razzaque 1989) .The guise of profitability is not operational or performance related but as a reflection of the non productive nature of the nation's economy wherein and / or whereby the nation's currency depreciated precipitously against other currencies of the world especially the US Dollar and British Pound in which ports' earnings are made (Table 3). This often gives a false impression that all is well because absolute figure that Revenue generated) with column c (Total Revenue Collected)

Table 3: Income and Expenditure 2001-2006

Year	A Total Rev Generated # bn	B Total Rev Generated \$ mil	C Total Rev Collected #bn	D Total Rev Collected \$	Operatin g Exp # bn
2001	4.68	-	4.97	-	1.90
2002	1.07	39.60	0.68	44.06	2.34
2003	1.61	44.73	1.34	45.32	2.30
2004	1.50	54.55	1.26	39.52	2.00
2005	2.16	39.63	2.10	41.93	2.51
2006	2.07	104.04	1.18	42.95	

Source: Various NPA Annual Report (2001-2006)

A comparism of Income and Operating Expenditure in table 3 is (expenditure/income relationships) suggestive of a clear absence of basic goal and marketing philosophy that can shape the port's strategic posture or repositioning. This outlook should, in a sane economy raise a myriad of questions, begging for answers, such as" what is the Port Authority's enduring statement of intent, mission, vision and policy? Has there being paradigm shifts in the operation performance, clientele, technological focus/emphasis capable of reflecting new values and priorities of the organizations strategic decision making? Are the current operational mission statements designed to achieve the immediate and long run yearnings and aspirations of the stakeholders?"

Table 4: Cargo Throughput (Volume of Vessels) at Nigeria Ports (1956-2001)

Year	Volume of Traffic		Total Cargo Traffic TCT Tonnes	Vessels	
	Inward Tonnes	Outward Tonnes		No of vessels	NRT
1956	1386480	1356480	2742960	1916	4473225
1957	1620195	1552752	3172947	1924	4525532
1958	1680222	1419552	3099774	3140	7890725
1959	1823506	1720356	3543862	3592	9114427
1960	2110440	1482901	3593341	3996	10036838
1961	2256453	1374263	3630716	4076	10965748
1962	2350087	1664431	4014518	4217	11291594
1963	2387446	1631560	4019006	4245	11753043
1964	2527780	1830576	4358306	4283	14916553
1965	2640672	2037828	4678500	4112	13539350
1966	2853627	1997834	4851461	4374	160223023
1967	2428106	1753800	4181986	4632	18645345
1968	2272681	1562887	3835568	2179	5916037
1969	2177611	1661517	3839128	2427	8532952
1970	2719518	1507964	4227482	3322	3595696
1971	4492152	2816851	7309003	2985	5009700
1972	5281466	2831638	8113104	4213	3684398
1973	4459164	3103075	7562239	4454	3914366
1974	5256724	318696	8475420	4295	42286470
1975	5979492	2461934	8441426	4388	59970896
1976	8481284	2518241	10999525	4828	53380502
1977	11853063	2552183	14405246	5430	62777961
1978	15694964	2419808	18114772	6190	66353888
1979	17395286	2679951	20075237	6437	77085545
1980	15600380	2356815	17957195	5617	86645608
1981	20728974	2913742	23642716	5941	20627473
1982	20073797	2537432	22611229	5122	19446563
1983	16394509	2346700	18741209	3933	16291843
1984	12372417	2278685	14651102	2660	11146430
1985	13453939	2947740	16401679	3493	50452293
1986	9851059	2423520	12274579	3003	47037527
1987	9288006	2249584	11537590	2824	42852334
1988	7773258	3402088	11175346	3008	41987528
1989	8759961	4616226	13376187	3244	50787464
1990	9338801	6830356	16169157	3640	49975964
1991	11021521	6819380	17840901	3913	52949445
1992	13414501	5487925	18902426	3995	53194356
1993	12897955	5739047	18637002	3943	54902487
1994	9579969	4281979	13861848	3069	51102539
1995	9289971	3983082	13273053	3023	47690441
1996	10224300	5251001	15475301	3202	53773485
1997	11213624	5369181	16582805	3585	58236541
1998	14286864	5038854	19325718	3912	60056043
1999	15751331	6481605	22232936	3762	57193097
2000	19230496	9702384	28932880	4087	71658861
2001	2668791	11271901	13940692	4473	72725956
GRAND TOTAL	38542793	153486205	538828998	179104	1596418201

Source: Excerpts from Nigerian Ports PLC Handbook, 2001

The clear picture shown by the table 4 above is that the number of vessels inbound (bearing imports) to the port is often more than three times those outbound exports). A further analysis of the import carrying vessels showed them to be of high capacity of GRT 30,000 tonnes and above each (see table 5 below). A comprehensive analysis of the port's operation in table 6 showed that wealth is actually not created talk less of being maximized.

There seem to be no visible integration between opportunity seeking and the avalanche of advantage accruable from the vantage position of the ports on the one hand and the abounding resources that could have promoted wealth creation and maximization on the other because a feasible entrepreneurial mindset, leadership and culture does not's exist (Ireland, Hitt and Simon 2003).

Table 5: Traffic Flow/Operational Performance

Year	No of vessel entered	GRT	Cargo thro' put (tonnes)	Average turnaround				
					1000	2000	30,000	30,000
2001	244	5861859	983,246	2.82	90	63	58	17
2002	228? 405	3,510736	4,105,028	10.43	90	63	58	17
2003	549	6147,587	4,583,505	8.18	226	268	54	1
2004	504	5,410,086	4,079,946	6.83	279	220	48	1
2005	714	9,434,318	5,461,002	3.47	237	231	67	-
2006	903	11,417,939	7,372,042	3.45	461	401	95	37

Source: NPA Annual Reports 2001-2006

### The NPA as a public enterprise

In concerted attempts to avoid realistic answers to the nagging questions above it has been assumed, deceitfully of course that NPA, is a public enterprise, hence efficiency and optimum productivity was undermined and compromised by the public service culture of the Authority. This is the major reason why fragmented port development was done without recourse to any economic analysis and planning (Ogunsanya and Olawepo, 2008). Until now, the need for organizational restructuring, operational reengineering, technological updating and political reorientation has not been appreciated. That the established organizational technology in the ports is outdated, its relevance sufficiently plateaued as a dangerous signal deserving serious attention have become inundating to the inveterate wastrels handling the port's operations.

### CONCLUSION AND RECOMMENDATION

While many nations are talking of economic globalization, there had been no noticeable strategic marketing approach that can balance trade even within the West African sub-region talk-less of adopting a common trade competition policy as a building block towards full integration of African economies. There are glaring policy inconsistencies, lack of commitment and political will to implement people oriented international trade policy stance.

The politician-managers regard every voice of wisdom distasteful to them as inverted snobbery and stream of invective that should be discountenanced. It has been observed that Strategic Management Approach capable of building sustainable competitive advantages through sustained capital investment, continuous improvement process re-engineering

strategy ,intensive core technical operation supervision, improved administration and competitive procurement or logistic management is gracelessly avoided like a plague. Even the antiquated port performance management method of maintaining the over-due long periods of equilibrium is a farfetched fad to the managers of the Nigerian Port's operation, while others kept punctuating the industry by periods of rapid change in revolutionized innovations. Unless this form of organizational inertia caused and maintained by internal political constraints, dysfunctional organization culture and external institutional constraints among other forces that made continuous innovation and change anathema ceased and the port administrator plan generic strategies that is holistic and wholesome to bring about both cost and differentiation advantage, the port would continue ,through its farcical structure and operational pattern, to remain a resource drain pipe, and turn Nigeria into an irredeemable dumping ground.

### REFERENCES

- Bloomen, V, Dennis, R. and Purranov, I. (1994): "Logistics in Bulgaria: concepts for new market expansion" International Journal of Physical Distribution and Logistics Management, Vol 24 No 2 Pp. 30-6
- Ejukwas, E.E (2008): "The role of Transport in logistics and Physical Distribution Management" Unpublished Masters Thesis Ladoke Akintola University of Technology Ogbomoso Nigeria.
- Hitt, M.A., Ireland, R.D Camp, S.M. and Sexton, D.L (2001): Strategic Entrepreneurship:

- Entrepreneurial Strategies for wealth creation. Strategic Management Journal, Vol. 22: Pp 479-491.
- Hitt, M.A., Ireland, R.D, and Hoskisson R.E (2009): Strategic Management: Competitiveness and Globalization (8<sup>th</sup> edition) Manon, OH: Cengage Learning.
- Jusoh, R and Parnel, J.A (2008): Competitive Strategy and Performance measurement in the Malaysian context” Management Decision Vol 46 No 1. Pp31
- Kao,C., Wu W-Y, Hsieh, W.J, Wang,T.Y, Lin C and Chen L.H (2008): “Measuring the National Competitiveness of Southeast Asian Countries” European Journal of Operation Research Vol. 187 Pp. 613-628.
- Kroop, F., Lindsay, N.J and Shoham, A (2004): “Entrepreneurial and marketing orientations ; A New Synthesis” Working paper, Monterey Institute of International Studies, Monterey, California.
- Krugman P.R (1996) “Making Sense of the Competitiveness debates” Oxford Review of Economic Policy Vol. 12 No 3. Pp. 17-25.
- Kuratko, D.F, and Audretsch ,D.B( 2009): “ Facts and Information about Strategic Entrepreneurship : Exploring different perspectives of an emerging concept” Entrepreneurship Theory and Practice Vol. 33 Issue 1. Pp. 1-17
- Lages, L.F and Mentgomery, D.B (2004): “Export performance as and antecedent of export commitment and marketing strategy adaptation: Evidence from small and medium sized exporters” European Journal of Marketing Vol. 38 No 9/10 Pp.1186-1195
- Langley, C .J., Hoemmken, S., Dort, E.V., Morton, J. Strata, R., and Riegler, M. (2007): “The srata of logistics outsourcing:(2007)Third party logistics” Capgemini , the Georgia Institute of Technology DHL and SAP.
- Ogunsanya, A.A and Olawepo, A.O (2008): Seaport Development in Nigeria in Oyesiku O.O and Gbadamosi K.T (Eds) Port Administration and Development in Nigeria Pp 1-19.
- Ogunsiji A.S (2004): “Strategic Management in the Hand of an Excellent Manager will Improve Productivity: But what wont? Journal of Socio-Economic Development and Strategic Studies NO 1 Pp 45-51.
- Okpara, John O. (2009): “Entrepreneurial Orientation and Export Performance: Evidence from and Emerging Economy” International Review Business Research Papers Vol 5 No 6 pp 195-211.
- Panzano P.C and R.S Billings (2005): “An organizational level test of a partially mediated model of a risky decision making behavior” [www.dssincorporated.com/research/riskydecision/risky.htm/](http://www.dssincorporated.com/research/riskydecision/risky.htm/)
- Putezelt, Holger, Shepherd, Dean (2009): Copyrighted from Baylor Uint through Gale Group, Farmington Hills Michijan.
- Quddus, M. (1993): “Entrepreneurship in the apparel export industry of Bangladesh” Journal of Asian Business Vol 9 No 4 pp 24-46
- Raduan. C.R., Jegak U., Haslinda, A, and Alimin, I.I.(2009): ”Management Theories and the linkage with Organizational Competitive Advantage from the Resource-Based View” European Journal of Social Sciences, Vol11, No 3 pp 402-417.
- Razzaque, M .A. (1989): ”Business logistics management; its roll and development in Singapore” Business Review Vol 1 No 1 pp 86-97
- Ross, A., Venkataramanan, M .A, Ernst Berger, K.W (1998): “Reconfiguring the supply network using current performance data” Decision Sciences Vol29, No3. Pp. 707-728.
- Stopford M. (1997): Maritime Economics, Routledge, London Pp. 29
- Toby Harfield (2009) Strategic management and Michael Porter: A post modern reading.
- Ujjainwala, K (2008): “India: Logistics and supply chain market dynamics” Supply chain Asia Management Digest: Issue 46 No.10