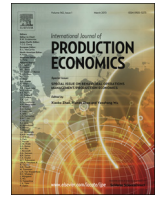




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The impact of justice on collaborative and opportunistic behaviors in supply chain relationships

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ABSTRACT

Based on transaction cost economics and social exchange theory, this study investigates how supplier justice influences buyers' specific investments and communication, which in turn influence the opportunistic behavior of both parties in the supply chain. Data from 240 firms in China are used to test the proposed relationships, and the results suggest that supplier distributive and procedural justice can increase the buyer's specific investment. However, supplier interactional justice only improves the buyer's communication with the supplier. Moreover, supplier opportunism is curbed by buyer communication but increased by the buyer's specific investment. Buyer opportunism is restrained by buyer communication and supplier procedural justice. This study contributes to the literature by investigating the relationships between justice, collaboration, and opportunism in the upstream supply chain. The findings can help managers to maintain their supply chain relationships more effectively.

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1. Introduction

Opportunism, defined as self-interest seeking with guile (Williamson, 1985), is detrimental behavior that should be restrained (Bhattacharya et al., 2015; Lai et al., 2012). Previous studies suggest that collaborative behavior, as an effective governance mechanism for controlling opportunism (Brown et al., 2000; Cavusgil et al., 2004; Jap and Ganesan, 2000; Liu et al., 2009), is widely used to maintain collaborative supply chain relationships (Liu et al., 2009). According to transaction cost economics (TCE), collaborative behavior is beneficial in all repeated transactional relationships and it should be developed (Luo, 2007b; Madhok and Tallman, 1998; Provan and Skinner, 1989; Sambasivan et al., 2013; Wathne and Heide, 2000). Although most previous studies emphasize the relative and joint effects of multiple mechanisms in governing inter-organizational relationships, an interesting research question is what factors motivate each exchanging party to undertake collaborative or opportunistic activities in supply chain relationships.

According to social exchange theory (SET), behavior is determined by a comparison of the rewards and costs of an interaction (Emerson, 1976). In various inter-organizational relationships, justice is a

fundamental concern in this comparison (Kaynak et al., 2015; Luo, 2005, 2007a, 2007b), particularly in supply chain relationships (Ouchi, 1979). For example, supplier justice will push a buyer to judge gains and losses in its relationship with a supplier (Griffith et al., 2006). Reviewing the extant literature (Appendix A), it is surprising that no empirical study has investigated the influence of justice on opportunism through collaborative behavior in supply chain relationships. However, it has been suggested that justice directly influences opportunism in an intra-organizational context (Skarlicki and Folger, 1997). Therefore, it would be interesting and important to investigate how justice directly or indirectly influences opportunism through collaborative behavior in supply chain relationships.

The original research question in the study of organizational justice concerned how employee justice in the workplace influences employee behavior (Cohen-Charash and Spector, 2001; Colquitt, 2001; Greenberg, 1987). In recent years, researchers have extended the study of organizational justice from the intra-organizational to the inter-organizational context, to include strategic alliances (Luo, 2007a) and supply chain relationships (Griffith et al., 2006; Ireland and Webb, 2007; Kumar et al., 1995b; Liu et al., 2012; Narasimhan et al., 2013; Yilmaz et al., 2004). These studies mainly investigate the effect of justice on channel member satisfaction (Brown et al., 2006; Yilmaz et al., 2004), relationship quality (Kumar et al., 1995b; Liu et al., 2012), strategic alliances and company performance (Luo, 2007a, 2008; Narasimhan et al., 2013), and relational behavior (Griffith et al., 2006). Although justice facilitates cooperation and hinders opportunism, our

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knowledge of its effect on collaborative and opportunistic behavior in supply chain relationships is limited.

To fill that gap, this study investigates the influence of supplier justice on the collaborative behavior of buyers and the opportunistic behavior of both buyers and suppliers. This study contributes to the literature in several ways. First, it contributes to the literature on TCE and relationship governance by investigating the effect on bilateral opportunism of two types of relationship governance mechanism (economic and social). Second, it contributes to the literature on justice and cooperation by examining the effects of three kinds of justice on two kinds of collaborative behavior in supply chain relationships. Finally, the study contributes to the supply chain management literature by exploring the mediating role of collaborative behavior in the relationship between justice and opportunism in the supply chain (Luo, 2007b).

The remainder of this paper is organized as follows. First, the theoretical background and research hypotheses are provided. Next, the research methodology is presented, followed by the analysis and results. Subsequently, results are discussed and managerial implications set out. Finally, conclusions are drawn, limitations of the study are considered and suggestions are made for future research.

2. Theoretical background and hypotheses

Our conceptual model concerns the relationships between supplier justice, buyer collaborative behavior, and buyer and supplier opportunism (Fig. 1). Justice is a kind of informal norm used in the relationship (Husted and Folger, 2004), and is generally viewed as important to facilitate cooperation and decrease potential opportunism and conflict (Luo, 2005).

In line with Greenberg (1987), justice in supply chains can be defined as how a firm judges the behavior of its supply chain partners and the firm's resulting attitude and behavior. In this study we identify three major types of justice—distributive, procedural, and interactional—that are widely used in the exchange relationship at both the individual and organizational level (Colquitt et al., 2001; Luo, 2007a; Narasimhan et al., 2013). Distributive justice occurs when a firm receives fair decision outcomes and distribution of resources in relation to their contribution to the supply chain relationship (Brown et al., 2006; Yilmaz et al., 2004). Procedural justice refers to a firm's perceptions of impartiality and fairness in the other party's decision making and resource distribution processes, criteria, and business policies that affect the supply chain relationship (Luo, 2008). Interactional justice occurs when a firm receives fair information and interpersonal treatment from its supply chain partners during inter-organizational procedures (Luo, 2007a; Skarlicki and Folger, 1997). In the supply chain context, distributive and procedural justice, viewed as structural elements, and interactional justice, viewed as a social element, form the comprehensive concept of justice (Griffith et al., 2006; Liu et al., 2012).

SET provides the foundation for justice research (Konovsky, 2000). Its premise is that individuals or organizations seek or expect rewards from their interactions with others (Homans, 1958), and the nature of the expected return may be both economic and social (Blau, 1964). The core of SET is reciprocity between exchange partners (Cropanzano and Mitchell, 2005). In the context of supply chain relationships, the reciprocity between buyer and supplier is an interdependent transactional exchange (Gouldner, 1960) whereby one party's action depends on the other's behavior. This means that individuals or organizations are more likely to maintain relationships if they perceive themselves to be receiving justice from their partners (Lind and Tyler, 1988). For example, if the supplier has shown justice in past transactions, the buyer will reciprocate with a new round of exchange initiatives (Molm, 1994). In this way, justice reduces risk and encourages

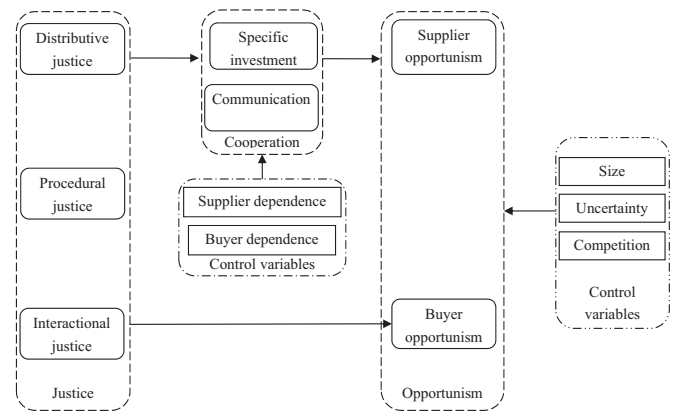


Fig. 1. Conceptual Model.

collaborative behavior (Molm, 2010), which pushes the two exchanging parties toward less opportunistic behavior (Luo, 2005).

2.1. Supplier justice and buyer collaborative behavior

Collaborative behavior means that one exchanging party behaves strategically and operationally in an economic or social manner to maintain a cooperative relationship with its partner and provide maximum value to customers (Zhao et al., 2008). In this study, specific investment and communication are used to represent the economic and social aspects of collaborative behavior, respectively. Specific investment refers to tangible and intangible investments in a particular buyer–supplier relationship that are difficult to redeploy to other relationships (Kang et al., 2009). Such investment creates a relationship-specific economic incentive to monitor and maintain the relationship (Kotabe et al., 2003; Wathne and Heide, 2000).

According to the reciprocity rules of SET, the more an action is rewarded, the more likely it is that the action will be repeated by exchanging members (Blau, 1964). Firms thus prefer to maintain relationships in which they feel that their effort will be rewarded. SET also implies that firms undertake repeated exchanges in their social and economic relationships. Their social interaction can create an atmosphere in which both partners learn to identify and internalize each other's values and operational methods, facilitating cooperation.

In this way, a buyer's collaborative behavior can be stimulated by supplier justice. For example, supplier distributive justice indicates that outcomes of previous transactions with the supplier were satisfactory, and the buyer is likely to learn and adopt similar values or methods for distributing the benefits. To continue the relationship to obtain a beneficial outcome, the buyer will show a willingness to invest in the relationship and collaborate with the partner (Griffith et al., 2006). Distributive justice also helps exchange partners to achieve output that is proportional to their input. A partner is thus more likely to invest in the transaction to pursue greater benefit when it perceives the distribution of the output as fair. Rewards from the investment can facilitate a long-term oriented partnership that reduces the risk and uncertainty of specific investment (Griffith et al., 2006; Tax et al., 1998).

Procedural justice emphasizes fairness in the transaction process, which facilitates specific investment by the partner. When a supplier applies fair policies and procedures in transactions with its buyer, the buyer will be confident that these policies and procedures prevent arbitrary or capricious behavior by the supplier. As a result, fair policies and procedures help to create an atmosphere in which the buyer can make specific investments without feeling vulnerable to risky supplier behavior. In other words, procedural justice can help to reduce the relational risk and uncertainty of a specific investment when the outcomes are unknown. Supplier procedural justice is thus positively related to buyer-specific investment.

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