



Do supplier perceptions of buyer fairness lead to supplier sales growth?



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ABSTRACT

Despite the growing number of studies focusing on fairness perceptions in buyer–supplier relationships, the pertinent literature mostly focuses on understanding the buyers' perceptions of fairness. In this study, we argue that sellers' perceptions of the fairness of the buyer are equally important but often overlooked. Moreover, existing research fails to provide empirical evidence for examining the long-term effects of fairness on sales growth. We address these gaps by reporting the results of a longitudinal study based on both primary data collected from automotive suppliers in 2009, and objective sales data for these suppliers from an automotive manufacturer over a three-year period after 2009. We employ a latent growth curve model, which reveals that only interactional and distributive fairness have a positive and significant effect on both trust and commitment. Our analysis further reveals that the positive effect of trust and commitment on sales growth is smaller as the supplier's level of dependency on the car manufacturer increases. When the buyer's perception of dependence is considered, these effects are reversed. Several managerial implications of these findings are provided.

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1. Introduction

Today's competitive environment has increased the importance of not just building, but also preserving strong relationships with supplying companies. The fundamental underlying assumption is that long-lasting relationships between a focal firm, e.g. a manufacturer and its suppliers can provide significant opportunities for gaining joint competitive advantage as well as improving financial performance (Jap, 2001; Palmatier, Scheer, Evans, & Arnold, 2008). Nevertheless, there are certain inhibitors such as unfairness and destructive conflict that could 'poison' a relationship and hence decrease relationship performance and stability in time (Samaha, Palmatier, & Dant, 2011).

Although the business marketing literature has documented well the corrosive effects of factors such as destructive conflict (Gaski, 1984) and opportunism (Wathne & Heide, 2000) on relationships, the pertinent literature has paid relatively less attention to fairness/unfairness in business relationships (Samaha et al., 2011). Fairness in inter-organizational relationships refers to the organization's perception of the fairness of treatment received from other organizations, and their reactions to such perceptions (Brown, Cobb, & Lusch, 2006; Homburg & Fürst, 2005). Fairness theory is related to complaint management (Yi & Gong, 2008), equity theory, and service recovery research (Patterson, Cowley, & Prasongsukarn, 2006; Smith, Bolton, & Wagner,

1999). However, in recent years it has emerged as critical in some relationship marketing models (Brown et al., 2006; Liu, Huang, Luo, & Zhao, 2012; Samaha et al., 2011; Yilmaz, Sezen, & Kabadayi, 2004).

Despite the growing number of studies focusing on fairness in business relationships, a critical review of the extant literature revealed a number of shortcomings. One major gap is that with the exception of a few studies (e.g. Liu et al., 2012; Suh, 2005) fairness perceptions in the business marketing literature are typically approached from a buyers' point of view (see Table 1). Most of the existing studies on relationship fairness have tried to model the buyer's perception of a seller's fairness, and thus inevitably, resulting outcomes (e.g. sales, performance) are solely associated with such buyer perceptions (e.g. Griffith, Harvey, & Lusch, 2006; Kumar, Scheer, & Steenkamp, 1995b; Samaha et al., 2011; Yilmaz et al., 2004).

Nevertheless, many supplier–manufacturer relationships are highly asymmetrical, with smaller suppliers dealing with larger and much more powerful manufacturers as the main buyers of their products and services (Kumar et al., 1995b). Since business relationships are characterized as *interactions*, i.e. the confrontation of, and coping with, attitudes and activities of both suppliers and buyers (Ford, Gadde, Håkansson, & Snehota, 2003; Håkansson & Snehota, 1995), we argue that supplier perceptions of fairness are equally important but often overlooked in this context.

We relate our arguments to two main concepts, relationship quality and the level of dependency between the business partners. Our starting point is the proposition that a supplier's perception of a buyer's unfairness may 'poison' relationship quality. In such circumstances, the supplier will have less trust in as well as commitment to the buyer, will

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Table 1
Marketing research on fairness.

Reference	Research settings		Fairness dimensions	Outcome variables	Key findings (taken from the abstracts)
	Sample	Buyer or seller's perception of fairness			
Liu et al. (2012)	216 paired manufacturers (suppliers) and distributors (buyers) in China	Dyadic justice perceptions as mutually perceived by both buyer and the seller	Procedural justice Distributive justice Interactional justice Informational justice	Dyadic buyer–supplier relationship performance	Justice is not a direct determinant of buyer–supplier performance but a critical conduit that nourishes mid-range coupling behaviors, which in turn promotes a successful relationship.
Samaha et al. (2011)	A large <i>Fortune</i> 500 firm (seller) and its resellers (channel members). 984 in Year 1, 1004 in Year 2, and 1089 in Year 3	Buyer's perception of fairness	–	Channel member performance	Perceived unfairness truly acts as “relationship poison” by directly damaging relationships, aggravating the negative effects of both conflict and opportunism, and undermining the benefits of using contracts to manage channel relationships.
Ellis, Reus, and Lamont (2009)	107 merger and acquisition	–	Procedural justice Informational justice	Value creation during integration Value creation post-integration	Informational justice and procedural justice affect different components of value creation. Procedural justice reduces the positive effects of informational justice on financial return during the integration process, while it magnifies the effects of informational justice on the combined firms' market position during integration efforts.
Luo (2007)	127 dyadic cross cultural cooperative alliances in China	–	Procedural justice Distributive justice Interactional justice	Strategic alliance performance	When goal differences between parties are high, the joint effect on alliance performance of procedural and distributive justice is significantly positive. When interactional justice is high, procedural justice exerts a stronger performance effect.
Brown et al. (2006)	433 wholesaler–supplier relationships	Buyer's perception of fairness	Procedural justice Distributive justice	Economic satisfaction Manifest conflict	Normative contracting is associated with higher levels of channel member satisfaction and lower levels of conflict. Explicit contracting, however, is linked to higher levels of channel conflict. Distributive justice is positively associated with channel member satisfaction as is procedural justice, but only under conditions of high distributive justice
Griffith et al. (2006)	290 Supplier–distributor supply chain relationships	Buyer's perception of fairness	Procedural justice Distributive justice	Long-term orientation Relational behavior Conflict Satisfaction Performance	The perceived procedural and distributive justice of a supplier's policies enhance the long-term orientation and relational behaviors of its distributor, which, in turn, are associated with decreased conflict and increased satisfaction, that influence the distributor's performance.
Suh (2005)	147 responses from 49 local suppliers and their relationship with top five hypermarket retailers in Korea.	Local suppliers' perception of fairness	Procedural justice Distributive justice	Trust and Commitment	Procedural fairness exerts most influence on the commitment level of local suppliers in a channel relationship.
Luo (2005)	124 dyadic cross cultural cooperative alliances in China	–	Procedural justice	Alliance profitability	Alliance profitability is higher when both parties perceive high rather than low procedural justice. Profitability is also higher when both parties' perceptions are high than when one party perceives high procedural justice but the other perceives low procedural justice. Shared justice perceptions become even more important for alliance profitability when the cultural distance between partners is high or when the industry of operation is uncertain.
Yilmaz et al. (2004)	155 reseller–supplier relationships in Turkish PVC (Poly-Vinyl Chloride) doors and window-systems industry	Buyer's perception of fairness	Procedural justice Distributive justice	Reseller satisfaction	Reseller perceptions of supplier distributive fairness and procedural fairness are posited as key factors, mediating the effects of reseller assessments of supplier delivery performance, operational support, boundary personnel performance, and financial and sales performance on reseller satisfaction.
Kumar et al. (1995b)	417 dealers from the US and 289 Dutch dealers Supplier–reseller relationships in automobile industry	Buyer's perception of fairness	Procedural fairness Distributive fairness	Relationship quality	Vulnerable resellers' perceptions of both distributive and procedural fairness enhance their relationship quality, although these effects are moderated by the level of outcomes and environmental uncertainty. Furthermore, procedural fairness has relatively stronger effects on relationship quality than distributive fairness.

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