

Abstract

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Contracts as Management Tools in Third-Party Logistics Alliances -

**Existing functions and development
of new principles**

This study investigates contracts as management tools in TPL alliances. Earlier studies have shown that there are several differences in the content and way of using contracts in TPL alliances.

The purpose of this study is to explain form and function of existing TPL contracts, as well as develop economic principles for contracts as management tools in TPL alliances. In order to develop and lay down the general principles for the formation and use of contracts in TPL alliances the choice of study objects have been made among "successful" alliances. The choice of successful alliances is not intended to give a general view of how this line of business form and use contracts. The goal has been to investigate the possibilities to use contracts, as well as increase the knowledge on how these can be improved so that efficient TPL alliances are created. In total, participants from both sides of 11 alliances divided on 6 TPL providers were interviewed.

TPL contracts are non-complete as management tools because some control space is left for an active management. Too exact and detailed contracts can limit the adaptation ability and flexibility, as well as become too expensive to create and control in TPL alliances. However, the study shows that TPL contracts constitute guidelines to resolve co-operation and motivation problems with TPL, through four levels of economic incentive structures.

The analysis supports a development of the contracts as management tools in strategic alliances with different levels of incentive structures. The contracts may function as a formal and universal process adapter where firms may handle risks and safeguard their own and common interests. This study shows that the contracts may constitute a quality-ensuring instrument that simplifies a businesslike network building where the parties reduce risks and create opportunities through formalising and ensuring their interests with adapted and balanced incentive structures, according to existing transaction logic. This increases the opportunity to outsource more complex and strategically important functions that otherwise are of such insecure nature that they are handled internally.

Key words: contract, management, Third-Party Logistics, strategic alliances, control paradoxes, transaction logic, transaction efficiency

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