



# Conceptualizing fairness in franchisor–franchisee relationship: Dimensions, definitions and preliminary construction of scale

Ateeque Shaikh<sup>1,2</sup>

*Symbiosis Centre for Management and Human Resource Development, Symbiosis International University, Hinjewadi, Pune, India*



## ARTICLE INFO

### Article history:

Received 3 March 2015  
Received in revised form  
29 July 2015  
Accepted 18 August 2015

### Keywords:

Fairness  
Franchisor–franchisee relationship  
Scale construction  
Distributive fairness  
Procedural fairness  
Interpersonal fairness  
Informational fairness

## ABSTRACT

This paper seeks to conceptualize fairness in the context of franchisor–franchisee relationship adapting literature from organizational justice and fairness and channel relationship literature. The study proposes comprehensive conceptualization of the concept of fairness based on extensive review of the literature as having four dimensions namely, distributive, procedural, interpersonal and informational fairness. The study follows step by step procedure suggested in the literature including exploratory interviews and generating a pool of items from the existing literature to develop a valid and reliable measure of fairness. The study surveyed 105 franchisees of large scale Fast moving Consumer Goods (FMCG) organization in India using maximum likelihood estimation with promax rotation to analyze the data. Preliminary scale developed clears the validity and reliability tests. Findings of the nomological test suggest positive association between dimensions of fairness and trust. Future research should further refine concept and validate the construct in different settings and cultures.

© 2015 Elsevier Ltd. All rights reserved.

## 1. Introduction

The business relationship between a franchisor and a franchisee is governed primarily through an agreed upon contract. The franchisees had to sign an agreement with the franchisor as per the standard format finalized by the franchisor. This contract generally favors the franchisor with extensive disclaimers written in the contract making the relationship between the franchisor and the franchisees asymmetrical in nature skewed towards the powerful franchisor and the vulnerable franchisees (Buchan, 2013; Kumar et al., 1995; Weitz and Jap, 1995). Thus, extending the concept of fairness in the context of franchisor–franchisee relationship will help in understanding and managing relationship effectively to achieve superior performance.

Fairness in the exchange relationship is important aspect in the effectiveness of interfirm exchange relationship affecting relational and behavioral influences between firms (Brown et al., 2006; Gundlach and Murphy, 1993; Lund et al., 2013; Scheer et al., 2003). Fairness in the exchange relationship facilitates and fosters formation, development and maintenance of relationships (Kumar et al., 1995; Masterson et al., 2000), and is considered to be

important aspect for achieving relationship effectiveness (Blau, 1964).

Academic literature in marketing suggests keen interest among researchers in studying different aspects of fairness with widespread application in the context of consumer behavior (Young and Soo Cheong, 2010), price fairness (Bechwati et al., 2009; Ferguson et al., 2014), buyer–supplier relationships (Brown et al., 2006; Griffith et al., 2006; Kumar et al., 1995; Samaha et al., 2011; Wagner et al., 2011), customer service evaluations (Tax et al., 1998), organizational responses to consumer complaint behaviors (Blodgett et al., 1997), work outcomes of salesperson (Dubinsky and Levy, 1989), salesperson's commitment and turnover intentions (Roberts et al., 1999), and service encounter satisfaction (Maxham and Netemeyer, 2003; Smith et al., 1999). However, fairness has received far less attention in the context of franchisor–franchisor relationship which is considered to be a specific form of interfirm alliance with very few empirical studies reported in the literature (Croonen, 2010; Guilloux et al., 2008).

The seminal study of Kumar et al. (1995) in distribution channel context first empirically reported that supplier fairness positively affects relationship quality. They reported that distributive fairness is positively related to satisfaction in the channel relationship whereas, procedural fairness is not related to satisfaction. Thereafter, there has been consistent interest in analyzing the fairness perception in channel relationship (Liu et al., 2012; Lund et al., 2013; Samaha et al., 2011). Further, interorganizational literature also suggests that fairness significantly affects relationship quality, trust, commitment, willingness to invest in the

*E-mail address:* [ateeq.shaikh@gmail.com](mailto:ateeq.shaikh@gmail.com)

<sup>1</sup> This paper is based on author's dissertation work.

<sup>2</sup> He is an Assistant Professor of Marketing at the Symbiosis Centre for Management and Human Resource Development, Pune, India. His areas of research interests are producer companies and cooperatives, franchising, distribution channels, and relationship marketing.

relationship and expectations to continuity in the exchange relationship (Gassenheimer et al., 1998; Kashyap et al., 2008; Scheer et al., 2003).

Though the importance of fairness in the exchange relationship is well acknowledged in marketing and channel relationship literature, conceptualization and measurement of fairness in the context of franchisor–franchisee relationship is still at large with little empirical research devoted to explore different aspects of fairness and its effect on different relational variables (Croonen, 2010; Guilloux et al., 2008). This can be attributed to the fact that there is no reliable and valid instrument to measure fairness in the context of franchisor–franchisee relationship.

Thus, the purpose of the study was to conceptualize fairness and develop a preliminary measure of fairness in the context of franchisor–franchisee relationship. This study draws literature from organizational justice and fairness, and channel relationship to conceptualize fairness in the context of franchisor–franchisee relationship. I also conducted exploratory interviews with the franchisees and the representatives of the franchisor to understand the context of the study. Following the conceptualization of fairness, I develop a preliminary scale of fairness in the context of franchisor–franchisee relationship and report the psychometric properties of the scale.

In terms of contribution, this study extends the concept of fairness and the associated developments in the concept of fairness to the context of franchisor–franchisee relationship (Cohen-Charash and Spector, 2001; Colquitt et al., 2001, 2013). This study offers a comprehensive conceptualization of fairness construct in the context of franchisor–franchisee relationship delineating the concept of fairness in terms of distributive, procedural, interpersonal and informational fairness. This study then, develops a preliminary scale of fairness which is valid and reliable. This study proposes a slightly different approach to the theoretical structure of the fairness construct as compared to the existing literature on fairness construct based on empirical findings and the exploratory interviews with the franchisees.

The rest of the paper is organized as follows. This study discusses the concept of fairness from different theoretical standpoints. This study then, summarizes different approaches and conceptualization to measure fairness in channel relationship. The study then, discusses the literature gaps identified in the context of franchisor–franchisee relationship. Exploratory interviews with the franchisees and the salesperson of the franchisor were conducted to understand the relevance of different aspects of fairness. The study conceptualized fairness based on literature review and exploratory interviews. I explain the procedures followed in developing the measure of fairness construct with their reliability and validity tests. Finally, I discuss the conclusion, limitations and future research directions.

## 2. Literature review

### 2.1. Concept of fairness

In order to arrive at a comprehensive conceptualization of fairness in the context of franchisor–franchisee relationship, I conducted extensive review of literature of the concept of fairness from the organizational justice and fairness literature (Cohen-Charash and Spector, 2001; Colquitt, 2001; Colquitt et al., 2001, 2013), as well as channel relationship literature to adapt it to the context of franchise relationship (Brown et al., 2009; Kumar et al., 1995; Lund et al., 2013; Samaha et al., 2011).

Organizational justice literature was rooted in Adam's equity theory which explains that individual's are more concerned about the fairness in outcomes rather than absolute outcomes. According

to equity theory a firm compares its ratio of output to input with that of the other referent firm and depending upon the perception of outcomes, actor's in the exchange relationship infer whether the exchange is just or unjust (Adams, 1965). Unfairness/Injustice arise when people believe their ratio is inequitable when compared with a referent other's ratio; conversely, justice/fairness arise when people believe that ratio is equitable. This aspect of fairness is termed as distributive fairness.

Further, Thibaut and Walker (1975) work on complainant reactions to legal procedures introduced the process aspect of fairness which was termed as procedural fairness. Their study showed that people are not just concerned about the outcomes they receive from an exchange but also the processes and procedures employed to arrive at those outcomes. Later on organizational scholars extended the concept of procedural fairness from legal settings to organizational settings (Leventhal, 1980; Leventhal et al., 1980). This was termed as procedural fairness.

Bies and Moag (1986) extended the fairness literature to posit interactional fairness as third dimension of fairness. They focused on the perceptions of quality of interpersonal treatment people receive and the way procedures and outcomes are implemented. Greenberg (1990, 1993) further explicated the concept of interactional justice into two dimensions labeled as interpersonal fairness reflecting aspects of politeness, dignity and respect in arriving at the outcomes. Other dimension was labeled as informational justice reflecting on the explanation provided to people as to how procedures were employed and how the outcomes were determined.

Thus from the above discussion, theoretically, this study concludes that the concept of fairness has four dimensions namely distributive fairness, procedural fairness, informational fairness and interpersonal fairness. The extensive review of empirical literature on fairness from channel relationship literature to identify different approaches to conceptualization of fairness is summarized in Table 1.

The review of literature on fairness in channel and franchise relationship suggested following research gaps. First, the review of empirical literature on channel relationship largely focuses on the economic outcomes in the exchange relationship i.e. distributive fairness and the process followed to arrive at those outcomes i.e. procedural fairness ignoring interactional and informational aspects of fairness in channel relationships (Brown et al., 2006; Griffith et al., 2006; Griffith and Lusch, 2000; Kumar et al., 1995; Yilmaz et al., 2004). The construct of fairness in organizational research had been conceptualized comprehensively as distributive fairness, procedural fairness, informational fairness and interpersonal fairness (Cohen-Charash and Spector, 2001; Colquitt et al., 2001). Further, conceptualization of fairness in organizational research includes quality of interaction measured in terms of interpersonal fairness and informational fairness (Bies and Moag, 1986; Greenberg, 1993).

Second, the review of literature suggests that there are very few studies incorporating fairness in studying the franchisor–franchisee relationship directly or indirectly (Croonen, 2010; Grace et al., 2013; Guilloux et al., 2008). Croonen's (2010) study was qualitative in nature and Grace et al. (2013) did not measure the aspects of fairness directly, while acknowledging that fairness in the franchise relationship influences the relational character and relationship outcomes in the franchisor–franchisee relationship.

Third, the review of literature suggests that there is no valid and reliable measure of fairness in the context of franchisor–franchisee relationship. Literature on channel relationship reports valid and reliable scale of fairness with limited approach to conceptualization of fairness with only Liu et al. (2012) study taking a comprehensive approach to fairness construct with Narsimhan et al. (2013), study reporting informational and interpersonal

Download English Version:

<https://daneshyari.com/en/article/7434046>

Download Persian Version:

<https://daneshyari.com/article/7434046>

[Daneshyari.com](https://daneshyari.com)