# The Quality of Outsourced Logistics Service: A Collectivist Culture Perspective

Rahmat, Abdul Khabir and Faisol, Nasruddin

Malaysia Institute of Transport, Universiti Teknologi MARA

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# The Quality of Outsourced Logistics Service: A Collectivist Culture Perspective

*Abdul Khabir Rahmat[1] and Nasruddin Faisol[2]*
[1]Researcher, Malaysia Institute of Transport, University Teknologi MARA
[2]Associate Fellow, Malaysia Institute of Transport, Head of Centre of Studies, Faculty of Architecture Planning and Surveying, Universiti Teknologi MARA

## ABSTRACT

The purpose of the study is to explore on the elements of outsourced logistics service quality and how the users' satisfaction was formed within the Malaysian culture context. This qualitative study was based on five semi-structured interviews which were carried out with the executive officers and department managers of four logistics providers firms and one manufacturer. The data were analyzed using thematic analysis method. Rather than the organization's performance-related factors, the results revealed that, within the Malaysian national culture context, there are influence of the cultural element towards customer satisfaction. There are four (4) logistics service quality elements identified include timeliness, task accuracy and the condition of the product, and the quality of key contact personnel. There are eight (8) other elements leading to satisfaction which is not within the original logistics service quality theory. They include efficient, consistent service, responsiveness, ensuring customers' reputation, sensitive to other people feelings, taking blame to ensure satisfaction, emotional closeness between personnel and the family as a base of identity. The emerging elements provides the key insights on the elements which lead to satisfaction in the context of Malaysian logistics service users. Rather than the organization's performance-related factors, the results revealed that, within the Malaysian national culture context, there are influence of the cultural element towards customer satisfaction.

## INTRODUCTION

Many authors identified and addressed that there are differences on how theories are functioning in various national culture (Hofstede, 1993; Kristal, Mark, & Sheu, 2008; Schermerhorn, 1994; Abdullah, 1996; Childerhouse et al., 2010). National culture is defined as the collective programming of the mind that distinguishes the members of one group  or category of people from others. Mentzer, Myers, & Cheung (2004) had acknowledged that it is important to expand the knowledge on how logistics service quality and customer satisfaction functioned in different national culture.

Mentzer et al., (2004) addressed that logistics activities are subject to culturally influenced preferences prevalent across the globe, especially the general influences such as timeliness and responsiveness. Mentzer et al., (2004) added that the majority of study are emphasizing on the identification of customer character related to segmentation of tangible goods, rather than services. Riddle (1992) stated that firms which are able to master the cultural elements through learning and training have the opportunity and advantage to perform well in the market. There are several works conducted to understand cultural values function in business, for example Yang, (2011) have studied in detail about the importance of Guangxi (Chinese cultural value) in businesses. Specifically there are a limited number of works available to understand logistics service quality and customer satisfaction in a collectivist society.

Malaysia is a multiracial and multicultural society, with a total population of approximately 25 million people. The Malays, Chinese and Indians who are 65.5%, 25.6% and 7.5% respectively (EPU, 2012) are the major ethnic groups while the other 1.6% comprises of other indigenous groups. The Malays and other indigenous groups are the Bumiputera (son of the soil) which the Malays form the largest group. With multiple cultures, there are underlying beliefs that have shaped

the values mainly among Malays (budi complex) and Chinese (Confucianism) business culture(Abdullah, 1996; Storz, 1999). Based on the Hofstede et al., (2010) in the national culture index, Malaysia is a country with high power distance and the consist of collectivist society.

The core question that guided this study can be stated as follows: Do the Malaysian cultural values have any influence on the manufacturers' satisfaction towards the quality of outsourced logistics service? The purpose of this paper is to contribute to the theoretical understanding on the components of quality of logistics service and how does the customer satisfaction emerged among the Malaysian manufacturers. The remainder of the article is structured as follows: First it reviews the extant literature relevant to national culture and logistics service quality. Then the methodology and the technique of data analysis is presented. Next the findings are discussed and summarised. The paper concludes with a discussion of theoretical and managerial implications and directions for further research.

## LITERATURE REVIEW

### National Culture and Logistics & Supply Chain Management Study

Globalization are mentioned as the main reason that heightened the concerns about importance of understanding cultural differences. Table 1 presents the summary of logistics and supply chain research related to national culture study. In logistics and supply chain context, listed works have acknowledged the significant impact of cultural differences and promote to extend the understanding into various discipline and theories.

**Table 1: Summary of Logistics and Supply Chain Research Related to National Culture Study**

| Author | Approach and Context of Study | Theoretical Origin | Variables | Results |
|---|---|---|---|---|
| Mentzer et al., (2004) | Conceptual / Global Context | Logistics Service Quality | National and regional characteristics, Organizational Characteristics, Perception of order placement activities, Perception of order receipt, Satisfaction level response | While the fundamentals of logistics service are frequently addressed, understanding the application of logistics service strategies in a global context is still in the early stages of development. It is the role of future research to continue to investigate the influence of LSQ in a global context, particularly addressing the research propositions presented |
| Schoenherr, (2009) | Literature Review. Global Logistics and supply chain management | Challenges of Global Logistics and Supply Chain Management | NIL | There are 4 predominant themes emerged in the global study; Important highlights are that there is indication that an approach that works perfectly in one country may lead to a considerable failure in another country. Author suggested future research to continue explore and update specific national logistics and supply chain management settings |

| Laskowska-rutkowska, (2009) | Literature Review. Supply Chain Management | National Culture, Organizational Culture, Supply Chain | NIL | National and organizational culture have a significant impact on the success of cooperation between companies in the supply chain.<br>– Countries whose traditional culture has favoured cooperation may benefit from their "cultural value added."<br>– On the other hand, countries where strong individualism and a confrontational approach predominate may find themselves in a less favourable position. In this case, the chances that a partnership in the supply chain will be successful may be increased by the creation of an organizational culture focused on cooperation and by the use of tools that help define partnership goals and its optimum "depth." |
|---|---|---|---|---|
| Childerhouse et al., (2010) | Survey, Global Supply Chain Management | National Culture | Anthropological approach observing SCM behaviour within natural setting. behaviour type | Culture significantly affect Supply Chain Management practices. |

**Logistics Service Quality and Customer Satisfaction**

The original Logistics Service Quality work by Mentzer, Flint, & Hult, (2001) consists of nine (9) constructs to determine customer satisfaction. It includes Personnel Contact Quality, Order Release Quantity, Information Quality, Ordering Procedures, Order Accuracy, Order Condition, Order Quality, Timeliness and Order Discrepancy Handling. In different cultural settings, there are possibility that there are more factors when it involves different national culture. Logistics service quality theory was developed from the views of western organizations (Customers of Defense Logistics America) which is from the view of individualist countries and lower power distance (Hofstede et al., 2010). It is important to note that there are significant differences between both Individualist and collectivist in term of preferences and cultural values. Table 2 presents the key differences between collectivist and individualist society's language, personality and behavior.

**Table 2: Key Differences between Collectivist and Individualist Societies Language, personality and behaviour**

| COLLECTIVIST | INDIVIDUALIST |
|---|---|
| Use the word "I" is avoided | Use of the word "I" is encouraged |
| Interdependent self | Independent self |
| On personality tests, people score more introvert | On personality tests, people score more extravert |
| Showing sadness is encouraged and happiness discouraged | Showing happiness is encouraged and sadness is discouraged |
| Slower walking speed | Faster walking speed |
| Consumption patterns show dependence on others | Consumption patterns show self-supporting lifestyles |
| Social network is primary source of information | Media is primary source of information |
| A smaller share of both private and public income is spent on healthcare | A large share of both private and public income is spent on healthcare |
| People with disabilities are a shame on the family and should be kept out of sight | People with disabilities should participate as much as possible in normal life |

*Source: Hofstede. G, Hofstede G.J, Minkov, M., (2010) Cultures and Organizations, Software of the Minds, Intercultural Cooperation and Its Importance for Survival*

Previous work has concluded that there are contradicting results from well-established theories when it involves cultural values of Malaysian (Faisol & Jaafar, 2011; Schermerhorn, 1994). For example in the relationship development and long term relationship, Faisol & Jaafar (2011) mentioned that, the technical aspect such as the quality of service provided and punctuality was not significant in securing future project with the same customer. In fact, it was the relational elements such as a personal relationship, emotion, values and social interaction that were most vital. While most studies suggest balance of power is crucial for good relationship, the study by Faisol & Jaafar (2011) have proven otherwise where in the Malaysian culture where power distance is acceptable, and it is contributors to faster and good relationships. The study indicates that the existing inter organizational relationship models in the literature did not accord with Malaysian organizations. Faisol & Jaafar (2011) suggested considering a more culturally sensitive models which fit particular race.

## METHODOLOGY
Five companies were interviewed for preliminary research. Four (4) companies are logistics providers and one of them is logistics users. Interviews held took about 16 minutes to an hour. Each interview recorded by using a voice recorder and at the end of the interview data were analyzed ad verbatim. Table 2 is a summary of the individuals and companies who have been interviewed. Interview questions are in semi-structured form. Question asked covers on how customers are getting satisfied or dissatisfied with the service provided.

**Table 2: Summary of Company**

|   | Type of Organization | Designation | Experience |
|---|---|---|---|
| 1 | Logistics Providers Company A Warehousing | Head of Department | 5 Years |
| 2 | Logistics Providers Company B Transport | Head of Department | 2 Years |
| 3 | Logistics Providers Company C Freight Forwarding | Sales Executive | 2 Years |
| 4 | Logistics Provider Company D Transporter | Operation Assistant | 2 Years |
| 5 | Logistics Users Manufacturer E | Shipping Executives | 2 Years |

## FINDINGS
The following part present the findings of the research followed by discussion and conclusions.

### Logistics service quality affecting customer satisfaction
In the interviews four (4) item similar to LSQ items mentioned by informants, while there are eight (8) emerging item being mentioned as not originated from original LSQ item and that it is potentially the antecedents to customer satisfaction.

### Timeliness, condition of the product moved and task accuracy are the basic common required by users
Regardless on the process or activities (e.g., loading, unloading, staging, transfer, packing) punctuality is very crucial and it goes along with ensuring goods are intact, unbroken and accurate. These elements are usually monitored as the users' key performance index. Company B mentioned that on time delivery is the essential element of logistics service. Company B indicated that *"Among Key Performance Index monitored is on time delivery…"* Company C shared the same

view where he indicated *"..Must arrive as promised..."* While company D provide examples of what he mention as a good timeliness will make them satisfied: *"Ok, there's many vendors, some of them are OK, some are not, so the which is OK usually when they arrive at customer they hit on time delivery, we'll be satisfied if they are able to achieve it. We'll continue to request for their trucks…"* Company D added that: *"…time is important if you go to any company your customer will definitely give you time, because they need product as promised to ensure the warehouse running smoothly, any delay within the operation will cause more chained delay effect…"*

Wrong information, incomplete information, confusing information are non-tolerable, be it either verbally or written information, it must be clearly communicated and delivered as promised. Customer also appreciates the providers if they are updating if there are any delays rather than keeping it in silence. *"if they promised to arrive within three days, so the things must arrive within three days, or if they cannot they need to notify us immediately, the crucial part is to inform customers exactly if there are any issues at ports or customs if not they're in trouble."* In five interviews all companies indicated that it is basic that the accuracy of each task does play a significant part in their activities, as most of the activities is within warehousing and require the person to arrange products as requested for further delivery; thus the accuracy is critical.

### Efficient in dealing with difficulties and crisis
Users have more confidence on their providers if they are able to conduct the job efficiently. Especially when there are difficulties or crisis. Users are not in favour of dealing with the logistics related problems as they expect everything related to logistics is done by the 3PL. The efficient providers which put less trouble to the customer are one of the reasons to make the users satisfy. Manufacturers E mentioned that *"The way they handle complaints and problems solving, so they are good at it, and they ensure that the same thing won't happen again…"*

### Consistent service
Unstable performance of outsourced logistics service is not favourable by the logistics users, customer preferred providers which maintain their performance overtime, not providers which show inconsistencies of service. This is evident in the interview. Whereby manufacturers E indicated *"Our previous freight forwarders are not consistent, sometimes they are good sometimes they perform badly; thus we have changed to our current 3PL they are more consistent…"*

### Responsiveness
It is describing the 3PL to have a fast response, worldwide coverage, updated rates, good care, consolidated offers, variety services, fast and have the willingness to fulfil customer requirement. Company B and E highlighted on the value of the business be able to support last minute requests. Next sub element of responsiveness is Good care and willingness: Manufacturer E mention that: *Even within the last minute they'll say "Ok, boleh boleh" (Ok, yes we can) so to me we're like indebted to them, we feel comfort dealing with them. They're very efficient, and we don't mind paying them any amount."* The commitment and interest showed by providers is also part of responsiveness. Their effort to ensure the task is done well is important to users. According to Manufacturer E: *Some shipment at T Logistics they don't really bother much, when they receive documents, sometimes we're wondering why our shipment is still en route? They don't put an effort to push or expedite the shipment, which is why we decide to slow down using T logistics. They have the best technologies but not aligned with their employee's performance. So we decided not to use them.*

### Quality of key contact personnel
This element refers to the impression of informants towards the quality of key contact personnel. It includes the personnel make effort to understand the situation. Designated key contact personnel solving the problems and the good

knowledge of experience of the key contact personnel.  Company A explained *"…it is important for key contact personnel to alert on their calls for service because there are a lot of providers out there if they don't pick up our phone calls we will get another provider".* Manufacturer E in expressing the value of key contact personnel highlighted *that ." it is the way the contact personnel work which make the overall process fast, if the contact personnel "mengular" (lit. snake, lazy) every subsequent process will be affected…*The *good thing is they can advise us on the Customs procedure, the ZB1, ZB4 (Customs forms). Like us sometimes we do trading activities, so once the product arrived we will change the product labels and then we will export it, so our 3PL are willing to help us on this with a very low costs. That's why we like them, they can advise us in a lot of related things"*

## Emotional closeness between boundary personnel

Personal relationship means that both key personnel in logistics service providers and users are more than just business partner. The key person of 3PL companies has a personal and emotional closeness. It is to the extent that when the key person transfer to other company, the customers too.  Company B indicates that*: "due to a poor relationship with the customer we are not able to continue the service with our customer, yes the business is not that profitable but we still need businesses, but the problem is our Business Development didn't do their job to build up good relationship and rapport with a customer, so we lost the business'.* Company C also highlighted on the close relationship between the sales executive with his customer whereby "when this guy resigned and moved to other companies, his customer also moved. When he decided to return to the company, his customer returned too."

## Taking the blame to ensure satisfaction

Just to make the customer happy and to secure business continuity, service providers are willing to admit mistakes that actually caused by their customer. While customer must have realized that it is actually their own fault, the willingness of service providers to put such commitment are one of the points the customer sustain with the same providers. As indicated by company C  *"Especially when it involve oil and gas companies, for example, they transport from United States to Kemaman (Malaysia), and there is a mistake, where the product were sent to Taiwan. The mistake is actually clearly not our mistake. But we take the blame; we even need to make an apology and bear the cost. On top of that, we have to give something as an appreciation. We're trying to avoid them from penalizing us due to delay, or worst if they go for other service providers.*

## Be sensitive to other people feeling

This element is similar to the concept of 'jaga hati' (caring) which is embedded in the Malaysia cultural value. The act of 'jaga hati' by not making sour face during the service encounters is not directly related to the technical operation or the service. However, it is one of the elements which may cause dissatisfaction. Company D stated that *"...We need to be friendly with our service provider, it is common, we cannot make 'sour faces' (angry faces) or else if any problem occur it will be hard to discuss, because we actually need their help to assist us, if they cannot support us we will fail..."*

## Ensuring customers' reputation

3PL performance affects the reputation of their users. As an example if the 3PL delays, the receiving company (which is the manufacturer which used the 3PL service) will blame the manufacturers not their 3PL providers. Thus, reputation is important for manufacturers, and they are willing to spend just to ensure that their reputation are well taken care. This element is mentioned by manufacturer E *"We don't mind to spend for speed services, this is to ensure our reputation towards our customers, we must 'jaga nama' (ensure reputation) through this we can convince them and gather bigger projects. Whatever our 3PL want to do to get the job done we don't care"* The most important thing is no hidden charges and fulfil what they

*have promised. Or else I will "Taruk cukup cukup"* (lit. beat to death in Northern Malaysia dialect)*."*

**The family as a base of identity**
Family as a base of identity refers to transforming formal premises such as office to an informal family oriented environment. Family oriented communication may alter the atmosphere to a friendlier manner and easily to gain trust. Logistics service providers C indicates that *"Example one of our customer, which is wholly Malay company, while our person in charge is Chinese. But if anything happen we will pass it to Malay sales executive because it is much easier to deal with. For Malay usually at first we will address them as 'Tuan' (Mister) or 'Puan' (Madam/Mrs) but after one or two month when we get used to we will start calling them 'akak' (sister) or 'abang' (brother). So the relationship bond is much stronger compared to the Chinese they will keep on using Mr to address the customer which is a sign that the relationship bond is weaker. The same goes with Chinese customer the relationship and trust is much more easier to be developed when Chinese sale take care of it"*

**DISCUSSION**
From the preliminary findings, there are four (4) logistics service quality elements identified timeliness, task accuracy, condition of the product, and the quality of key contact personnel. The elements such as Timeliness, Information Quality, condition of product and quality of the contact person is slightly different from the work of Mentzer (2001) whereby the conceptual definition of each component is from the perspective of various users towards various outsourced logistics service. Unlike the original work of Mentzer, it is gathered from the view of multiple users towards one single provider. Thus, this study supports on the understanding that logistics service quality theory evaluation are subject to the network complexity. There are eight (8) other elements leading to satisfaction which is not within the original logistics service quality theory. They include efficient, consistent service, responsiveness, ensuring customers' reputation, sensitive to other people feelings, taking blame to ensure satisfaction, emotional closeness between personnel and the family as a base of identity. These findings provide key insights and as an indicator that earlier studies by Faisol & Jaafar (2011) and Abdullah, (1996) appears to be vital in the context of logistics service providers and users evaluation. The importance of these cultural-related elements was investigated further in the process of collecting the main data.

**CONCLUSION**
From this exploratory study, we can conclude that there are different elements of logistics service quality and customer satisfaction when it is functioning in the Malaysian National Culture. These unique phenomena require an in-depth understanding to enhance and take advantage on the capability and potential. Future study should add up more manufacturers' viewpoint on the same context. Depending on the type of logistics service used, the service quality components varies. The findings signify that it is important to delve further into the subject matters, which is to investigate the logistics service quality, customer satisfaction in Malaysia national culture.

**ACKNOWLEDGEMENT**

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