

e-Relationships for e-Readiness: Culture and corruption in international e-B2B

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Abstract

The role of electronic networks in B2B relationships has been growing exponentially. From massive internet B2B exchanges to tiny RFID chips, B2B is increasingly becoming e-B2B. Whilst e-B2B has been explored intra-nationally, its international counterpart is less well documented; as has been the role that culture might play in the development of international e-B2B relationships. In this paper we address this important issue of international e-business relationships. Specifically we explore the interconnection between national e-readiness and cultural values, and address the research question: How do cultural values impact a nation's readiness to engage in e-business? Drawing upon international surveys we link cultural values with national e-business infrastructure. Our findings suggest an intriguing link between cultural values and a nation's readiness for e-B2B. From these results we develop managerial recommendations and extrapolate research opportunities.

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1. Introduction

The role of electronic networks in B2B relationships has been growing exponentially. From massive internet B2B exchanges to tiny RFID chips, B2B is increasingly becoming e-B2B (cf. [Economist, 2006](#)). For example, over the past few years a plethora of trans-national exchanges have emerged, from open, public exchanges such as Covisint (www.covisint.com), through delimited, consortia exchanges such as Aeroxchange (aerexchange.com), to the closed, private exchanges such as those run by Wal-Mart and Dell. These latter companies, as well as the likes of Boeing and Target, mandate suppliers to embed goods and components with RFID chips to create an electronically managed trans-national supply chain ([Brass, 2006](#)).

Despite this, the specific *trans-national* aspect of e-B2B although arguably it's *sine qua non*, has perhaps received less formal academic attention than other aspects of e-commerce. Conceptual endeavors in this field do exist in the works of [Samiee \(1998\)](#), [Avlonitis and Karayanni \(2000\)](#), [Porter \(2001\)](#) and [Karavdic and Gregory \(2005\)](#). Furthermore, technical issues such as trans-national e-enabled supply chains ([Iyer, Germain, & Frankwick, 2004](#)), enterprise resource planning ([Burn & Colin, 2005](#)) and multi-lingual web sites ([Tiessen, 2004](#)) have begun to be explored. However, less attention has been given to the question of what makes industrial firms in other countries ready or not for e-B2B relationships, and what will make these relationships work best.

A number of authors have begun to explore the barriers to trans-national e-commerce relationships (e.g. [Eid, Trueman, & Ahmad, 2002](#)). A range of objective, technical issues such as network-infrastructure and computer literacy have become apparent (cf.

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Reddy & Iyer, 2002), as well as a number of subjective factors, such as culture (Yap, Das, Burbridge, & Cort, 2006) and trust (Aljifri, Pons, & Collin, 2003; Olson & Olson, 2000).

Several institutions have tried to capture countries' amenability or readiness for e-commerce relationships, including the International Trade Forum and the Economist Intelligence Unit (cf. Rao, 2003). However these indicators, by focusing primarily on national, objective measures only tell part of a more complex story. Before international B2B marketers can understand a potential relationship partner in another country, they need to have a good basic comprehension of the society itself, with regard to issues ranging from relationship-values to wider national culture. Put simply, before a B2B marketer can judge a potential partner's readiness for an e-relationship, they need to have a good grasp of the partner's country's e-readiness — both in terms of “hard”, infrastructure issues to “soft”, value issues.

In this paper we address the important issue of international e-business relationships. Specifically we empirically explore the interconnection between national e-readiness and cultural values, and address whether cultural values impact a nation's readiness to engage in e-business. Drawing upon a number of large international surveys we link a country's subjective values with national-level, objective e-business infrastructure. Our findings suggest an interesting link between cultural values and a nation's readiness for e-B2B. From these results we develop managerial recommendations and extrapolate research opportunities.

2. Research questions

We address two important research questions in this paper. First, we consider the role that social values play in the development of trans-national e-business. Second, we speculate on the role that corruption in a particular society may play in hindering trans-national e-business relationships. From the very earliest days of international business as a subject discipline, scholars have been interested in cultural differences (e.g. Joynt & Warner, 1985), and how they impact on both the ways firms are managed, and in which customers behave. However, less attention has been given to how a nation's culture influences the development of e-business in that country, and what that in turn means to traders from other nations who desire to do business with it.

It is well documented that business in general is hampered by on the one hand by corruption and the other hand by absence of trust (Lambsdorff, 2007). Recently the negative effect of corruption and trust on e-business has also been explored (Cousins & Robey, 2005). Whilst corruption and mistrust at a national level may be correlated, trust between parties may become more important in situations where corruption is rampant — and correspondingly less important when institutional corruption is low. Unfortunately, different nations and cultures have different views on corruption — what is viewed as corrupt in one culture might simply be viewed as a way of doing business in another (Khatri, Tsang, & Begley, 2006; Park, 2003; Sanyal, 2005). This means that the establishment of e-B2B relationships with partners in other countries is impacted on severely by the levels of corruption in them. Indeed, in all

likelihood, a readiness for e-relationships (impacted by culture) is therefore not simply a function of the technological readiness of the target nation, but is compounded by corruption (which is also, in turn, impacted by culture). Accordingly, the constructs that we focus on in this study are e-readiness, culture, values, and corruption. These are now discussed in turn.

3. Constructs

3.1. e-Readiness

The construct of e-readiness is defined as a country's ability to promote and support digital business and information and communications technology (ICT) services; thus a nation's e-readiness is in practice a measure of its e-business environment, a collection of category indicators of how amenable a country is to internet-based opportunities (Economist, 2006). Each year the Economist Intelligence Unit in co-operation with IBM's Institute for Business Value publishes a white paper which ranks the e-readiness of the world's nations (Economist Intelligence Unit, 2006); this report serves as a source of data for our research. Specifically, e-readiness is defined as a weighted function of six categories:

$$\begin{aligned} e\text{-readiness} = & \text{fn} \{ .25(\text{Connectivity and technology infrastructure}), \\ & .20(\text{Business environment}), \\ & .20(\text{Consumer and business adoption}), \\ & .15(\text{Legal and policy environment}), \\ & .15(\text{Social and cultural environment}), \\ & .05(\text{Supporting e-services}) \} \end{aligned}$$

Connectivity and technology infrastructure include such coverage factors as narrow, broadband, PC and mobile-phone penetration, as well as internet affordability and security. The business environment comprises a series of indicators including strength of the economy, political stability, the regulatory environment, taxation, competition policy, the labor market, the quality of infrastructure, and openness to trade and investment. The consumer and business adoption category consists of national spending on information and communications technology as a proportion of GDP, the level of e-business development, the degree of online commerce, the quality of logistics and delivery systems and the availability of corporate finance. The legal and policy environment comprises factors such as overall political environment, policy toward private property, government vision regarding digital-age advances, government financial support of Internet infrastructure projects, effectiveness of the traditional legal framework, laws covering the internet, level of censorship, and ease of registering a new business. The social and cultural environment consists of educational level, internet/web literacy, degree of entrepreneurship, technical skills of the workforce, and degree of innovation.

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