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Performance of Third-Party Logistics (3PLS) Firms in Uganda: The Role of Individual Ethical Orientation and Ethical Sensitivity

[1]Tushabe Peace, Ndejje University Uganda, jptushabe@gmail.com
[2]Justus Asasira, Mbarara University of Science and Technology, asasirajsts@gmail.com

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Abstract

This study investigated the relationship between individual ethical orientation, ethical sensitivity, and performance of third-party logistics (3PL) firms in Uganda, prompted by persistent complaints of unethical practices and poor service delivery. A quantitative cross-sectional survey design was employed, collecting data via self-administered questionnaires from 85 randomly selected 3PL firms in Kampala City. Data were analyzed using SPSS, with Pearson correlation for associations and hierarchical regression for effects. Findings indicated an insignificant relationship between individual ethical orientation and 3PL firm performance, but a strong positive relationship between ethical sensitivity and performance (r=.543, p<.01). Ethical sensitivity demonstrated a greater predictive contribution to performance, despite being influenced by ethical orientation (r=.130, p>.01). The study recommends that Ugandan 3PL firms and stakeholders promote ethical sensitivity through training to enhance moral awareness and identity, crucial for improved performance. Integration of Deontological and Utilitarian frameworks is suggested for a comprehensive understanding of these relationships.

Key words: Individual ethical orientation, Ethical sensitivity

INTRODUCTION

In the 21st century, there is a noticeable paradigm shift in all sectors as organizations seek to transform their logistics capabilities and problem-solving approaches. In this regard, there has been a huge change in logistics practices as organizations seek to establish effective, efficient, and relevant service solutions for their customers (Berglund, Laarhoven, Sharman, &Wandel, 1999). In today's business world, many organizations outsource their logistics functions to third-party Logistics service providers (3PL) to focus on their core competencies (Kim et al., 2020). Third-party Logistics (3PLs) refer to the practice of contracting out part or all of logistics activities formerly performed in-house (Dankbaar, 2007; Bowersox, 1990; Sink & Langley, 1997; Bloom, Mahajan, McKenzie, & Roberts, 2010). Third-party logistics firms include Freight forwarders, Courier companies, and other companies integrating and offering subcontracted logistics and transportation services (Anderson et al., 2011). Organizations are increasingly utilizing 3PLs with notable benefits: reduction in operations cost, improvement in flexibility and operationalization of logistics services, reduction in capital investment, and so on (Rahman, 2011; Batista, 2012; Dankbaar, 2007). Earlier researchers Lieb & Langley (2005), and Leuschener et al. (2013) argue that the annual growth rate of various organisations that use third-party logistics providers, for example, shippers' transportation takes 54% and warehouse operations 39% are outsourced in most organizations (Leuschener et al., 2013).

Third-party logistics firms act as intermediaries in transactions between buyers and suppliers of logistics, and are required by customs to represent the owner in the procedures for clearing cargo over international borders (Chu, Wang, & Lado, 2016). However, unethical issues have been identified, such as poor quality service, non-compliance, and improper feedback from transport managers and drivers in the logistics firms that have caused delay that leads to poor performance of third-party logistics firms (World Bank, 2016; Chu et al., 2016; Boyd, 2021).

In Uganda, third-party logistics firms are not an exception. Being a landlocked country, her imports and exports are delivered to the coast either in Mombasa or Dar es Salaam. This necessitates the use of third-party logistics firms to move the goods, services, and related information from where they are to where they are needed, mainly by use of road transport (World Bank, 2016). Some Ugandan freight markets are characterized by unethical behavior that includes stealing fuel, diverting cargo, declaration of the value of imported goods, forging of signatures for URA officials, and information representation in documents, such as information concerning routes that cause delays, hence poor performance (World Bank, 2016; Wafula, 2011; UCIFA Report, 2018). However, most offenses by clearing firms are in the form of misdeclaration, valuation, and even outright smuggling (Kasheka, 2011). Ms Sarah Kasheka, the acting commissioner of customs- URA (29th May 2011), said that there are cases of deliberate incorrect declarations, processing of wrong declarations either knowingly or unknowingly, connivance of staff with agents and importers to evade taxes through misdeclarations of values, classification, and quantity under declarations. In an interview with Daily Monitor at the meeting,

she said, “URA shall have lost jobs because 3rd party firms are greedy. They bribe URA young staff so that they can have their goods cleared without paying taxes,” she explained. This makes the cost of transporting cargo three times higher (Kamajugo, 2016). In addition, the URA commissioner, Dicksons Kateshumbwa, said cases regarding unprofessional conduct, mistakes, and unethical behaviours by the clearing and forwarding fraternity have been rampant (Daily Monitor, Monday, December 4, 2017). Therefore, the logistics performance of third-party logistics firms remains a pressing issue in most organizations in Uganda. Little is known about the contribution of individual ethical orientation and ethical sensitivity to the performance of 3PLs. The research, therefore, investigated the influence of individual ethical orientation, ethical sensitivity, and performance of 3PLs in Kampala because it is a major logistics hub in Uganda.

Both individual ethical orientation and ethical sensitivity in third-party logistics firms are required to create value in logistics services. Lowering the costs as much as possible, as described in efficiency, and fulfilling the customer requirement through the delivery of logistics services as defined by effectiveness would create differentiation that is closely related to the trade and transport context (Batista, 2012). Individual ethical orientation and ethical sensitivity may improve ethical decision-making among transport managers. This may enable us to identify ethical issues from unethical issues.

LITERATURE REVIEW

Deontology by Kant (1724) and Utilitarianism by Bentham (van Staveren, 2007) lay the foundation for this study.

Kant holds that an action is judged based on the categorical imperatives; for an action to be moral, it must be universally acceptable, respect rational beings, and allow people to participate freely (autonomy) (Forsyth, 1980), and this holds idealism and relativism on human welfare. These categorical imperatives are the ‘why’ behind the actions. Idealism and relativism always act in a way that demonstrates respect for others and treats them as ends in themselves rather than means toward an end, and this builds consistency among the employees, hence quality service. Deontological ethics is about following universal norms that prescribe what people ought to do, how they should behave, and what is right or wrong. By nature, human beings are rational and make decisions for their benefit. To achieve something from these rational actors, the employers need to delegate to the subordinates with respect, meet their goals in life, and meet their expectations to make their own choices of the transport service providers. Employees act morally when they willingly choose to act in the way reason demands. Kant’s deontological theory provides a robust framework for assessing the performance of third-party logistics (3PL) firms, especially in a context like Uganda, where ethical issues can directly impact operational efficiency and trust. Instead of focusing solely on outcomes like profit or customer satisfaction, deontology evaluates performance based on whether the firm’s actions and policies are rooted in moral duties and universal principles. However, the theory undervalues outcomes and optimistic in a way that it seems to be more of a deal than a reality, hence the Utilitarianism theory.

Utilitarianism theory holds the view that the action that produces the greatest well-being for the largest number is the morally right one. It originated from Bentham (1748) and John Stuart Mill (1806-1873) and has been influential in modern economics in general, and it’s a consequential theory. The theory bases moral judgment on the outcome of a certain action. It is a theory where an action is morally right if it results in the greatest amount of good for the greatest number of people affected by the action, and it is based on work with moral awareness and moral identity. The principle is called the “Greatest Happiness Principle”. It weighs moral choices according to the greatest good for the greatest number. Utility is measured in terms of pleasure and pain. Moral awareness and moral identity allow a firm’s employees to have moral preferences and to act in the interest of others when action toward others generates a net utility gain for the individual (Becker, 1996). Moral rules are required to promote positive freedom, ensuring that people will benefit from the firms they are working with to make a decent living. And if they cannot, they should be able to rely on the top management support of the firm to sustain their human dignity. Morality is a matter of finding the right rule; it is not affected by desire, weakness of will, or laziness. A moral rule is followed as a duty, although it needs to be backed up by authority. Enforcement of rights and norms in a third-party logistics firm may not reduce efficiency but may instead reduce negative externalities. A firm embedded in a normative organizational setting that advances equal access to resources and equal penalties for the employees is likely to expand its productive base. Wider access to resources will increase economic participation and reduce idle resources, hence compliance and effective feedback of third-party firms (Chang, 2002). However, this theory has some weaknesses, as it considers the majority, leaving out the minority; it only looks at how much utility is produced by an action and fails to take into account how much utility is distributed.

A combined approach using deontology and utilitarianism offers a more comprehensive and robust framework for evaluating and improving the performance of third-party logistics (3PL) firms. Neither theory alone is sufficient; deontology provides the moral foundation, while utilitarianism provides the practical, outcome-based measure.

Individual Ethical orientation and performance of third-party logistics Firms

Individual ethical orientation is defined as a continuum with idealism at one end and relativism at the other (Weaver, Morse & Mitcham, 2008). Idealism focuses on human welfare, or in other words, it can be described as a belief that desirable consequences can be achieved without violating moral guidelines, while relativism describes an individual’s concern for a universal set of rules or standards (Forsyth 1980). Idealists believe that harming others is universally wrong, and they are highly committed to avoiding doing so, even when the situation provides the decision-maker with an urgency to do otherwise (Van Tonder et al., 2024). Individual Ethical orientation was cited as one of the obstacles challenging the success of international business activities because the decisions made by the transport managers affect entirely the performance of the firms either positively or negatively, but not the individuals themselves (Namagembe et al., 2012; Mahmood et al.,2023; Chu et al., 2016). While cross-cultural research has identified differences in how people value work (Aquino et al., 2002), present their self-image (Baer & Frese, 2003), and react to motivational interventions (Kiezun, 1991; Welsh, Sommer, & Birch, 1993), a state of controversy exists concerning the knowledge of individual ethical orientation across cultures.

Researchers argue that individuals differ not only in personality but also in their orientations specifically related to how they think about ethical issues and ethical decision-making. Such orientations frame how individuals respond to ethical issues, apart from factors inherent to the situation (Maignan, Ferrell, & Hult, 1999; Kiyabo et al., 2020) or biases in thinking (Testa & Iraldo, 2010) that may color decision-making processes, hence performance. Most cross-cultural ethics research is theoretical, most studies take an exploratory route, or use popular measures without explanation (Testa et al., 2010). This leads to the hypothesis below

H1: Individual ethical orientation positively affects the performance of third-party logistics firms in Uganda.

Ethical sensitivity and performance of third-party logistics Firms

Ethical sensitivity, on the other hand, refers to the "ability to recognize the ethical nature of a decision" (Shaub, Finn & Munter, 1993). Others refer to it as a component of professional competency, and it is one of the strongest factors in human resource management (Borhani, Abbaszadeh & Mohsenpour, 2013). Different scholars have studied ethical sensitivity from various professional fields and have come up with some contradictions. For example, Lase, Hwee, & Edward (2021) argued that role conflict harms performance, whereas ethical sensitivity in the professional field increases performance. Khodaveisi et al. (2021) argue that moral courage has a strong and direct correlation with moral sensitivity, while Hemberg & Bergdahl (2020) argue that it's a matter of time for someone to behave ethically. According to Borhani et al. (2013), when employees are well sensitized, it positively reinforces human resource management. Shawver & Sennetti (2009) look at the effects of undergraduate accounting ethical education and found that ethical sensitivity goes beyond cognitive development as far as accounting in undergraduate students is concerned. Literature recommends that managers of all fields put theoretical and practical training programs of professional ethics on their agenda (Sadeghi & Alavi, 2018; Dewi & Dewi, 2018; Afifah, Sari, Anugerah, & Sanusi, 2015).

Ethical sensitivity involves creating awareness of the ethical issues and moral identity of the firm (Lase, Hwee, & Edward, 2021). Older firms ensure ethical awareness within their activities. This helps to improve the ethical decision-making process of transport managers, which leads to timely delivery and quality services to customers. They can identify ethical issues from unethical issues (Evans & Meyer, 2005).Lack of awareness results in delays, poor quality service, non-compliance, and improper feedback from transport managers and drivers in the logistics firms. This leads inevitably to limits on the firm's capacity to attract, retain, and nurture those with the essential ability and commitment necessary to perform its unique role in the business environment, as some transport managers may be dismissed as a result of a lack of ethical sensitivity (Evans et al., 2005). Ethical issues are taken seriously in many organizations and governments worldwide; however, in Uganda, it's less explored in the field of transport and logistics firms.

Uganda is a landlocked country; its imports and exports are delivered at the coast either in Mombasa or Dar-Salaam (Wafula, 2011). This necessitates the use of third-party logistics firms to move the goods, services, and related information from where they are to where they are needed, mainly by use of road transport (World Bank, 2016). The Uganda freight market is characterized by unethical behavior that includes stealing fuel, diverting cargo, under-declaration of the value of imported goods, forging signatures for URA officials, and information representation in documents, such as information concerning routes (World Bank, 2016; Wafula, 2011). However, most offences by clearing firms are in the form of declaration, undervaluation, and even outright smuggling (Kasheka, 2011). Although such behavior has been identified in third-party logistics firms, its impact on the logistics performance of these firms has not been tested empirically. Thus, hypothesis two.

H2: Ethical sensitivity positively affects the performance of third-party logistics firms in Uganda.

Individual ethical orientation, ethical sensitivity, and performance of third-party logistics firms

Individual ethical orientation and ethical sensitivity are some of the factors that affect the performance of third-party logistics firms. Transport managers respond to ethical issues depending on their orientations (Valentine & Roland, 2008). Individual ethical orientations go hand in hand with ethical sensitivity. Ethical Sensitivity refers to the awareness of how one's actions affect others (Frisque & Kolb, 2008). It involves an awareness of different possible actions and how such actions affect the parties concerned. Ethical sensitivity is important, and it determines the behavior of transport managers of third-party logistics firms. Therefore, transport managers have to first perceive that the situation has ethical implications and then identify the roles and effects of the situation on all affected parties (Frisque et al., 2008). This helps improve the ethical decision-making process of third-party logistics transport managers, which leads to timely delivery, compliance, provision of quality services, and effective feedback to customers, hence the logistics performance of third-party firms. The firms are also able to identify ethical issues from unethical issues (Johnson 2012). Lack of awareness results in delayed delivery of goods and services and related information, non-compliance, provision of poor-quality services, and ineffective feedback. This leads inevitably to limits on the firm's capacity to attract and retain loyal customers in a competitive market (Winterich et al., 2013). Hence, hypothesis three.

H3: Individual ethical orientation and ethical sensitivity positively affect the performance of third-party logistics firms.

METHODOLOGY

Design, population, and sample

The research adopted a quantitative cross-sectional survey research design to find the effect of individual ethical orientation and ethical sensitivity on the performance of third-party logistics firms in the Kampala district because it is the economic hub, as per the Uganda Clearing Industry & Forwarding Association (UCIFA) report (2018). Third-party logistics firms provide expertise, technology, and established networks that can optimize supply chain operations and enhance efficiency, enabling firms to have increased focus on core business activities (World Bank, 2016). A cross-sectional survey research design is used because it's good for descriptive analysis and relatively quick to conduct. Most cross-sectional, descriptive studies, whether based on data on the entire population or a representative sample, aim to provide estimates of prevalence in the entire population under study and are characterized by the collection of relevant data at a given point in time. A simple random sampling was used to select the third-party logistics firms from the population of 115, and 85 firms were selected as shown in appendix 1 below. The sample size was arrived at using Krejcie and Morgan's (1970) sample size determination table. This technique was used because it provides an equal chance of being selected to all the firms and avoids bias. The unit of analysis was a third-party logistics firm, and the unit of inquiry was transport managers. Managers are taken to be proxies for firms. Decisions made by transport managers of the firms affect the entire firm, not individuals (UCIFA Report, 2018).

Data collection

Primary data was obtained through self-administered questionnaires from transport managers who were randomly selected. This source is often used because it is free from bias, and respondents have adequate time to give well-thought-out answers. Data was collected using self-administered questionnaires (Neuman, 2014) in 2019, which were filled out by the respondents. Responses were anchored on a 5-point Likert scale ranging from "1= Strongly Disagree (SD) to 5= Strongly Agree (SA)". This scale has been used by researchers over time and has been proven to be valid (Kothari, 2004).

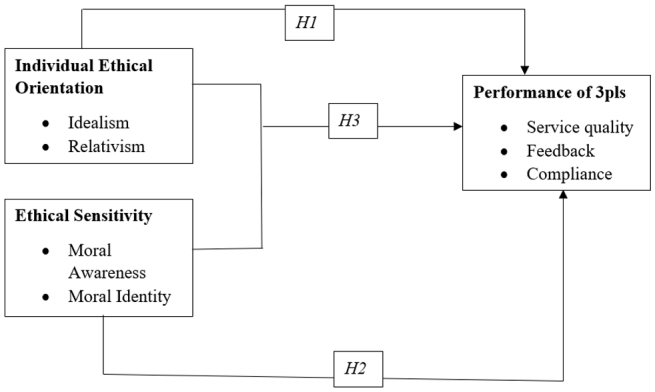
Data from the field were processed and analyzed using the Statistical Package for Social Sciences (SPSS version 21). The data were cleaned by checking for missing values and outliers. Pearson correlation was conducted to test the associations of variables under study, while hierarchical regression was performed to test the effect of each variable in explaining the performance of third-party logistics firms.

Questionnaire and variable measurement

Measurement scales for the variables in the study were obtained from previous studies (Narvaez, 2001; Forsyth, 1980; Buller et al, 1991; Namagembe et al., 2012) and adapted to meet the Ugandan context in which the study was being undertaken. Individual ethical orientation was measured using (Forsyth, 1980; Buller, Kohls & Anderson, 1991; & Ntayi et al, 2010), and the reliability coefficient was 0.724. Ethical sensitivity was measured using Narvaez (2001) and had a reliability coefficient of 0.78. Responses were anchored on a 5-point Likert scale ranging from "1= Strongly Disagree (SD) to 5= Strongly Agree (SA)". The adopted scale has been used by researchers (Madzimure, 2019) over time and has been proven to be valid.

Individual ethical orientation was measured using dimensions such as idealism and relativism, adapted from the works of Forsyth (1980), Buller et al. (1991), and Ntayi et al. (2010). Ethical sensitivity was measured using measures developed by Narvaez (2001) as moral awareness and moral identity, and performance of third-party logistics firms was measured using dimensions such as timely delivery, quality service, feedback, and compliance based on the works of Chow, Heaver & Henriksson (1994), and Jones (2003).

Figure 1: ***Model of dimensions of the concepts of individual ethical orientation, ethical sensitivity, and performance***



Tests for validity and reliability

A pilot study was conducted first to test the research instruments and establish their reliability and validity (Neuman, 2014) using the Cronbach Alpha test (Cronbach, 1951). All the CVIs and Cronbach's Alpha were above 0.7, which shows the thresholds above as per the recommendations of Nunnally (1978), hence the validity and reliability of the instrument. According to Nunnally (1978), the Cronbach Alpha test of 0.60 and the content validity index of 0.70 were considered good.

Table1: ***Presents Validity and reliability results.***

Variables	CVI'S	Cronbach's Alpha	No. of items
Individual ethical orientation	0.724	.728	15
Ethical sensitivity	0.78	.799	28
Third-party Party Logistics performance	0.82	.918	28

Source: Primary Data

The collected data were analyzed using the Statistical Package for Social Scientists (SPSS). Correlation analysis was used to determine the nature of the relationship between the variables, and regression analysis was used to determine the variance in the dependent variable explained by the independent variables.

RESULTS AND DISCUSSION

The results of the various analyses performed and their interpretations therein are explained below. Specifically, descriptive and inferential analyses are presented. The results were meant to test the following hypotheses: H1: Individual ethical orientation positively influences the performance of third-party logistics firms. H2: Ethical sensitivity positively influences the performance of third-party logistics firms. H3: Individual ethical orientation and ethical sensitivity positively influence the performance of third-party logistics firms.

Demographic Characteristics of the respondents and firms

With a response rate of 94%, the study sought to find out the age, gender, level of education, employment status and how long one has been employed.

Table 2: ***Showing Demographic characteristics of the respondents and the firms.***

Variables	Item	Frequency	Percent
Gender	Male	64	80.0
	Female	16	20.0
Age	24-25 Years	6	7.5
	26-30 years	29	36.3
	31-35 years	18	22.5
	36-40 Years	21	26.3
	Over 40 Years	6	7.5
Level of Education	Masters	18	22.5
	Degree	48	60.0
	Diploma	12	15.0
	Certificate	2	2.5
Duration of employment with the firm	Less than 1 year	4	5.0
	1-2 Years	29	36.3
	3-5 Years	18	22.5
	6-10 Years	20	25.0
	Over 10 years	9	11.3
Years of the firm's existence	1-2 years	4	5.0
	3-5 years	16	20.0
	6-10 years	10	12.5
	Over 10 Years	50	62.5

Source: Primary Data

The results indicate that the majority of the respondents were male (80%) and the females were 20%. Findings show that most logistics firms employ men than women to head such logistics issues in their organization. The respondents were between 26 and 30 years (36.3%), followed by those between 31 and 35 years (26.3%), and the least group was between 24-25 years and over 40 years (7.5%). The researcher found out that third-party logistics firms do employ mature people and not children, hence avoiding child labor. The majority of the respondents were degree holders (60%), followed by those with master's (22.5%), and the least group were certificate holders (2.5%). Findings indicate that most of the employees in third-party logistics firms had acquired education at higher levels.

The results indicate that the majority of the respondents had spent 1-2 years (36.3%), followed by those who had spent 6-10 years (25%), and the least group had spent less than 1 year (5%). Anecdotal evidence shows that transport managers had experience with the type of questionnaire and were well-versed with the operations of the organization, and they were therefore able to give valid responses. The results indicate that the majority of the firms had spent over 10

years (62.5%). These were followed by those that had spent 3-5 years (20%), and the least firms had spent 1-2 years (5%). The study found that these logistics firms had spent many years in their business, which gives them an advantage to enjoy economies of scale, such as low costs on advertising.

Number of staff in the firm

The number of staff in the firm was distributed as indicated in Table 1.2.2

Table3: ***Number of staff in the firm***

Item	Frequency	Percent
1-4	2	2.5
5-50	28	35.0
Above 50	50	62.5
Total	80	100.0

Source: Primary Data

The results indicate that the majority of the firms had employees ranging to 50 employees (62.5%), and these were followed by those that had 5-50 employees (35%), and the least firms had 1-4 employees (2.5%). Findings show that these logistics firms require many employees who can enable them to accomplish all the tasks as planned, and lead to the success of the business.

Correlation Results

2.1 Relationship between study variables.

Pearson's Correlation analysis was conducted to measure the strength of linear associations between the study variables of individual ethical orientation, ethical sensitivity, and performance of third-party logistics firms, and is denoted by r. The Pearson correlation coefficient, r, can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association; that is, as the value of one variable increases, so does the value of the other variable. A value less than 0 indicates a negative association; that is, as the value of one variable increases, the value of the other variable decreases. The study variables were measured on a continuous scale, and thus, Pearson's correlation was found to be the most appropriate to test the relationships between the variables.

Using the Pearson (r) correlation coefficient, the researcher was able to establish the nature and the direction of the relationships that exist among the study variables, which were: individual ethical orientation (idealism & relativism), ethical sensitivity (awareness & moral identity), and performance of third-party firms (service quality, compliance & feedback).

Table 4: ***Relationship among variables.***

Variables	1	2	3	4	5	6	7	8
Ethical Idealism (1)	1		.					
Ethical Relativism (2)	.321**	1						
Individual ethical orientation (3)	.751**	.866**	1					
Ethical sensitivity (4)	.255*	.244*	.305**	1				
Service quality (5)	.282*	.019	.161	.586**	1			
Compliance(6)	.105	.123	.141	.515**	.693**	1		
Feedback (7)	.007	.031	.025	.259*	.533**	.348**	1	
Third-Party Logistics performance (8)	.154	.069	.130	.543**	.892**	.815**	.772**	1

**. Correlation is significant at the 0.01 level, p<=0.01 (2-tailed).

Individual ethical orientation positively affects the performance of third-party logistics firms in Uganda.

The results in Table 4.3.1, show that the relationship between individual ethical orientation and the performance of third-party logistics firms was not statistically significant (r=.130, p>.01). This means that the performance of third-party logistics firms has an insignificant relationship with all dimensions of individual ethical orientation (idealism & relativism) and also all the components of performance of third-party logistics firms (service quality, compliance & feedback). This means that when ethical orientation increases, the performance of third-party firms also increases. This implies that transport managers are expected to behave ethically in their pursuit of performance, and the existence of moral identity is considered the cultural glue that enables transport managers to function successfully.

Ethical sensitivity positively affects the performance of third-party logistics firms in Uganda.

The results in Table 4.3.1 show that there is a strong positive significant relationship between ethical sensitivity and the performance of third-party logistics firms (r=.543**, p<.01). This means that the performance of third-party logistics firms has a strong positive relationship with all dimensions of ethical sensitivity (moral awareness & moral identity) and also all the components of performance of third-party logistics firms (service quality, compliance & feedback). This means that any positive change in ethical sensitivity is associated with a positive change in the performance of third-party logistics firms. This implies that transport managers need to be aware of ethical issues and identify what morals are acceptable in their operations in order not to engage in unethical behavior. So third-party logistics firms must ensure that they communicate the ethics of the firm to all staff in their business.

Individual ethical orientation and ethical sensitivity positively affect the performance of third-party logistics firms.

The predictive power of individual ethical orientation and ethical sensitivity was examined to establish the contribution of each independent variable in explaining the performance of third-party logistics firms. The results show that there is an insignificant relationship between individual ethical orientation and the performance of third-party logistics firms, though individual ethical orientations affect the ethical sensitivity of transport managers. This also explains the positive relationship between individual ethical orientation and ethical sensitivity. Transport managers are expected to behave ethically in their pursuit of performance, and the existence of moral identity is considered the cultural glue that enables transport managers to function successfully. Transport managers respond to ethical issues depending on their orientations (Valentine &Kidwell, 2008).

RESULTS AND DISCUSSION

Regression analysis on individual ethical orientation and ethical sensitivity on performance.

The results show the extent to which the predictors, that is, individual ethical orientation and ethical sensitivity, can explain the dependent variable, which was the performance of third-party firms.

Table 5: ***Hierarchical Regression Analysis***

	Model 1		*Model 2*	*Collinearity Statistics*		
Variables	***B***	***SE***	***B***	***SE***	***Tolerance***	***VIF***
Constant	3.307	.393	1.035	.553	Na	Na
Individual ethical orientation	.288	.103	.131	.094	0.907	1.102
Ethical sensitivity			.513***	.136	0.907	1.102
R	.288		.568		Na	Na
R^2	.083		.322		Na	Na
AdjR^2	.071		**.305**		Na	Na
R^2Change	**.083**		**.239**		Na	Na
F-Change	7.041		27.188		Na	Na
Sig	.18		.000		Na	Na

Note. ***. Standardized beta is significant at the .000 level; β=Standardized coefficient.

a. Dependent Variable: Performance of third-party logistics firm

Hierarchical regression analysis explains the extent to which the independent variables predict performance. It involves theoretically based decisions for how the predictors are entered into the analysis, and it is used for ranking variables to show the relevance of the variables.

Results of Model 1 in Table 4.2.2 indicate that Individual ethical orientation accounts for 8.3% of the variance explained by the model (ΔR^2=.083; Δf= 7.041; p<.05). The findings further confirm an insignificant relationship between Individual ethical orientation and Performance of third-party logistics firms (β= .71; p<.05).

The addition of ethical sensitivity in Model 2 reveals an extra 23.9% of the variability in the Performance of third-party logistics firms (ΔR^2=.239; ΔF=27.188, p<.05). The model results also show that there is a strong positive and significant relationship between Ethical sensitivity and Performance of third-party logistics firms (β=.513; p< .05).

Lastly, the variables entered in the regression model explain an overall 30.5% (AdjR^2 = .305) of the variance in performance of third-party logistics firms, implying that the remaining 69.5% is explained by factors not considered in this study. Nonetheless, considering the two predictors in this study, the results show that ethical sensitivity has a better contribution effect on the Performance of third-party logistics firms in Uganda. However, individual ethical orientation affects ethical sensitivity because ethical issues depend on what their orientations are (Valentine et al., 2008). Individual ethical orientations go hand in hand with ethical sensitivity (Henness, Ball, & Moncheski, 2013; Paterson & Panessa, 2008; Wexler, 2011).

According to O'Brien (2007), when the tolerance factor is below 0.10 and the variance inflation factor is above 5.0 or 10, this indicates a multicollinearity problem. In this study, the analysis shows that there were no issues of multicollinearity because the tolerance factors were above 0.907and the VIF factors were less than 1.102. A tolerance of less than 0.20 or 0.10 and/or a VIF of 5 or 10 and above indicates a multicollinearity problem (O'Brien 2007).

DISCUSSION OF RESULTS.

The findings revealed an insignificant relationship between individual ethical orientation and performance of third-party logistics firms, which means that an individual's ethical orientation does not influence the performance of third-party logistics firms. According to the results, individual ethical orientation influences ethical sensitivity. This was supported by Rosamond (2002), who says that transport managers need awareness and moral identity for their profession not to be threatened. Transport managers are expected to behave ethically in their pursuit of performance, and the existence of moral identity is considered the cultural glue that enables transport managers to function successfully. Transport managers respond to ethical issues depending on their orientations (Valentine & Kidwell, 2008). This means that any weak positive change in individual ethical orientation is associated with a weak positive change in the performance of third-party logistics firms (Svensson et al., 2008).

Rosamond (2002) and Shaub et al. (1993) say that individuals differ not only in personality but also in individual orientations specifically related to how they think about ethical issues and ethical decision making. Such orientations frame how individuals respond to ethical issues, apart from factors inherent to the situation (Maignan, Ferrell, & Hult, 1999) or biases in thinking (Testa & Iraldo, 2010) that may color decision-making processes. The implication of these findings means that an individual's ethical orientation does not influence the performance of third-party logistics firms. Transport managers have to first perceive that the situation has ethical implications and then identify the roles and effects of the situation on all affected parties (Van Victor, 2011).

Furthermore, findings showed that there is a strong, positive, significant relationship between ethical sensitivity and performance of third-party logistics firms (r=.543, p<.01). This means that any positive change in ethical sensitivity is associated with a positive change in performance of third-party logistics firms. Stainer & Stainer (1995) believe that ethics nurtures service quality, resulting in a positive relationship between productivity, quality, and ethics. Findings on ethical sensitivity and performance of third-party firms showed that transport managers need to be aware of ethical issues and identify what morals are acceptable in their operations in order not to engage in unethical behavior. So third-party logistics firms have to ensure that they communicate the ethics of the firm to all staff in their business. This is supported by Kohlberg's (1984) and Testa et al. (2010) theoretical framework of moral development, which asserts that when faced with the temptation to engage in any unethical behavior, transport managers are confronted with an ethical decision whether to comply with the firm's norm not to engage in the malpractice or to give in to temptation and engage in dishonesty. An ethically sensitive person recognizes moral aspects involving questions of right and wrong of a situation and can identify with the role of another person (Wang & Sang, 2005). Ethical sensitivity initiatives help to strengthen a firm's reputation for being reliable and honest by meeting the expectations of key stakeholders (Sitek et al., 2012). Positive reputations have often been linked with positive financial returns, so the public's perception of a firm's conduct is of great importance. Eltantawy, Fox, & Giunipero (2009) stress that ethical sensitivity is essential to the provider's function's perceived reputation, which in turn has an indirect effect on performance of 3rd party logistics firms.

Literature indicated that individual ethical orientations affect the ethical sensitivity of transport managers. Transport managers respond to ethical issues depending on their orientations (Valentine et al., 2008). Individual ethical orientations go hand in hand with ethical sensitivity. Transport managers have to first perceive that the situation has ethical implications and then identify the roles and effects of the situation on all affected parties. Finally, alternative actions are identified and potential outcomes are evaluated. (McGinnis & Kohn, 2002). This helps improve the ethical decision-making process of third-party logistics transport managers, which leads to timely delivery, compliance, provision of quality services, and effective feedback to customers, hence the performance of third-party logistics firms. Ethical sensitivity is important because it determines the behavior of transport managers of third-party logistics firms; hence, improved service quality, along with ethical sensitivity initiatives, helps to strengthen a firm's reputation for being reliable and honest by meeting the expectations of key stakeholders (Stainer et al., 1995). Positive reputations have often been linked with

positive financial returns, so the public's perception of a firm's conduct is of great importance. Eltantawy et al. (2009) stress that ethical sensitivity is essential to the provider's function's perceived reputation, which in turn has an indirect effect on 3rd party logistics performance.

The results from the multiple regression confirmed an insignificant relationship between individual ethical orientation and the performance of third-party logistics firms. The addition of ethical sensitivity in the model also indicated a strong positive and significant relationship between ethical sensitivity and the performance of third-party logistics firms. When transport managers are ideal and reflective of the morals, they can identify and be aware of what is good or bad in society. The variables entered in the regression model explain an overall of 30.5% (AdjR2 = .305) of the variance in the Performance of third-party logistics firms, implying that the remaining 69.5% is explained by factors not considered in this study. Nonetheless, considering the two predictors, ethical sensitivity strongly affects the performance of third-party logistics firms. The above results were also supported by (Murdock & Anderman, 2006), who found that Individual ethical orientation and ethical sensitivity are some of the factors that affect the logistics performance of third-party logistics firms.

The majority of the research on these concepts is done in the education industry and the accounting and nursing industry, and it has never been studied in the transport industry, especially third-party logistics firms. The research, therefore, intended to cover the gap by looking at individual ethical orientation and ethical sensitivity in the logistics industry.

CONCLUSION AND RECOMMENDATIONS

Performance

Findings show that Individual ethical orientation and ethical sensitivity are some of the factors that affect the performance of third-party logistics firms. Transport managers respond to ethical issues depending on their orientations (Valentine & Roland, 2008; Chu et al., 2016). Therefore, they need to first perceive that the situation has ethical implications and then identify the roles and effects of the situation on all affected parties, which is lacking in third-party logistics firms.

Individual ethical orientation

Individual Ethical orientation was cited as one of the obstacles challenging the success of international business activities because the decisions made by the transport managers affect entirely the performance of the firms, either positively or negatively, but not the individuals themselves (Buller, Kohls, & Anderson, 1991; Wines & Napier, 1992; Kiyabo et al., 2020). Yet, while cross-cultural research has identified differences in how people value work (Aquino et al, 2002), present their self-image (Baer & Frese, 2003), and react to motivational interventions (Kiezun, 1991; Welsh, Sommer, & Birch, 1993), a state of controversy exists concerning the knowledge of individual ethical orientation across cultures. This study has looked at idealism and relativism as measures of individual ethical orientation.

Ethical sensitivity

Eltantawy, Fox, & Giunipero (2009) stress that ethical sensitivity is essential to the provider's function's perceived reputation, which in turn affects 3rd party logistics performance. However, ethical sensitivity may be determined by a number of factors other than honest, kind, caring, and/or compassionate (Carroll & Buchholtz, 2000). This study, therefore, looks at the moral awareness and moral identity of transport managers.

In a nutshell, the findings of this study confirm a positive and significant relationship between individual ethical orientation, ethical sensitivity, and performance of third-party logistics firms. Nonetheless, considering the two predictors in this study, the results show that ethical sensitivity has a better contribution effect on the performance of third-party logistics firms.

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