

**EVALUATING THE ELECTRONIC DATA INTERCHANGE  
ADOPTION DECISION AMONG MALAYSIAN  
MANUFACTURING COMPANIES**

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## **ABSTRACT**

Electronic Data Interchange has been in use from the early 1960s and has evolved over the last 50 years to include Internet EDI. Even though EDI has a long history, it is still very much in use today by major US and European automotive industry and the energy, healthcare, retail and manufacturing sectors. This is in spite of competing options from electronic procurement to enterprise resource systems. The main reason for its longevity is because it's standards-based and its reliability has been proven through many years of commercial use. EDI has many benefits to offer its adopters. Notwithstanding this, businesses which adopt EDI has other imperatives to base their decisions. EDI has diffused from its early days in the United States, Europe and Japan to other parts of the world including South East Asia. Businesses which have to succeed in today's competitive world have to resort to technology to improve their supply chain management. One of the dominant technologies which these businesses have to consider today is electronic data interchange.

Electronic Data Interchange (EDI) has been used mainly in the shipping and logistics industry in Malaysia through the mandatory government initiated SMK-Dagang\*Net for over a decade. In the non-mandatory category, EDI has been adopted by banks in Malaysia, the bigger Malaysian-based retailers as well as manufacturers in Malaysia. Until today EDI is still not widely diffused to other businesses in Malaysia.

This study is exploratory in nature and has two major objectives. The first objective is to determine the function, diversity and breadth of EDI usage in Malaysian manufacturing companies. The second objective is to identify the significant factors that influence EDI adoption decisions. The motivation for the first objective is that there is a lack of current information on EDI use in manufacturing companies. The motivation for the second objective is to provide insight into why companies adopt or do not adopt electronic data interchange.

The sampling frame was from the Federation of Malaysian Manufacturer's (FMM) Directory. The usable sample of 284 companies consists of 86 (30.20%) EDI adopters and

198 (69.80%) EDI non-adopters. Manufacturers in Malaysia use EDI mainly for sales and purchase order transactions. This study found that the Internet is by far the most popular communications channel followed by private (VANs) and proprietary networks.

The theoretical bases of diffusion of innovation (DOI) theory, social exchange theory (SET), trust theory and critical mass theory (CMT) have been synthesized into the Tornatzky and Fleischer's (1990) technology-organization-environment research framework which was used for this study.

Fourteen research hypotheses were formulated and tested. Hypothesis testing showed that costs, size, external pressure and interorganizational trust were significant EDI facilitators, while e-commerce legal framework was a significant EDI inhibitor. The finding that interorganizational trust is significant is a revelation and points to a newer trend of the importance of developing trusting business relationships to mitigate uncertainties in the exchange relationship.

t-tests showed that EDI adopters and EDI non-adopters differ significantly in size, top management support, information technology capability, internal championship, external pressure and interorganizational trust variables. The three variables of top management support, external pressure and interorganizational trust were the best differentiators for adoption. Means analysis showed that costs was perceived to be the most important variable while external pressure was perceived to be the least important variable.

This study makes practical contribution by providing valuable insights to the company management when considering EDI adoption, to EDI solution vendors when considering how to sell their software and services and to government when formulating technology policies. The theoretical contribution of this study is through extending research work in the area of interorganizational information systems (IOS) by providing better understanding of the research area. This study also updates the information to the body of EDI knowledge of Malaysian manufacturers. Finally, the study has shown the appropriateness of the use of

Diffusion of Innovation theory variables and Social Exchange Theory variables in the Tornatzky-Fleischer's (1990) Technology-Organizational-Environmental framework.

## **ABSTRAK**

Salingtukaran data elektronik (EDI) telah digunakan bermula dari 1960 dan telah bertambah maju melalui 50 tahun sehingga meliputi Internet EDI. Walaupun EDI mempunyai sejarah panjang, ia masih banyak digunakan oleh industri besar automotif US and Eropah dan oleh sektor tenaga, penjagaan kesihatan, runcit dan perkilangan. EDI masih digunakan walaupun terdapat pilihan dari e-perolehan dan sistem sumber perusahaan (ERP). Sebab utama ia masih digunakan sehingga hari ini ialah kerana ia berdasarkan piawaian dan kebolehpercayaan telah dibuktikan melalui banyak tahun digunakan oleh perniagaan. EDI memberi banyak manfaat kepada pengguna-penggunanya. Walaupun demikian, perniagaan yang menggunakan EDI mempunyai lain-lain sebab penting untuk membuat keputusan menggunakan REDI. EDI telah bersebar dari mula-mula di Amerika Syarikat , Eropah dan Jepun ke lain-lain tempat di dunia termasuk Asia tenggara. Perniagaan yang perlu berjaya di dunia persaingan hari ini perlu menggunakan teknologi untuk memperbaiki pengurusan rantai pembekalan. Salah satu teknologi paling berpengaruh yang perlu dipertimbangkan oleh perniagaan ialah salingtukaran data elektronik.

Salingtukaran data elektronik (EDI) telah digunakan terutamanya di industri perkapalan dan logistik di Malaysia melalui inisiatif mandatori kerajaan iaitu SMK-Dagang\*Net selama lebih dari satu dekad. Dalam kategori bukan mandatori, EDI telah digunakan oleh bank-bank di Malaysia, peruncit besar di Malaysia dan pengilang-pengilang di Malaysia. Sehingga hari ini, EDI masih belum tersebar luas ke lain-lain perniagaan di Malaysia.

Kajian ini secara tinjauan dan mempunyai dua objektif utama. Objektif pertama ialah untuk menentukan fungsi, kepelbagai dan keluasan penggunaan EDI di syarikat perkilangan Malaysia. Objektif kedua ialah untuk mengenalpasti faktor-faktor penting yang mempengaruhi keputusan penerimaan EDI. Motivasi objektif pertama ialah kekurangan maklumat semasa mengenai penggunaan EDI di syarikat perkilangan. Motivasi objektif kedua ialah memberi pandangan mendalam mengapa syarikat-syarikat menerima atau menolak EDI.

Rangka persampelan ialah dari direktori Federation of Malaysian Manufacturer's (FMM). Sampel bolehguna 284 syarikat terdiri daripada 86 (30.20%) pengguna EDI dan 198 (69.80%) bukan pengguna EDI. Penggunaan utama EDI ialah dalam urusniaga pesanan jualan dan belian. Internet ialah saluran komunikasi paling popular diikuti oleh rangkaian swasta (VANs) dan empunya.

Asas-asas berteori iaitu teori “Diffusion of Innovation (DOI)”, teori “Social Exchange”, teori “Trust” dan teori “Critical Mass” telah disintesiskan ke dalam rangka “technology-organization-environment” Tornatzky dan Fleischner (1990) yang digunakan dalam kajian ini. Empat belas hipotesis penyelidikan telah dibinakan dan diuji. Ujian hipotesis menunjukkan bahawa kos, saiz, tekanan luaran, kepercayaan antara organisasi ialah fasilitator EDI penting manakala rangka undang-undang e-dagang ialah penghalang EDI penting. Dapatkan bahawa kepercayaan antara-organisasi sangat bemakna ialah satu pendedahan dan menunjukkan trend baru menjalin perhubungan perniagaan berasas kepercayaan untuk mengurangkan ketidakpastian di perhubungan pertukaran.

Ujian-t menunjukkan bahawa pengguna EDI dan bukan pengguna EDI berbeza secara penting dalam pembolehubah saiz, sokongan pengurusan atasan, kemampuan teknologi maklumat, sokongan kuat dalaman, tekanan luar dan kepercayaan antara organisasi. Pembolehubah sokongan pengurusan atasan, tekanan luaran, kepercayaan antara-organisasi adalah pembeza terbaik untuk penerimaan EDI. Analisis purata menunjukkan bahawa kos dianggap pembolehubah terpenting manakala tekanan luar dianggap pembolehubah yang paling tidak penting.

Kajian ini memberi sumbangan praktik dengan memberi pandangan mendalam kepada pengurusan syarikat apabila mempertimbangkan penerimaan EDI, memberi pandangan bagaimana menjual perisian dan perkhidmatan untuk pembekal EDI dan pandangan bagaimana merumuskan polisi. Sumbangan teori dari kajian ini ialah menerusi melanjutkan kerja-kerja kajian dalam bidang sistem-sistem informasi antara organisasi untuk memberi

fahaman lebih baik dalam bidang kajian ini. Kajian ini juga memberi maklumat kini kepada badan pengetahuan EDI di kalangan pengilang Malaysia. Akhirnya, kajian ini telah menunjukkan kesesuaian penggunaan pembolehubah teori “Diffusion of Innovation” dan teori “Social Exchange” dalam rangka Tornatzky-Fleischer (1990) “Technology-Organization-Environment.”

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## TABLE OF CONTENTS

Abstract .....	ii
Abstrak .....	v
Acknowledgements .....	viii
Table of Contents .....	ix
List of Figures .....	xv
List of Tables .....	xvi
<b>CHAPTER I: INTRODUCTION .....</b>	<b>1</b>
1.1 Introduction .....	1
1.2 EDI History .....	2
1.3 How EDI Works .....	2
1.4 Internet EDI .....	4
1.5 EDI in Malaysia .....	6
1.6 Asian Region Customs EDI Project .....	11
1.7 Problem Statement .....	11
1.8 Research Objectives .....	16
1.9 Research Questions .....	16
1.10 Significance of Study .....	17
1.11 Research Methodology .....	18
1.12 Definition of Terms .....	18
1.13 Organization of this Study .....	20
<b>CHAPTER II: LITERATURE REVIEW .....</b>	<b>22</b>
2.1 Systematic Review Process .....	22
2.2 Theory of Reasoned Action (TRA) .....	24
2.3 Technology Acceptance Model (TAM): An Introduction .....	25
2.4 TAM's History .....	27
2.5 Limitations of TAM .....	28
2.5.1 Methodology Used for Model Testing .....	29
2.5.2 Limitations in the Variables and Relationships Posited by the TAM2 Model .....	29
2.5.3 Limitations in the Theoretical Foundation of the TAM Model .....	30
2.6 Theory of Planned Behaviour (TPB) .....	30
2.7 Critiques of the TPB Model .....	32
2.8 Unified Theory of Acceptance and Use of Technology (UTAUT) .....	33
2.9 Limitations of the UTAUT Model .....	35
2.10 Summary of the TRA, TAM, TPB and UTAUT Models .....	35
2.11 Why TRA, TAM, TPB and UTAUT Models are not Suitable for this Research .....	36
2.12 Theoretical Bases for Study's Adoption Research .....	37
2.12.1 Diffusion of Innovation Theory .....	37
2.12.2 Critical Mass Theory .....	39
2.12.3 Social Exchange Theory .....	40

2.13	Relevance of Theory Bases to this Study .....	42
2.14	Technological Perspective .....	44
2.14.1	Benefits .....	44
2.14.2	Costs .....	46
2.14.3	Risks .....	47
2.14.4	Security .....	49
2.14.5	Complexity .....	51
2.15	Organizational Perspective .....	52
2.15.1	Size .....	53
2.15.2	Top Management Support .....	54
2.15.3	Information Technology Capability .....	54
2.15.4	Organizational Compatibility .....	56
2.15.5	Internal Championship .....	57
2.16	Environmental Perspective .....	58
2.16.1	External Pressure .....	58
2.16.2	Interorganizational Trust .....	59
2.16.3	Critical Mass .....	61
2.16.4	Legal Framework .....	63
<b>CHAPTER III: RESEARCH FRAMEWORK AND HYPOTHESES .....</b>		<b>65</b>
3.1	Research Framework .....	65
3.1.1	Technological Context .....	68
3.1.2	Organizational Context .....	70
3.1.3	Environmental Context .....	70
3.1.4	Adoption Dependent Variable .....	71
3.2	Hypotheses .....	73
3.2.1	Technological Context .....	73
3.2.1.1	Benefits .....	73
3.2.1.2	Costs .....	74
3.2.1.3	Risks .....	75
3.2.1.4	Security .....	77
3.2.1.5	Technological Complexity .....	78
3.2.2	Organizational Context .....	79
3.2.2.1	Size .....	79
3.2.2.2	Top Management Support .....	80
3.2.2.3	Information Technology Capability .....	81
3.2.2.4	Internal Championship .....	82
3.2.2.5	Organizational Compatibility .....	84
3.2.3	Environmental Context .....	86
3.2.3.1	External Pressure .....	86
3.2.3.2	Interorganizational Trust .....	87
3.2.3.3	Critical Mass .....	88
3.2.3.4	Legal Framework .....	89
<b>CHAPTER IV: RESEARCH METHODOLOGY .....</b>		<b>91</b>
4.1	Survey Research .....	91
4.2	Sampling Frame, Sample, Unit of Analysis and Respondents .....	92
4.2.1	Sampling Frame and Sample .....	92
4.2.2	Unit of Analysis and Respondents .....	93
4.3	Questionnaire Development .....	93

4.3.1	Operationalization of the Constructs .....	95
4.3.1.1	Operationalization of the Size Variable .....	96
4.3.1.2	Operationalization of the Benefits Construct .....	96
4.3.1.3	Operationalization of the Organizational Constructs .....	98
4.3.1.4	Operationalization of the Environmental Constructs .....	100
4.3.1.5	Operationalization of the Technological Constructs .....	102
4.3.1.6	Dependent Variable EDI Adoption .....	104
4.3.2	Content Validity and Pretest .....	104
4.4	Data Collection Procedures .....	106
4.4.1	Survey Questionnaire Administration .....	106
4.4.2	Outline of Strategies to Increase Survey Response Rate .....	108
4.5	Data Analysis Strategy and Statistical Methodology .....	109
4.5.1	Analysis of Missing Data, Analysis of Non-Response Bias, t-tests, FREQUENCIES .....	110
4.5.2	Reliability Tests .....	111
4.5.3	Validity .....	112
4.5.4	Factor Analysis .....	113
4.5.5	Binomial Logistic Regression .....	114
4.5.6	Residuals Analysis .....	115
4.5.7	Multicollinearity Tests .....	115
4.5.8	Test of Linearity in the Logit .....	116
4.5.9	Goodness of Fit Tests .....	116
4.5.10	Wald Statistic .....	118
4.5.11	Hosmer and Lemeshow Goodness-of-Fit Test .....	118
4.5.12	Interpretation of Logits .....	118
4.5.13	Predictive Efficiency .....	119
4.5.14	Classification Rate .....	121
<b>CHAPTER V: RESEARCH RESULTS AND FINDINGS I .....</b>		<b>123</b>
5.1	Survey Response .....	123
5.1.1	Response Rate .....	123
5.1.2	Analysis of Missing Data .....	124
5.1.3	Analysis of Non-Response Bias .....	124
5.1.3.1	Analysis of Early and Late Respondent Group .....	125
5.2	Sample Characteristics and Adoption Intention .....	128
5.2.1	Characteristics of Companies .....	128
5.2.1.1	Adoption Intention of Non EDI Users .....	128
5.2.1.2	Industry Classification .....	129
5.2.1.3	Legal Status .....	132
5.2.1.4	Ownership Structure .....	133
5.2.1.5	Company Size .....	134
5.2.1.6	Annual Sales Turnover .....	135
5.2.1.7	Annual Procurement Expenditure .....	136
5.2.1.8	Annual Information Technology Investments .....	137
5.2.2	Descriptive Statistics by Job Function .....	137
5.3	EDI Usage .....	138
5.3.1	Year EDI is First Used .....	139
5.3.2	Number of Years EDI in Use .....	139
5.3.3	EDI Main Application Areas .....	141
5.3.4	EDI Main Document Types .....	141
5.3.5	EDI Communication Channels Usage .....	142

5.3.6 Extent of EDI-links to Local Customer/Suppliers/Banks and Foreign Customers/Suppliers/Banks .....	142
5.3.7 Average Monthly Sales Order Transactions Per Customer and Average Monthly Purchase Order Transactions Per Supplier .....	144
5.3.8 Average Daily Volume of EDI Transactions .....	145
5.4 Current Procurement Practice Usage .....	146
5.5 Perception of Importance of EDI Benefits .....	147
5.6 Perception of Importance of Organizational Variables .....	148
5.6.1 Perception of Importance of Top Management Support .....	148
5.6.2 Perception of Importance of Information Technology Capability .....	149
5.6.3 Perception of Importance of Organizational Compatibility .....	150
5.6.4 Perception of Importance of Internal Championship .....	150
5.7 Perception of Importance of Environmental Variables .....	151
5.7.1 Perception of Importance of External Pressure .....	151
5.7.2 Perception of Importance of Interorganizational Trust .....	152
5.7.3 Perception of Importance of Critical Mass .....	152
5.7.4 Perception of Importance of Legal Framework .....	153
5.8 Perception of Importance of Technological Variables .....	154
5.8.1 Perception of Importance of Costs .....	154
5.8.2 Perception of Importance of Risks .....	154
5.8.3 Perception of Importance of Security .....	155
5.8.4 Perception of Importance of Technological Complexity .....	156
5.9 Perception of Importance of Adoption Constructs .....	156
5.10 Reliability and Validity Analysis .....	157
5.10.1 Construct Reliability .....	157
5.10.1.1 Cronbach's Alpha, Split-Half Reliability and Composite Reliability .....	158
5.10.2 Construct Validity .....	162
5.10.2.1 Convergent Validity and Factor Loadings .....	162
5.10.2.2 Convergent Validity and Average Variance Extracted .....	163
5.10.2.3 Convergent Validity and Correlation .....	163
5.10.2.4 Discriminant Validity .....	164
5.10.2.5 Discriminant Validity and Correlation .....	165
5.10.2.6 Discriminant Validity and Average Variance Extracted ...	165
5.11 Factor Analysis .....	166
5.11.1 Full Sample Factor Analysis of Technological Variables (Stage 1) ...	166
5.11.1.1 Assessing Adequacy of Sample Size (Stage 2) .....	166
5.11.1.2 Evaluating the Assumptions of Factor Analysis (Stage 3) ..	166
5.11.1.3 Deriving Factors, Assessing Overall Fit, Criteria for Number of Factors to Extract (Stage 4) .....	169
5.11.1.4 Criteria for Significance of Factor Loadings (Stage 4) .....	169
5.11.1.5 Factor Rotation and Interpreting the Factor Matrix (Stage 5) .....	169
5.11.1.6 Total Variance Explained (Stage 5) .....	173
5.11.1.7 Validation of Factor Analysis (Stage 6) .....	173
5.11.1.8 Factor Analysis Validation Using Subset 50A and 50B ....	173
5.11.1.9 Summary of Factor Analysis Validation Runs .....	174
5.11.2 Full Sample Factor Analysis of Organizational Variables (Stage 1) ..	174
5.11.2.1 Assessing Adequacy of Sample Size (Stage 2, 3) .....	174
5.11.2.2 Factor Rotation (Stage 4, 5) .....	175
5.11.2.3 Validation of Factor Analysis (Stage 6) .....	175
5.11.2.4 Factor Analysis Validation Using Subset 50A and 50B ....	175

5.11.2.5 Summary of Factor Analysis Validation Runs .....	176
5.11.3 Full Sample Factor Analysis of Environmental Variables.....	176
5.11.3.1 Assessing Adequacy of Full Sample (Stage 2, 3) .....	177
5.11.3.2 Factor Rotation (Stage 4, 5) .....	177
5.11.3.3 Validation of Factor Analysis (Stage 6) .....	177
5.11.3.4 Factor Analysis Validation Using Subset 50A and 50B ...	177
5.11.3.5 Summary of Factor Analysis Validation Runs .....	178
5.12 Multiple Regression .....	178
5.13 Common Method Biases .....	178
5.13.1 Common Rater Biases .....	179
5.13.2 Item Characteristics .....	180
5.13.3 Item Context .....	180
5.13.4 Measurement Context Effects .....	180
5.13.5 Arguments Against Procedural Remedies .....	180
5.13.6 Statistical Remedies .....	181
<b>CHAPTER VI: RESEARCH RESULTS AND FINDINGS II .....</b>	<b>182</b>
6.1 Introduction .....	182
6.2 Analysis of Residuals .....	183
6.3 Assessing Multicollinearity .....	184
6.4 Test of Nonlinearity in the Logit .....	185
6.5 Assessing the Goodness of Fit and Pseudo R <sup>2</sup> .....	186
6.6 Assessing the Goodness of Fit: G <sub>m</sub> (Model $\chi^2$ ) -2 LogLikelihood .....	187
6.7 Wald Statistic and Hypothesis Results .....	188
6.8 Hosmer and Lemeshow Goodness of Fit Test .....	198
6.9 Interpreting Logits .....	199
6.9.1 Interpreting the Logit Coefficient .....	199
6.9.1.1 Change in Log Odds .....	199
6.9.1.2 Percent Change in Odds .....	200
6.10 Analysis of Predictive Efficiency .....	201
6.11 Statistical Significance of Classification Rate .....	202
6.11.1 Statistical Tests for Classification Rate .....	203
<b>CHAPTER VII: CONCLUSION .....</b>	<b>204</b>
7.1 Overview of the Study .....	204
7.2 Summary of Major Findings .....	206
7.2.1 Descriptive Statistics .....	206
7.2.1.1 Sample Characteristics .....	206
7.2.1.2 Characteristics of EDI Adopters .....	207
7.2.1.3 Perception of Importance of Technological Variables .....	207
7.2.1.4 Perception of Importance of Organizational Variables .....	209
7.2.1.5 Perception of Importance of Environmental Variables .....	210
7.2.2 Hypothesized Relationships .....	211
7.2.2.1 Technological Variables .....	211
7.2.2.2 Organizational Variables .....	213
7.2.2.3 Environmental Variables .....	215
7.3 Limitations .....	216
7.4 Contributions .....	217
7.5 Practical Contributions .....	219
7.5.1 Implications for Top Management .....	219

7.5.2 Implications for Vendors .....	219
7.5.3 Implications for Government .....	220
7.5.4 Implications for Researchers .....	220
7.6 Future Research Directions .....	223
7.7 Conclusion .....	225
<b>BIBLIOGRAPHY .....</b>	<b>227</b>
<b>APPENDICES</b>	
APPENDIX I Cover Letters .....	256
APPENDIX II Questionnaire .....	258
APPENDIX III Abbreviations Used in Analysis of EDI Adoption .....	266
APPENDIX IV EDI Systems Architecture .....	269
APPENDIX V EDI Technology and Standards .....	270

## **LIST OF FIGURES**

Figure 1.1 EDI in a Manufacturing Company .....	3
Figure 2.1 The Theory of Reasoned Action .....	24
Figure 2.2 Original TAM Proposed by Fred Davis .....	26
Figure 2.3 New Relationship Formulation in TAM .....	27
Figure 2.4 First Modified Version of TAM .....	27
Figure 2.5 Final TAM Version .....	28
Figure 2.6 TAM2 .....	29
Figure 2.7 The Theory of Planned Behaviour .....	31
Figure 2.8 Unified Theory of Acceptance and Use of Technology (UTAUT) Model ...	34
Figure 3.1 Research Framework : Factors that Influence Adoption of Electronic Data Interchange .....	66
Figure 3.2 Conceptual Model for EDI Adoption .....	68

## LIST OF TABLES

Table 1.1	EDI Messages for Customs Purposes .....	7
Table 3.1	Research Hypotheses .....	90
Table 4.1	Constructs, Items and Questionnaire Cross-Reference .....	97
Table 5.1	t-tests for Equality of Means .....	126
Table 5.2	Analysis of Non-Response Bias for Constructs .....	128
Table 5.3a	Considered EDI Adoption .....	129
Table 5.3b	EDI Adoption Likelihood in 2006 .....	129
Table 5.4a	Industry Sectors .....	130
Table 5.4b	Adoption Class by Industry Sector .....	131
Table 5.5a	EDI Adopters and Non-Adopters Classified by Industrial Classification Benchmark .....	132
Table 5.6a	Companies Characteristics .....	133
Table 5.6b	Adopter Company Characteristics .....	134
Table 5.7	Annual Sales Turnover .....	135
Table 5.8	Annual Procurement Expenditure .....	136
Table 5.9	Annual Information Technology Investments .....	137
Table 5.10a	Job Functions .....	137
Table 5.10b	Management Levels .....	138
Table 5.11	EDI Usage .....	140
Table 5.12	EDI Linkages with Business Partners and Banks .....	143
Table 5.13a	Average Monthly Sales Order Transaction per Customer and Average Monthly Purchase Order Transaction per Supplier .....	144
Table 5.13b	Average Daily EDI Transaction Volumes .....	145
Table 5.14a	Perception of Importance of Procurement Practices .....	147
Table 5.14b	Perception of Importance of Adoption Variables .....	271

Table 5.14c	Perception of Importance of Adoption Constructs .....	157
Table 5.15	Summary of Measurement Scales .....	159
Table 5.16a	Convergent Validity and Discriminant Validity using Correlation Analysis (Technological Variables) .....	275
Table 5.16b	Convergent Validity and Discriminant Validity using Correlation Analysis (Organizational Variables) .....	277
Table 5.16c	Convergent Validity and Discriminant Validity using Correlation Analysis (Environmental Variables) .....	278
Table 5.16d	Discriminant Validity of Adoption Constructs .....	279
Table 5.17	Kaiser-Mayer-Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity .....	167
Table 5.18	Total Variance Explained for All Factor Models .....	168
Table 5.19a	Factor Analysis Results (Full Sample) .....	170
Table 5.19b	Factor Analysis Results (Sample 50A) .....	171
Table 5.19c	Factor Analysis Results (Sample 50B) .....	172
Table 6.1	Analysis of Residuals .....	280
Table 6.2	Multicollinearity Test .....	185
Table 6.3	Test of Nonlinearity in the Logit .....	186
Table 6.4	Pseudo R Square .....	187
Table 6.5	Significance of Model Chi-Square, Initial Chi-Square and Improvement Chi-Square .....	188
Table 6.6	Logistic Regression .....	189
Table 6.7	Hypotheses Testing Results .....	198
Table 6.8	Hosmer and Lemeshow Test .....	199
Table 6.9	Change in Log Odds .....	199
Table 6.10	Percent Change in Odds .....	200
Table 6.11	Classification Table .....	201
Table 6.12	Predictive Efficiency Indices and Binomial d Statistic .....	202
Table 6.13	Statistical Tests for Classification Rate .....	203

