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Delineating the “Ease of Doing Business” Construct within the Supplier-Customer Interface: The Case of Thailand and South Korea

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Abstract

The purpose of current study is to examine an extension and modification of the ‘ease of doing business’ construct as suggested by Stading and Altay (2007) (p.37) in an Asian context. The current research provides an insight into the “ease of doing business” construct. An analysis of survey responses from supply managers in the automobile industry was used to test the proposed “ease of doing business” construct (EODB), which includes three dimensions – Information and Material Services, Financial Contract Services and Personal Relations Services. Personal interviews, and a review of the literature on relationship marketing in business-to-business transactions was used to develop a conceptual model for profiling relational interactions associated with a successful supplier-customer interface. A survey was conducted with the supply management and purchasing executives from automobile industry in Thailand and South Korea to explore their relationships with suppliers. The findings suggest that the Information and Material Services and Personal Relations Services relating to decision-making by the respondent’s firms are the significant predictors of supplier-customer interface service performance (EODB). This study demonstrates an application of the EODB model to explaining the supplier-customer interface performance in a different cultural setting. The results support a link between a customer’s assessment of a
supplier’s “ease of doing business” and the amount of business conducted with that supplier. The attributes supported by this research provide the means for managers to improve and grow business with customers in the Thai and South Korean automotive industries.

**Keywords:** Ease of Doing Business, Supplier-Customer Interface Performance, Customer Satisfaction, Automotive Industry, Thailand, and South Korea.

**Introduction**

Supply chain and logistics management has become an emergent strategy for a developing country, like Thailand. Low labor cost – as a competitive factor – is no longer sufficient for surviving in a highly volatile and competitive economy. However, at a time when the concept plays a key role in the development of Thai industries, and a number of research studies have been conducted, there is still no effective integration of the knowledge in the field. The actual needs, trends and directions in supply chain management are still unclear.

Supply chain management is generally regarded as the integration of the flows of material, information and financing around three competitive priorities: price, delivery and quality. However, sustained competitive advantage in a supply chain is not achieved through these three dimensions alone. Supply chain partners generally acknowledge the pivotal importance of relationship management, but often default to conventional measures that are founded on easily quantifiable criteria such as price, delivery and quality. These measures, however, do not necessarily reflect the complexities of the buyer-supplier interface.
While suppliers constantly seek to improve their relationship with customers, simultaneously customers attempt to objectively evaluate supplier performance. This duality leads to a question frequently encountered in supplier evaluation assessments, and generally referred to as ‘the ease of doing business’ (EODB). This refers to how easy it is to do business with a supplier, and is a measure of the absence of barriers and hurdles in the buyer-supplier interface (Vandenbosch and Dawar 2002; Goodman 2004). Thus, from the customer’s point of view, EDOB is a customer service/satisfaction measure. From the supplier’s side, EODB is often referred to as ‘customer relationship management’ (CRM). However, EODB is neither clearly defined nor well understood by supply chain partners (i.e. the supplier is not able to understand the reported measure, and still more seriously, customers often cannot explain their own responses). The ease of doing business concept is infrequently discussed in the academic literature and then often only in an informal way. In one of those rare accounts of the concept, the difficulties are summarized by Bowersox and Closs:

Although most senior managers agree that customer service is important, they find it difficult to explain exactly what it is and what it does. Two interpretations commonly expressed are easy to do business with and sensitive to customer needs. While such generalizations have appeal from qualitative perspective, it is difficult to interpret what “easy to do business with” means for firms that deal with numerous customers on a daily basis (Bowersox and Closs 1996, p. 66).

At first glance, an informal statement like EODB appears to minimize the complicated process of assessing the depth and breadth of business relationships. In reality, an appropriately defined EODB construct may actually enhance the assessment process. The
distinct meaning of this concept, however, continues to elude practicing managers, creating the need to postulate a precise construct and conduct exploratory research. The challenge for supply managers comes from not knowing what to improve when customers indicate low levels of EODB. Their frustration increases when, having received low scores from customers on EODB and having taken corrective action on some perceived aspect of their business, they continue to receive low scores on the next customer survey.

This study aims to explore the underlying assumptions behind the expression of EODB. The objectives of this study are twofold. The first objective is to understand whether EODB plays a role in predicting satisfaction within the supplier-customer interface. The second is to suggest a framework for the measurement of EODB and to provide some context for the EODB construct. What factors make up EODB? What should business managers try to change if they want to improve their EODB rating from a specific customer? The current research proposes a construct for EODB based on survey results from the automotive industry of two major Asian economies, Thailand and South Korea. A general background on the use of EODB and how it is linked to managing customer-supplier relationships is initially presented. This is followed by a discussion of the relationships conceptualized and the methodology used. The results of the analysis are discussed, and the paper culminates in a working definition for EODB and its managerial implications.

Why Apply EODB in the Asian Context?
Researchers can only have strong confidence in a theory when multiple attempts are made to falsify that theory (Popper, 1962). In addition, as noted by Carter (2004), replication research is needed in order to advance the state of knowledge in the discipline of supply
management. More research is needed to understand the performance outcomes of relational exchanges. This is particularly true in the case of the relationships between manufacturing firms and their suppliers, as manufacturing firms spend more than half their income on materials (Burt, et al., 2002; Leenders, et al., 2002). As noted by Anderson (1995) although “the essential purpose for a customer firm and supplier firm engaging in a collaborative relationship is to work together in ways that add value or reduce cost in the exchange relationship between the firms…[h]ow well do practitioners or academics understand this event, or the mechanisms through which it occurs?” Stading and Altay (2007) pointed out “what should be central to understanding supplier-customer interface performance (EODB)”. However, they left such an examination of the supplier-customer interface performance (EODB) for future research.

**An Overview of Thai and South Korean Economy**

Today’s high competitive global market climate drives Thai industrial demand for supply chain and logistics management. Running the old style management and competing with competitors only on the sales and marketing side will not work for Thailand. The advantages of lower labor costs and cheaper raw materials than other exporting countries are disappearing. Markets for Thai products in most sectors are gradually being lost to other countries. To stay competitive, companies in Thailand have started cultivating supply chain and logistics management. The corporate crusade to gain competitive advantage using new supply chain and logistics management methods is extending to all Thai industry. (Research direction and knowledge management of supply chain and logistics in Thailand, [www.kmutt.ac.th/gmi/2005/mambo/images/stories/LRN2003.pdf](http://www.kmutt.ac.th/gmi/2005/mambo/images/stories/LRN2003.pdf))
Thailand is one of Asia’s manufacturing powerhouses, and a periodical entitled *Logistics Manager* provides a vital source of local, regional and international information for shippers, carriers, and logistics providers in the country’s working language. Published every two weeks, *Logistics Manager* has been an integral part of the country’s shipping and logistics industry since 1997.

(EODB is important to the Thai and South Korean automobile industry because, as a result of research and experience, supply chain and logistics management is now recognized as a key competitive area for these two Asian economies. The presence of manufacturing intensive end-user sectors such as automotive manufacture has fueled the growth of these countries, according to a report by Frost & Sullivan.

Demand for welding equipment will continue to grow as strong global demand drives South Korea’s export-focused industrial sectors with the principal demand originating from the shipbuilding and automotive sectors. However, the loss of international competitiveness in relation to China threatens to have a detrimental effect on export demand, on which South Korea is heavily reliant. The impact on some industries could be particularly severe and could dampen demand for several capital equipment inputs, including welding equipment.

Frost & Sullivan Research Analyst Titus Hocevar said that, “China was attracting most international investments in the Far East region at present, and at the same time, South Korea’s automotive, shipbuilding and other industrial sectors were under constant competitive

6
pressure from other South-east Asian economies, meaning that they had to continually invest in new capital equipment to remain competitive”.


The year 2005 marks the 50th year since Korea first began manufacturing automobiles. From the time when Korea started with a simple KD assembly process in the 1960s it has grown to be the only nation, among those that started developing an auto industry after World War II, which is capable of manufacturing cars with its independently-developed technologies, thereby becoming the world’s sixth-largest producer today. As of the end of 2004, the number of cars manufactured in Korea reached 3.47 million, of which exports amounted to 2.38 million units, making Korea the world’s 6th-largest manufacturer (5.4%), after the United States, Japan, Germany, China and France. In terms of domestic consumption it ranked 10th in the world by consuming 1.1 million units in 2004. When it comes to manufacturing scale, Korea – situated in the hub of Northeast Asia between China and Japan – has been playing a leading role, together with emerging China, in the region. The combined manufacturing capacity of these three countries puts them in first place in terms of manufacturing output and third in terms of the scale of domestic consumption in the world, when compared by regional unit.

(http://www.investkorea.org/InvestKoreaWar/work/ik/eng/bo/bo_01.jsp?code=1020202)

**Literature Review**

Ease of Doing Business (EODB) has been a bit like the weather – everybody talks about it, but doing something about it is another matter. While you cannot change the
weather, you can equip yourself and your organization not only to cope with it, but to thrive within it.

**Practical Considerations of EODB**

While academic studies involving EODB have been limited, publications targeting practitioners have recognized the growing significance of the concept in customer satisfaction. Hammer (2001) defines EODB by arguing that it has nothing to do with products, features, quality or price. Rather, it is a measure of how “complex, problematic and fatiguing” it is for a customer to conduct business with the supplier. Similarly, focusing on customer retention, Coyles and Gokey (2002) imply that EODB is separate from price and quality as purchase criteria. They describe customers reassessing their purchases based on price, performance and the ease of doing business with a company. Likewise, Robinson and Kalakota (2004) suggest that having a perspective on customers’ interaction with internal services and aligning these service capabilities to that interaction allows a company to be perceived as one with which it is easy to do business.

Hammer supports the case of EODB further with the argument that it enhances customer relationships by making customer interfaces more efficient and effective. In one recent example of enhancing customer relationships with EODB (similar to other high-profile cases from companies like Staples and Geico that actually utilized EODB approaches in their advertising campaigns), National Grange Mutual received the highest rating for its EODB among property and casualty insurance providers. This rating originated from a nationwide survey of property and casualty insurance carriers (Insurance Journal 2003). The factors being considered by respondents included responsiveness, flexibility, timeliness, technical support and effective use of technology.

**Evolution of an EODB Construct**

The proposed construct uses the predictions of disconfirmation theory to examine the role that EODB could eventually play in the customer-supplier interface. In disconfirmation theory, customers compare actual performance levels of a product or service to expected performance levels (Oliver 1980). Customers then make varying degrees of behavioural
decisions. The decisions range from approach behaviours (verbal positive reinforcement) and confirmation judgments (performance as expected) to avoidance behaviours, which include behaviour that leads to the selection of alternative suppliers (Dadzie, Chelariu and Winston 2005).

This study proposes that the EODB construct contributes to measuring customer satisfaction and is a direct result of the services provided from a supplying organization. Lloyd (2003) argues that EODB could be a mainstay of an organization’s customer relationship strategy. Independently, Lacobucci, Grisaffe, Duhachek and Marcati (2003) proposed that the extent to which a customer perceives a company as one that is easy to do business with should be a function of high quality and enhanced customer service. Response levels are affected by the strategic attributes of three relational determinants: Information and Material Services, Financial Contract Services and Personal Relations Services. The existence of these three attributes could be interpreted as service excellence (Johnston 2001). According to Johnston (2004), service excellence includes EODB. All three proposed determinants have an effect on EODB, and they subsequently converge towards a common definition when considered by customers (Figure 1).

Swaddling and Miller (2002) warn that, despite many attempts to correlate customer satisfaction and customer-repurchase decisions, this correlation is complex and not yet fully understood. They argue that linkages are not yet in place to warrant a role in strategy formulation. They suggest that EODB may play a contributory role in establishing that link and that an EODB construct with theoretical underpinnings is necessary.

**Conceptual Model**

**Theoretical Connection of EODB with the Customer interface**

The relationship between customer service and customer satisfaction is rich and deep. The introduction of the SERVQUAL measure stimulated a stream of continuing research measuring consumer perceptions and satisfaction with service quality (Parasuraman, Zeithaml and Berry 1988; Parasuraman, Berry and Zeithaml 1991). This literature stream emphasized the role of customer service psychometric properties, including such factors as reliability,
responsiveness, assurance and empathy. The customer service literature specific to logistics includes traditional measures of success which centre on delivery, including availability, timeliness and delivery quality (e.g. Mentzer, Gomes and Krapfel 1989; Dahlstrom, McNeilly and Speh 1996; Emerson and Grimm 1996; Morris and Carter 2005).

Figure 1: Model Linking Relations Services with Supplier’s Ease of Doing Business

These dimensions can be expanded to include a comprehensive list of supplier evaluation criteria in the areas of customer relationship and communication factors (Simpson, Siguaw and White 2002). Frazier (1983) argued that the value of these relationships is demonstrated when suppliers use support services. Supporting this view, Hunt and Jones (1998) suggested that subsidiary factors, such as after sales support and total service capability, play an important part in selecting suppliers. They added that these factors highlight criteria which may affect ease of doing business between customer and supplier.

Managing the supplier-customer interface has theoretical linkages to sustainable competitive advantage (Tseng and Huang 2007). Supply chain revenues are not optimized in the absence of loyalty, satisfaction and anticipation of customer needs (Verhoef 2002).
Elements of these determinants include long-term commitment of a customer to a supplier and favourable attitudes towards that supplier on the part of the customer (Cronin and Morris 1992; Dick and Basu 1994; Morgan and Hunt 1994). It is through this commitment that the repurchase intention and the customer’s willingness for relationship renewal is reinforced (Kumar, Scheer and Steenkamp 1995). As a stop-gap, managers already accept the application of a poorly defined concept of EODB as a minimum predictive measure for those more difficult to quantify dimensions of longitudinal commitment and repurchase intention (Stading 2000).

**Information and Material Services**

Customer satisfaction is a complex construct and has been defined in various ways (Besterfield, 1994; Barsky, 1995; Kanji and Moura, 2002; Fecikova, 2004). Recently, researchers have argued that there is a distinction between customer satisfaction as related to tangible products and as related to service experiences. This distinction is due to the inherent intangibility and perishability of services, as well as the inability to separate production and consumption. Hence, customer satisfaction with services and with goods may derive from, and may be influenced by, different factors and therefore should be treated as separate and distinct (Veloutsou et al., 2005).

Managing information in a supply chain has a number of benefits and is important in building supply chain relationships (Manoochehri 1984; Russell and Krajewski 1992). The first hypothesis in the present study considers the individual association between EODB and the management of information needed to help materials flow more efficiently. In a supply chain, contact points between the customer and the supplier are critical in building a solid relationship. These contact points and supplier functions are associated with daily or routine order processing, supporting the availability of inventories and the making on-time deliveries. Managing these contact points falls inside the sales function of a supplier with responsibilities for such elements as pricing information and direct quality quotes to the customer. Daily contact points influence the customer’s perception of how easy it is to do business with a supplier. These are important attributes for suppliers in maintaining relationships with
customers and should be managed carefully (Verwijmeren, van der Vlist and van Donsellar 1996; Shin, Collier and Wilson 2000; Goodman 2004).

The attributes of this determinant in the EODB framework are structured around recurring arguments which support availability and responsiveness in the customer service and customer satisfaction literature (e.g., Bitner 1992; Dadzie et al. 2005). Supplier availability and responsiveness can make an impression on a customer in various ways.

**Financial Contract Services**

Part of a supplier’s responsibility in the supply chain includes customer awareness and the sharing of programmes which result in mutual cost savings and financial efficiencies gained through supply chain improvement projects. This is important for maintaining customer relationships (Milgrom and Roberts 1988; Newnan 1991). Savings, however, are not necessarily realized, shared or recognized without contracts. Contracts of various kinds (formal, informal, policies, etc.) are instrumental in realizing shared benefits between customers and suppliers. Negotiation and implementation of financial arrangements between supply chain partners easily affect customer-supplier relationships. Contract negotiations and those supplier functions that are associated with various points of shared benefits affect a customer’s satisfaction level with a supplier and can affect a customer’s perception of the ease of doing business.

The first hypothesis in the present study addresses the management of contracts. Financial contracts focus on areas of potential contention, such as credit terms, product quality non-conformance issues and the subsequent handling of potentially returned material. The speed and ease of producing those contracts is addressed within the contract turnaround and negotiation process. These logistical issues are important for suppliers in realizing savings and maintaining relationships with customers (Berry 1980; Collier 1987; Bowen, Siehl and Schneider 1989; Goodman 2004).
Hypothesis 1: The information and material (IM) services determinant is positively related to the EODB, such that the daily service contact points strengthen the EODB rating.

Personal Relations Services

The importance of personal interaction in creating satisfied customers has been recognized in the customer service literature (Crosby and Stephens 1987; Dwyer, Schurr and Oh 1987). It has been shown that future sales opportunities depend mostly on the quality of the relationship (Crosby, Evans and Cowles 1990). It is at the individual level that the quality of the relationship between supply managers and suppliers is affected (Brennan and Turnbull 1999). Components of relationship commitment include extent to which partners are willing to share confidential information and level of investment in the relationship, including both current and future investment (Gundlach and Achrol 1995). The components of the commitment dimension stem from the importance of a relationship as measured by how hard a partner is willing to work at preserving the relationship (Morgan and Hunt 1994). Ability to answer customer questions from a technical perspective should influence a customer’s perception of that supplier (Hartley, Zirger and Kamath 1997).

The third determinant of the EODB framework proposed in this study is the effectiveness of the Personal Relations Services. Services of individual attention with attributes like on-location (outside) sales support or technical support can foster important relations with suppliers. These types of services are a potential source of sustained competitive advantage (Sheth and Parvatiyar 1995; Hartley et al. 1997; Shin et al. 2000). In addition, supplier functions that impact on personalized services, such as order follow-up, customization or Web based e-services, can influence a customer’s perception of a supplier’s EODB (Collier 1987; Goodman 2004; Zahay and Griffin 2004; Dadzie et al. 2005). The
following hypotheses relate to the individual association between EODB and those services which cater to the customer at a personal level.

**Hypothesis 2:** The financial contract (FC) services determinant is positively related to the EODB, such that those services strengthen the EODB rating.

**Hypothesis 3:** The personal relations (PR) services determinant is positively related to the EODB, such that those services strengthen the EODB rating.

The determinants affecting the perceived measures of EODB begin with the transference of necessary information between customers and suppliers; they include the financial alignment of these provisions and the technical support and follow-up for the product or service. These are considerations in building a framework for EODB. The hypotheses presented in this research are tested to identify the significant contributions of each attribute to the EODB (Dess and Davis 1984; Johnson and Fornell 1991).

**Methodology**

This study seeks to isolate those attributes of EODB which supply managers use to evaluate suppliers. The identifiable benefits of this research include understanding customer behaviour patterns predicted by the EODB customer response. Given that EODB predicts behaviour patterns, identifying which of those attributes influences the EODB response subsequently affects how managers can utilize this measure to grow their business with a given customer.

**Process**

Measuring the proposed construct establishes the foundation for theory development around that concept. A construct is needed for theory construction when a concept moves from case studies and anecdotes to testable models (Bagozzi and Fornell 1982; Sheth and King 1994). Practical case studies of EODB, as well as anecdotes and construct measures already exist. Therefore, constructs developed in an earlier study by Stading and Altay (2007)
should be extended and tested. In the present studies this is done, applying those constructs in an Asian context to contribute towards the development of grounded theory on EODB.

**Pilot Study**

A pilot study was used to collect data through initial questionnaires with subsequent follow-up discussions. Discussions were recorded to identify a filtered list of potential attributes of EODB. This information was then used to build the survey instrument used in this study. To measure the instrument for content validity 12 industry personnel formed three groups during the pilot study. Supplier personnel and customers from the automobile components industry were represented in the focus groups. Supplier representatives included sales professionals, operational personnel, and management executives. Participants from the customer side were typically professionals with supply management responsibilities.

Participant responses were analyzed using multi-attribute utility theory. This approach allows the choices and alternatives to expand beyond those initially considered (Keeney and Raiffa 1976). Participants were asked to respond to a scenario presented to them by selecting their preferences. These preferences were used to clarify questions on the survey instrument.

**Survey**

A customer survey was designed based on the findings of the pilot study and sent to procurement professionals of 60 selected companies that purchase components in the automotive industry. The supply managers were asked to evaluate the importance of different aspects of EODB using a 6-point rating scale. These EODB survey questions were aligned to the determinants and attributes specified in the hypotheses. In addition, when considering a supplier, respondents were asked to indicate the nature of their relationship and the level of trust involved. These responses were used to measure commitment to their relationships.

After an initial contact by telephone a total of 60 respondents out of 200 (100 each in Thailand and South Korea) accepted our invitation to participate in the survey. Accordingly, survey instruments were sent out to all these respondents. 52 were surveys returned, but only 48 of them had usable responses. Out of the total usable samples 30 (62.5%) were from Thailand and 18 (37.5%) from South Korea. Over 60% of the respondents had more than 10
years of experience in their professional procurement positions. Professional supply managers typically purchased through a variety of mechanisms, including annual contracts, competitive bid processes or simply re-ordering as needed. All respondents indicated that they use multiple suppliers when purchasing automotive components. Usable responses represented 80% of the companies that had the surveys mailed to them. The following industry segments were represented by the responses: 35% body parts, 24% contract manufacturers, 16% audio components and 15% from industrial and manufacturing control industries. The remaining 10% of respondents were from a variety of other industries.

Non-response bias

Non-response bias can exist with survey research, even with relatively high response rates (Lohr, 1999). One commonly employed means of assessing non-response bias is to compare the answers of early survey respondents to those of late respondents (Lambert and Harrington, 1990). The assumption here is that late respondents are more characteristic of non-respondents than are early respondents (Armstrong and Overton, 1977). The study used a naturally occurring breakpoint between the two response waves of the survey to represent early versus late respondents, and computed a multivariate t-test along the key study variables to assess whether significant differences existed between the two groups. The results suggest that early respondents did not demonstrate statistically significant differences from late respondents.

As an additional test for non-response bias, 20 non-respondents were randomly selected and sent an abbreviated form of the questionnaire via overnight mail. Follow-up phone calls were also made to these non-respondents, to ensure that all 20 of the selected non-respondents completed and returned the abbreviated survey (Lohr, 1999). A second multivariate t-test was then computed, comparing the responses to the full-length questionnaire with those of the abbreviated questionnaire. There were no significant differences between respondents and non-respondents.
Key informant issue
The study took two measures to ensure that survey respondents were knowledgeable (Campbell, 1955) and appropriate, or key, informants. First, it addressed the survey to purchasing managers and executives, as the results of the pre-test and pilot test indicated that personnel at the manager level or higher were capable of answering the study’s questions (John and Reve, 1982). In addition, the survey included questions that addressed the respondents’ knowledge and capacity to answer the scale items that measured the study’s constructs (Kumar et al., 1993). These questions included the number of years that the respondents had been involved with the purchasing function, questions about their involvement in socially responsible initiatives and their degree of involvement in purchasing. Two informants rated themselves as only ‘somewhat involved’ in PSR initiatives, and had been involved for one year or less. These two were eliminated from further analyses.

Analysis and findings
The findings of the study are presented on the basis of two types of analysis: (1) Descriptive Analysis, and (2) Inferential Analysis. The descriptive part of the analysis provides an overview of the data. Table 1 depicts the mean, standard deviation and reliability indices of all the constructs in this study. The average response to the scales varied from a low of 1.71 to a high of 3.06, which means that the average responses show the relative importance of each of the dimensions of EODB this study measured. The study also found the measurement scales to be reliable.

According to Nunnally (1978), the cut-off criterion for Cronbach’s Alpha should be 0.70. All of the constructs in this study met the minimum reliability requirements, as indicated in Table 1, alpha ranging from a low of 0.725 to high of 0.826. A comparison of the Cronbach value and the correlations among the variables revealed that the Cronbach Alpha values are bigger than correlations the among the variables. Hence, it can be said that there is decomposition validity of the scales (Gaski, 1984). When the results of correlation between the variables are taken into account, both between the variables and with PSR, there is a positive value at p < 0.01 level. These results may therefore be considered significant in statistical terms.
Table 1: Summary of means and standard deviations of the scale items

<table>
<thead>
<tr>
<th>Information and Material Services&lt;sup&gt;b&lt;/sup&gt; (.826)&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• On-time deliveries</td>
<td>1.83</td>
<td>1.10</td>
</tr>
<tr>
<td>• Inside sales responsiveness</td>
<td>2.42</td>
<td>1.23</td>
</tr>
<tr>
<td>• Pricing and negotiation</td>
<td>2.23</td>
<td>1.12</td>
</tr>
<tr>
<td>• Quote quality and turnaround</td>
<td>1.71</td>
<td>0.99</td>
</tr>
<tr>
<td>• Inventory Availability</td>
<td>2.04</td>
<td>1.17</td>
</tr>
</tbody>
</table>

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<tr>
<th>Financial Contract Services&lt;sup&gt;b&lt;/sup&gt; (.725)&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Contract turnaround time</td>
<td>2.06</td>
<td>0.78</td>
</tr>
<tr>
<td>• Contract negotiations</td>
<td>2.15</td>
<td>1.11</td>
</tr>
<tr>
<td>• Nonconforming material handling</td>
<td>2.52</td>
<td>0.92</td>
</tr>
<tr>
<td>• Return material authorizations</td>
<td>2.50</td>
<td>1.05</td>
</tr>
<tr>
<td>• Web-enabled e-business services&lt;sup&gt;c&lt;/sup&gt;</td>
<td>3.06</td>
<td>1.26</td>
</tr>
<tr>
<td>• Credit terms and credit limits</td>
<td>2.13</td>
<td>1.48</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personal Relations Services&lt;sup&gt;b&lt;/sup&gt; (.738)&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Customized operations</td>
<td>2.19</td>
<td>0.89</td>
</tr>
<tr>
<td>• Technical sales availability</td>
<td>2.10</td>
<td>0.90</td>
</tr>
<tr>
<td>• Outside sales available</td>
<td>2.10</td>
<td>1.12</td>
</tr>
<tr>
<td>• Order follow-up</td>
<td>1.92</td>
<td>1.07</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplier-Customer Performance (EODB)&lt;sup&gt;b&lt;/sup&gt; (.761)&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Mean</th>
<th>S.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Relationship has personal meaning (Customers and suppliers)</td>
<td>2.92</td>
<td>1.20</td>
</tr>
<tr>
<td>• Having a trusted relationship with your supplier</td>
<td>2.06</td>
<td>1.12</td>
</tr>
<tr>
<td>• Your supplier's technical product quality</td>
<td>2.15</td>
<td>0.90</td>
</tr>
<tr>
<td>• Your supplier's functional product quality</td>
<td>1.94</td>
<td>1.02</td>
</tr>
<tr>
<td>• Your supplier has excellent experience</td>
<td>2.31</td>
<td>1.09</td>
</tr>
</tbody>
</table>

<sup>a</sup>Construct reliability (Cronbach's Alpha) shown in parentheses (Fornell and Larcker 1981)

<sup>b</sup>(1=very important and 6=very unimportant)

<sup>c</sup>This item was proposed to be a part of the personal relations construct, but it loaded on the financial contract construct.

Inferential analysis provides findings and discussion based on the results of the test of the hypotheses. The study tested the hypothesized model in Figure 1 using multiple regression analysis. The main objective of this test was to examine the predictive power of the independent variables in explaining the dependent variable.
Table 2: Regression Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
<th>Change Statistics</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square</td>
<td>F Change</td>
</tr>
<tr>
<td>1</td>
<td>.769a</td>
<td>.592</td>
<td>.564</td>
<td>.45503</td>
<td>.592</td>
<td>21.266</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), PRS, FCS, IMS
b. Dependent Variable: EODB

Table 3: ANOVA Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>3</td>
<td>4.403</td>
<td>21.266</td>
<td>.000a</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>44</td>
<td>.207</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>22.320</td>
<td>47</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), PRS, FCS, IMS
b. Dependent Variable: EODB

Table 4: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.516</td>
<td>.263</td>
<td>1.958</td>
</tr>
<tr>
<td>IMS</td>
<td>.263</td>
<td>.109</td>
<td>.330</td>
<td>2.426</td>
</tr>
<tr>
<td>FCS</td>
<td>.208</td>
<td>.121</td>
<td>.221</td>
<td>1.728</td>
</tr>
<tr>
<td>PRS</td>
<td>.382</td>
<td>.117</td>
<td>.372</td>
<td>3.251</td>
</tr>
</tbody>
</table>

a. Dependent Variable: EODB

Discussion

Jain (1994, p. 173) suggested, the goodness of fit of the multiple regression model is measured by $R^2$. R-square commonly referred to as the coefficient of determination, which tells us how well the regression equation fits the observed data (Jain 1994, p. 168). The variance explained ($R^2$) by the model is a good indicator of the fit of the data to the hypothesised model. In this study, $R^2$ is 0.564, and this can be interpreted as stating that the amount of variance explained by the regression model is 56.40%, which is acceptable in
behavioural research. The result from the regression analysis in the table 2 indicates that the
regression equation fits the observed data well.

Jain (1994, p. 173) suggested that, “the closer R-square (coefficient of determination)
is to 1 the better is the fit of the model to the observed data”. Also, the regression model (table
4) suggests that two out of the three predictor variables (Information and Material Services
and Personal Relations Services) are positively and significantly associated with the criterion
variable (EODB). That means it found two of the three hypothesized paths to be substantiated.
All of the variables also show acceptable amount of variance being explained by them.

The study checked all of the assumptions of regression analysis prior to conducting the
test and found the data to be normally distributed. The model has no problem of
 multicollinearity. That is, the VIF (collinearity index) suggests that there is no
 multicollinearity (association between the explanatory variables) between the predictor
 variables. As Jain (1994) suggested, a maximum VIF greater than ten is thought to signal
 harmful collinearity. This is not the case in the present study. The results from testing the
 hypotheses are also displayed in Table 4, where p < 0.05 is taken to represent significant
 relationships. Interestingly, two out of the three hypothesized relationships were found to be
 significant at the p < 0.01 level. The exception was Financial Contract Services, for which the
 relationship has not been confirmed. Among all the hypothesized paths, Personal Relations
 Services were found to be the strongest predictor of EODB, followed by Information and
 Material Services.

The EODB construct will continue to evolve as future research examines various
 aspects of this construct. This may produce different results in different settings such as
different types of businesses, different countries or different cultures.

This study presents findings which disagree with those found in an earlier study
conducted by Stading and Altay (2007) based on US samples. In their study, all three of the
determinants of EODB were supported. These were Information and Material Flows,
Financial Contract Services and Personal Relations Services. This implies that the US
respondents differ from the Asian respondents on how they perceived Financial Contract Services and how this construct was associated with the ease of doing business construct.

The results of the present study support linking two of the three proposed determinants of EODB. Attributes showing positive association with the EODB include relational aspects of doing business, such as negotiating contracts, providing technical support and providing customization for the customer. As a note of caution, the predictors that were not supported should not necessarily be interpreted as being of less importance to customers. Interestingly, the Web e-services attribute loaded on the Financial Contract Service dimension. This was unanticipated, but it should probably have been expected. The Web appears to be playing a growing role not only for communicating financial terms, but also for providing the means for business to business transaction. A Web-based e-service is certainly a dynamic and evolving field and will undoubtedly continue to grow in significance in future studies.

Implications

Several implications may be drawn from the present study. First, this study presents an attempt to conceptualize and test a construct based on the input of various authors who have discussed contributing factors of an enigmatic customer-supplier measure. This work has been conducted from an Asian perspective. Second, the results support a link between a customer’s assessment of a supplier’s “ease of doing business” and the amount of business conducted with that supplier. Third, the attributes supported by this research provide the means for managers to improve and grow business with customers.

Future Research

It would be interesting to see how the non-personal (e.g. credit terms, system capabilities) and personal (e.g. negotiation) components of the EODB construct interact with each other and contribute to the satisfaction of customers. In addition, customer relational attributes should be examined for influence on EODB. The initial indications from this study show that customer relationship management (CRM) attributes, like negotiating contracts and providing technical services, influence this rating. These two findings, EODB being tied to the percent of business conducted with a supplier and consisting of CRM-like attributes,
together, strongly indicate that EODB may be tied to customer satisfaction. This is a suggestion that should be further investigated in the future.

Completing a study in one industry, while providing convenient foundation for the research, also represents an inherent limitation for generalizing the findings. EODB appears to be a complicated measure that requires additional clarification, but because of this prominence in practice, both executives and academicians should work towards the further elaboration of this measure. A plethora of research in marketing has been devoted linking customer satisfaction to customer loyalty by comparing satisfaction to expected performance levels. This specific link remains an enigma. The present paper demonstrates a positive relationship between EODB and personal relationship services.

References


**Appendix: Measurement Scales**

<table>
<thead>
<tr>
<th>Information and Material Services&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-time deliveries</td>
</tr>
<tr>
<td>Inside sales responsiveness</td>
</tr>
<tr>
<td>Pricing and negotiation</td>
</tr>
<tr>
<td>Quote quality and turnaround</td>
</tr>
<tr>
<td>Inventory Availability</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Contract Services&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract turnaround time</td>
</tr>
<tr>
<td>Contract negotiations</td>
</tr>
<tr>
<td>Nonconforming material handling</td>
</tr>
<tr>
<td>Return material authorizations</td>
</tr>
<tr>
<td>Web-enabled e-business services</td>
</tr>
<tr>
<td>Credit terms and credit limits</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personal Relations Services&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customized operations</td>
</tr>
<tr>
<td>Technical sales availability</td>
</tr>
<tr>
<td>Outside sales available</td>
</tr>
<tr>
<td>Order follow-up</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplier-Customer Interface Service Performance (EODB)&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship has personal meaning (Customers and suppliers)</td>
</tr>
<tr>
<td>Having a trusted relationship with your supplier</td>
</tr>
<tr>
<td>Your supplier's technical product quality</td>
</tr>
<tr>
<td>Your supplier's functional product quality</td>
</tr>
<tr>
<td>Your supplier has excellent experience</td>
</tr>
</tbody>
</table>

<sup>a</sup>(1=very important and 6=very unimportant)