Where Should Fairness Judgment Be Anchored?

Fairness as a Decision Heuristic for Achieving Inter-organizational Compliance

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Abstract

Achieving inter-organizational compliance is critical to business success, which is why extensive research has investigated influence strategies to help firms to achieve compliance from their business partners. However, it is unilateral to place emphasis only on the influencing party while ignoring the complying side. Furthermore, such strategies are sometimes aggressive and often lead to dissatisfaction. Fairness heuristic theory suggests that fairness judgment is positively related to compliance and studies the sources of compliance with regard to the relational factors rather than the tactics for the first time. On the other hand, fairness plays a central role in building effective business relationships, which also influences firms' compliance. However, research is rarely done on how to promote fair judgments from business partners. This work thus attempts to find out the relational factors that concern firms when they decide to comply and make a fairness judgment.

This work uses a mixed method approach to investigate the above research questions. Eleven interviews were conducted to gain relevant knowledge about the topic and also to preliminarily test the predicted hypotheses. The cross-sectional survey was then conducted and 265 questionnaires from German and Chinese marketing professionals were collected and analyzed. The results reveal that the distributive fairness judgment (but not the procedural fairness judgment), dependence, and social bonds have significant positive effects on compliance. Moreover, dependence, trust and social bonds can generate distributive fairness judgment, and trust also has a positive impact on procedural fairness judgment. The results underscore the importance of relational concerns in inter-organizational compliance decision-making and fairness judgment processes. The findings also have cross-national consistency and validity.

Zusammenfassung

Interorganisationale Konformität zu erzielen, ist ein wesentlicher Faktor des Unternehmenserfolgs. Aus diesem Grund hat sich bereits eine Vielzahl wissenschaftlicher Studien damit beschäftigt, welche Strategien der Einflussnahme Unternehmen helfen, Konformität mit ihren Geschäftspartnern zu erzielen. Allerdings ist es zu einseitig, den Fokus lediglich auf die Partei zu legen, von der diese Strategien ausgehen und die beeinflusste Partei außer Acht zu lassen. Besonders unter dem Gesichtspunkt, dass diese Beeinflussungsstrategien zuweilen als aggressiv wahrgenommen werden und oft zu Unzufriedenheit auf der Empfängerseite führen, ist diese Sichtweise äußerst relevant. In diesem Zusammenhang legt die Fairness-Heuristik-Theorie nahe, dass die Wahrnehmung von Fairness eng mit der Konformitätsfähigkeit der Geschäftsparteien verbunden ist und untersucht den Ursprung der Konformität erstmals hinsichtlich relationaler Faktoren und weniger auf taktischer Ebene. Weiterhin spielt Fairness eine zentrale Rolle im Aufbau effektiver Geschäftsbeziehungen, welche wiederum Einfluss auf die Konformitätsfähigkeit der jeweiligen Geschäftspartner hat. Trotz dessen hat sich die Wissenschaft bisher kaum mit der Frage beschäftigt, wie eine faire Wahrnehmung der Geschäftsbeziehung auf Seiten des Geschäftspartners gefördert werden kann. Die vorliegende Dissertation hat aus diesem Grund das Ziel, die relationalen Faktoren aufzudecken, die Unternehmen beeinflussen, wenn sie sich entscheiden konform zu verhalten und die Fairness dieser Verhaltensweise zu bewerten.

In der vorliegenden Arbeit wurde der „Mixed Method Approach" als Herangehensweise für die oben erläuterten Forschungsfragen gewählt. Elf Interviews wurden durchgeführt, um sich dem Thema zu nähern und um die prognostizierten Hypothesen vorläufig zu testen. Auf Basis eines Querschnittsfragebogens wurden 265 Fragebögen deutscher und chinesischer Marketingexperten erfasst und analysiert. Die Ergebnisse zeigen, dass die distributive Fairnesswahrnehmung (nicht aber die prozedurale), Abhängigkeit und soziale Bindungen

einen signifikant positiven Einfluss auf die Erzielung von Konformität haben. Zudem beeinflussen Abhängigkeit, Vertrauen und soziale Bindungen distributive Fairnesswahrnehmung, wobei Vertrauen auch einen positiven Einfluss auf die prozedurale Fairnesswahrnehmung hat. Die Ergebnisse unterstreichen die Relevanz relationaler Belange in Hinsicht auf das Erzielen von Konformität und die Fairnesswahrnehmung in der interorganisationalen Entscheidungsfindung. Die Forschungsergebnisse haben länderübergreifende Konsistenz und Validität.

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1 Introduction

1.1 Motivation

Firms need to adapt to the changing demands of dynamic business environments. Most of the time, performing such actions requires support and cooperation from partner firms. Usually, however, such collaborative efforts make it necessary for business partners to put up additional resources (e.g., manpower, time, etc.), which in turn means that it is not very easy to achieve compliance from them. Fairness heuristic theory suggests that fairness judgment can also lead to compliance. Nevertheless, ideas on how to encourage and promote fair judgment from business partners are seldom investigated. This work therefore attempts to examine the effect of a company's fairness judgment regarding the overall business relationship on its compliance with its business partners. At the same time, it also explores how to achieve compliance and promote fairness judgment in business relationships.

1.1.1 Importance of the research in practice

It is popular for firms to use influence strategies to achieve their desired actions from partners. Even still, using influence strategies has its limitations. First, using these strategies requires the possession of certain power bases (e.g., Boyle et al., 1992). Vulnerable companies that do not have these power bases are unlikely to implement the strategies and successfully achieve compliance. Second, using influence strategies can be aggressive and often leads to conflicts and dissatisfaction (e.g., Gaski & Nevin, 1985). Last, but not least, the influence process actually involves two parties: an influence-source firm (which makes the request) and a target firm (which decides whether or not to comply). It is thus unilateral to only consider the influencing side. As the Chinese strategist Sun Tzu wrote in *The Art of War*: "If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat."(translated by Giles, 1910, p. 11). Although dealing with business relationships with partner firms is not

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exactly like fighting an opponent, knowing the other party's compliance decision-making process is still an advantage. Firms greatly need to change their approach to achieving compliance, e.g., the application of influence strategies. It is thus essential that they learn how to successfully achieve compliance without hurting their relationships.

On the other hand, different kinds of collaborations such as strategic alliances, partnerships, and joint ventures create value that partners cannot gain independently. However, they also produce tension between maximizing self-value and distributing the created value among partners (Zajac & Olsen, 1993). Fairness, as a central moral standard and human motivation, therefore plays a key role in building stable and harmonious relationships. Nevertheless, firms still face the unresolved questions of how to achieve fair relationships, and more specifically how to enhance the partners' fairness judgment regarding the relationships. Moreover, fairness standards and perceptions of acceptable behavior vary from country to country (Scheer et al., 2003), such that it becomes important to identify the core norms for fairness judgment shared in different cultures. It is thus essential for firms to understand the fairness judgment process, particularly the commonly accepted judgment norms among different cultures.

In summary, this research aims to make two important contributions to business marketing practice. First, the work clarifies the influencing elements that complying firms normally consider in the compliance decision-making process, which assist the influencing firms in improving the chance of success in achieving their desired goals and actions. Second, it notes that firms could use several means to promote their partners' fairness judgment regarding the relationship and utilize their partner's enhanced fairness judgment to achieve compliance.

1.1.2 The importance of this research for business marketing theory

Over the past 30 years, marketing theorists have worked on influence theory in nearly every possible way with the aim of helping firms to use influence strategies effectively to elicit

inter-firm compliance (e.g., Frazier & Rody, 1991; Payan & McFarland, 2005). However, the use of strategy is only one of three types of compliance antecedents demonstrated in the fields of psychology and sociology. It is also suggested that compliance is achieved more easily in certain situations or from someone with certain personality traits or disorders (e.g., Dolinski, 2001; Levy & Gudjonsson, 2006). Therefore, instead of devoting all one's energies to influence theory, compliance research in business marketing needs to take new directions to explore sources of compliance that are not related to tactics.

Gu and Wang (2011) have demonstrated that studying compliance without understanding the considerations of the complying firms is ineffective. For the first time in channel context, they took the research from the angle of complying distributors and discovered that their judgments on program fairness significantly impact compliance with the manufacturer-initiated programs. However, the effect of fairness judgment regarding the overall business relationship on a firm's compliant behavior is still not fully clear. This work thus follows this research direction and attempts to find further support for this relationship.

Last but not least, according to the fairness heuristic theory, fairness judgment is presumed to have a positive impact on compliance (e.g., Lind, 2001). The question now is how to achieve fairness judgment. For this reason, this work also explores the antecedents of fairness judgment for the goal of achieving compliance. Fairness judgment (also known as fairness perception) refers to a firm's "evaluation that one's condition, outcomes and/or treatment are appropriate when judged against relevant standards held by the evaluator" (Scheer, 2008). As a "human hunger or thirst" (Cohen 1986, p.1), fairness is listed as one of the ethical values for marketers (AMA, 2012). It has been found that fairness judgment enhances the quality and performance of relationships and generates satisfaction and long-term orientation (e.g., Brown et al., 2006; Jap, 2001; Kumar et al., 1995), while unfairness judgment damages relationship and aggravates conflict, hostility, and opportunism in business relationships (e.g., Samaha et al., 2010; Scheer et al., 2003). There is extensive research on the consequences of inter-firm fairness judgment, however, it is far less common for researchers to examine the antecedents.

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The study investigates the determinants of both distributive and procedural fairness judgments. It is common sense that allocating outcomes in accordance with equality/equity norms could guarantee fair distribution in a business relationship. This is why the two norms are naturally regarded as the antecedents of distributive fairness. However, the norms ignore at least two key points that make them hard to apply in practice. The first is that the actual information of outcome (and/or input) is hard to acquire and difficult to interpret (Adams, 1963; Van den Bos & Lind, 1997). The second is the two norms do not reflect the dynamic role of evaluators and the exchange relationship between them (Avermaet et al., 1978), which might be why an equal/equitable share is not always judged to be fair (Scheer et al., 2003). To the author's knowledge, there are no previous B2B studies that explore the antecedents of procedural fairness. Considering the ineffectiveness of current norms in generating a corresponding distributive fairness judgment and the lack of inter-organizational research on the causes of procedural fairness judgment, a more complete and dynamic fairness judgment process needs to be identified.

1.1.3   Cross-cultural study

Theories and models that are developed in the US may be culture bound (Hofstede, 1993). Moreover, Wang and Song (2011, p. 23) have commented that "despite the attention, and academic understanding of international business marketing in China, research is still limited in scope and in depth." This work is thus designed to test the conceptual theory using the Germanic and Chinese data, aiming at focusing on the common values and relational concerns considered by firms in different cultures. Research on cultural similarities rather than differences is also very important. First, the identified common values can both largely improve mutual understanding in cross-border collaborations (Gupta et al., 2002) and enable the cross-cultural collaboration to be less risky, more productive, and easier (Levy, 2001). Second, it is also vital for indicating the intra-national business practices within these

countries. Finally, a framework tested in different countries provides multicultural validity (Stern & El-Ansary, 1988). Base on these considerations, this work will stress the **cultural similarities** instead of differences.

1.2   Research questions and methodology

As discussed above, the importance of B2B research on compliance and fairness judgment cannot be overemphasized. In particular, it becomes even more critical to investigate how to achieve compliance and how to promote a fairness judgment. This work aims to find out the relational antecedents of compliance and fairness judgment by answering the following questions:

1. *How does a firm's fairness judgment regarding the overall business relationship influence its compliance with its business partners?*

2. *Other than fairness judgment, which relational factors are also taken into consideration by firms in the compliance decision-making process?*

3. *Which relational factors affect a firm's fairness judgment of the business relationship?*

A mixed method approach is used to explore the aforementioned research questions. As in the business marketing research, neither the relational antecedents of compliance nor the antecedents of fairness judgment have been previously researched. The qualitative interviews were conducted first to gain relevant knowledge about which elements affect firms' compliance decisions and fairness judgment. Afterwards, a cross-sectional survey was conducted.

1.3   Research Outline

1.3.1   Outline of the thesis

This section provides an overview of each chapter of the dissertation.

Chapter 1 introduces the motivation of the research project, raises the research questions, and outlines the whole dissertation.

Chapter 2 reviews the relevant literature of the two primary constructs: compliance and fairness judgment. At the end of this chapter, the research gaps are identified and the research questions are clarified.

Chapter 3 presents the methodology: the mixed method approach. In particular, the qualitative methods are discussed, including the data collection and data analysis processes. In the end, the qualitative results are also provided.

Chapter 4 shows the conceptual framework, which is actually both the summary of the literature review and the results of the qualitative research. In this section, the hypotheses and the conceptual model are also shown.

Chapter 5 discusses the quantitative research. The questionnaire design, data collection, and data analysis are all presented in this section. The last part also shows the quantitative results. First, the overall model and the hypotheses are tested, including the direct and the mediating effects. Second, the moderating effect of cultural difference is examined.

Chapter 6, the last chapter of this work, presents the findings of the research. Significant findings and contributions to both academia and practice are then discussed. In addition, the limitations of current research and future research directions are discussed.

1.3.2   Delimitation

The study focuses on general ongoing business-to-business relationships, including industrial and service business relationships. For this reason, the investigation targets professionals from both sales and purchasing who are major interacting players in the inter-organizational relationships. In addition, general managers who are familiar with the marketing business are also invited to participate in the research.

2   Literature Review

2.1   Introduction

In marketing relationships, achieving compliance from business partners is considered to be important for firms. This is why extensive compliance studies are conducted to find ways to influence a company's compliance decisions. However, most of these works have only investigated the tactic-related sources of compliance. Instead of focusing on the influence strategies, Gu & Wang (2010) have applied the fairness heuristic theory to marketing research and found that a distributor's fairness judgment of a supplier-initiated program can also influence the distributor's compliance with the program. This, for the first time, studies inter-organizational compliance from the perspective of the complying side. To take it one step further, the author is interested in examining whether a company's fairness judgment regarding the overall business relationship would generally enhance the chance that it would comply with this business partner.

For the sake of clarity, the major constructs are grounded and their assumed relationship is described in Figure 2-1. The primary literature on compliance and fairness is reviewed in the following sections.

Figure 2- 1 Relationship between major constructs
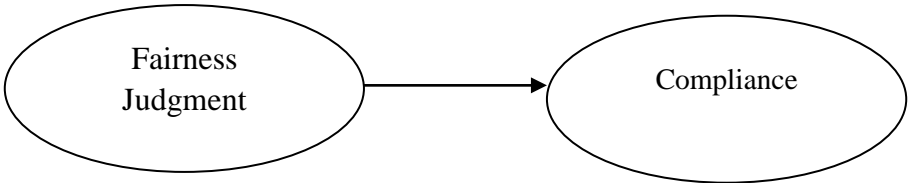
2.2　Compliance

Compliance is a human behavior that is not uncommon in daily life. The Cambridge dictionary online defines compliance as something that happens when people obey an order, rule, or request. But there is also a latent meaning behind this, namely that the order, rule, or request that people choose to comply with is the thing they are reluctant to do. For example, because of a woman's insistence, a man decides to buy a bottle of cologne that he would normally never use or a company finally agrees to share certain, valuable information with its partner. These behaviors mentioned above are first defined and researched as "compliance" in psychology. In order to have an overview of this concept and, more importantly, to have a fundamental understanding of its origin, this work begins its literature review with psychological research on compliance.

2.2.1　Compliance research in psychology

2.2.1.1 The characteristics of compliance

Psychologists began conducting compliance research in the 1960s. Since then, studies on this subject have never stopped and have flourished over the last 20 years.

Many psychologists have given their own working definitions of compliance. A quite common and popular one came from Cialdini and Goldstein (2004, p. 592), who defined compliance as "a particular kind of response, acquiescence, to a particular kind of communication, a request." Nevertheless, the author prefers the definition by Gudjonsson (1989, p. 535):

> The general **tendency or susceptibility** of individuals to comply with
> requests and obey instructions that they **would rather not do** for some
> **immediate** instrumental gain.

Three characteristics of compliance given in this definition need to be specified. First of all, it points out that there is a tendency and susceptibility for individuals to comply. This point is critical because this work focuses on compliance in general in business relationships rather than compliance with a certain project or request. Without this foundation, compliance could only be regarded as a one-time choice based on certain conditions. Second, the definition suggests that the response is not a person's original idea and somehow conflicts with his/her own interests. This is also the core nature of compliance. Last but not least, the definition also stresses that compliance could only hurt temporary interests. In other words, there should be other underlying concerns that are so important that people would prefer to sacrifice their gain by complying rather than refusing.

2.2.1.2 Antecedents of compliance

Nearly all previous compliance studies have emphasized the antecedents of compliance in order to explore the reason why people choose to fulfill other people's requests that go against their own interests.

Compliance is regarded as either a behavioral response to a given situation or a dispositional trait (Gudjonsson, et al., 2002; Zimbardo 2007). Several particular **situations** have been investigated, such as false confessions made to police officers under high pressure (Gudjonsson, 2006; Gudjonsson & Sigurdsson, 2007), how good people become evil in power systems (Zimbardo, 2007), and personal versus impersonal relationship conditions (Gudjonsson et al., 2008). On the other hand, Dolinski (2001) has also noted that emotions are very closely related to compliance. In particular, situations that arouse a strong emotional reversal are associated with compliance. For example, it is believed that the scenarios of happiness-then-disappointment and fear-then- relief are likely to increase the likelihood of compliance.

Personality traits are another type of antecedent of compliance. Some research shows that four psychological factors – anxiety, low self-esteem, anger, and paranoid thinking – could

significantly lead to compliant behavior (Gudjonsson et al., 2002). The unstable introvert has been found to be a personality type that surrenders to pressure and elicits compliance (Gudjonsson et al., 2004). During the same period, psychologists have also discovered that some patients with **personality disorders** have elevated chances of being compliant. These conditions include persecutory delusions (Levy & Gudjonsson, 2006), Asperger's syndrome (North & Gudjonsson, in press), symptoms of attention deficit hyperactivity disorder (Gudjonsson et al., in press), and avoidant and dependent personality disorders (Gudjonsson & Main, in press).

Another direction of compliance research involves studies on social **influence strategies** that can be used to elicit compliance (Cialdini, 1993; Davis & Leo, 2006). As a matter of fact, the research (on the target or object) no longer focuses on compliance itself, but instead shifts to commonly shared values (strategies) that lead to compliance in human societies by following people who are more likely to be influenced to comply. Using these techniques can largely enhance the chance of gaining compliance from others. The six influence strategies and their short descriptions are listed in table 2-1.

Table 2- 1 One Sentence Introduction of Influence strategies

Strategy	Author(s)	Introduction
Reciprocity	Gouldner, 1960	People believe they have obligations to return assistance they may have received from others
Social Proof	Festinger, 1954	Other people's actions (served as a "social proof") is a means to locate and validate correct choices
Commitment & Consistency	Festinger, 1957	People have desire to be consistent as a prime motivator of behavior
Scarcity	Lynn, 1991	Less available items and opportunities appear more attractive
Authority	Blass, 1991	People always look to authorities for information and guidance
Liking	Taylor, 1978	People prefer to say yes to those they know and like

To sum up, research on the antecedents of compliance is primarily conducted in three directions: special situations with or without strong emotional reversals, personality traits including some personality disorders, and influence strategies. The next part will present the updated applications of compliance studies in marketing research.

2.2.2   Compliance studies in marketing research

Because achieving compliance from customers (both individuals and companies) is considered to be so important, compliance research was soon introduced from the psychological context to marketing applications. Ever since then, compliance research in marketing has developed a variety of influence strategies that could lead to compliance. Due to the aim and technique of the research, it is also known as "influence theory."

2.2.2.1 Compliance research in business-to-customer (B2C) marketing

As a matter of fact, the current work does not belong to the field of business-to-customer marketing. Even still, there are reasons for briefly introducing the research results in this section. First, compliance research in the B-to-C segment could be regarded as a "transformation" from psychology to marketing. Many psychological experiments have been designed directly in sales promotion settings. Furthermore, the influencing techniques are either the same strategies as in psychology or have been developed based on the principles of these strategies. Second, compliance research in B2C marketing deeply impacts B2B studies. From an academic point of view, compliance research in business marketing is also primarily concerned with influence strategies. From the practice perspective, sales representatives also use the influence techniques found in the B2C segment on their counterparts in the context of their business relationships. Finally, reviewing the research in the B2C segment shows the early development process of influence strategies in marketing research, which allows the entirety of compliance literature to be reviewed more completely.

A great number of strategies have been found during the last few decades. Here the author wishes to introduce two typical ones as examples that have proven to be fairly effective in practice.

Foot-in-the-door (Freedman & Fraser, 1966, p.) refers to the efforts of door-to-door salespeople to get one foot in the door to gain full entry. The salesman first asks a favor so small that nearly any would grant it. After the customer does that favor, the salesman will then ask for a second, bigger favor (the real request) and very often compliance is achieved the second time as well. This tactic works well with interpersonal contacts because it arouses the recognition of the complying person's character traits (being helpful and warmhearted). In order to uphold such an image to the other person, the complying person tends to accept the bigger request so as to act consistently (Cialdini & Goldstein, 2002).

Freedman and Fraser investigated a **door-in-the-face** technique in 1966, then Cialdini et al., retested the effect in 1975. Opposite to foot-in-the-door, this tactic asks the influencer to begin with a large request, which, if rejected, is followed by a smaller (real) one. The influencer is more likely to get a "yes" to the subsequent request compared to the normal situations. The logic behind this is that since the influencer first makes a concession, the target might feel obligated to return one based on the rule of reciprocity by giving a positive response.

Many other techniques have also been developed, though most of them, as Cialdini points out (1993), can basically be categorized according to the six following principles: Reciprocity, Scarcity, Authority, Commitment & Consistency, Social Proof, and Liking, which are listed in table 2-1 in the last section. For a complete review, please see Rhoads & Cialdini (in press).

2.2.2.2 Compliance research in business-to-business (B2B) marketing

As mentioned before, compliance research in business marketing is mostly known as the "influence theory," due to the fact that it is conducted from the perspective of using influence strategies as the tactics for achieving compliance. The influence theory has primarily been

divided into three research directions, including the antecedent of influence strategies (e.g., Boyle & Dwyer, 1995; Frazier & Summers, 1984; Gaski, 1986), the effectiveness and pervasiveness of different influence strategies (e.g., Boyle & Dwyer, 1995; Payan & McFarland, 2005; Venkatesh et al., 1995), and the relationships between influence strategies and important marketing issues, such as satisfaction and conflict (e.g., Frazier et al., 1989; Frazier & Rody, 1991; Scheer & Stern, 1992). The following section will also be organized in this order to give a brief introduction to this topic.

Frazier and Summers (1984) gave an entire description of influence strategies by summarizing the prior findings and adding new ones, which is why this work is regarded as classic in influence theory. The six most used strategies, categorized according to coercive and non-coercive (Frazier & Summers, 1986), are listed in table 2-2. Following the research tradition, this work labels firms by the roles they play in the influence-compliance process. Specifically, a firm that is attempting to influence is called a **source** firm or a source, and a firm that is the focus of the influence attempt is called a **target** (Payan & McFarland, 2005; Tedeschi et al., 1973).

Table 2- 2 Influence Strategies, Definitions, and Influence Mechanisms

(Source: Frazier & Summers, 1986 and Payan & McFarland, 2005)

Influence Strategy	Definition	Underlying Influence Mechanism
Noncoercive		
Request	The source informs the target of the action(s) it would like the target to take without mentioning or directly implying any specific consequences of the target's subsequent compliance or noncompliance.	Changes in the perception of the desirability of compliance
Recommendation	The source predicts that the target firm will be more profitable if the target follows its suggestions about some specific action or set of actions (Angelmara & Stern, 1978; Tedeschi, et al., 1973).	Changes in the perception of the desirability of compliance
Information Exchange	The source discusses general business issues and broad operating philosophies (e.g. the effects of inventory levels on sales) with the target without making specific statements about what it would like the target to do.	Changes in the perception of the desirability of compliance
Coercive		
Threats	The source communicates to the target that it will apply negative sanctions should the target fail to perform the desired action (Angelmar & Stern, 1978)	Source-controlled consequences
Legalistic plea	The source contends that the nature of the formal legal contract and/or informal binding agreement between the parties either requires or suggests the target should perform a certain action (Kasulis & Spekman, 1980).	Source-controlled consequences
Promise/ Reward	The source pledges to provide the target with a specified reward contingent on the target's compliance with its stated desires (Angelmar & Stern, 1978; Tedeschi, et al., 1973).	Source-controlled consequences

Power base (e.g., Boyle & Dwyer, 1995; Frazier & Rody, 1991; Venkatesh et al., 1995) and dependence/independence (e.g., Frazier et al., 1989; Frazier & Summers, 1984; Gundlach & Cadotte, 1994; Keith et al., 1990) are the most examined determinants of influence strategies. In addition, strategies are considered their own antecedents (e.g., Frazier & Summers, 1986) since the influence strategies have a reciprocity effect in that by using a certain strategy a firm could significantly lead to its partner's reciprocal use of this type of strategy.

Power base, also called power source, refers to a firm's certain ability to evoke a change in another firm's behavior (Gaski, 1985). A firm's possession of a certain type of power base would lead it to choose a corresponding type of influence strategy. For example, an information power base is associated with an "Information exchange" strategy, while legitimate power is related to the use of "Legalistic pleas" and so on. Similarly, Venkatesh et al. (1995) also conducted a study testing the buying center decision-making process in an intra-organizational context. They found that a member of a buying center who had expert power would significantly more often use a "Recommendation" strategy. Moreover, the relationship between the power base and the choices of coercion or non-coercion is also explored. Frazier and Rody (1991) have found that a powerful firm uses primarily non-coercive strategies on the one hand, and, on the other hand, also has better chances of preventing other firms from using coercive strategies. The reason behind this is that only the one with power can use non-coercion effectively and make the other avoid potential conflicts and retaliations. However, the relationship between a firm's power and its use of coercive strategies is mixed. A firm's power tends to be negatively related to the partner firm's use of coercive strategies, especially in franchise systems (Frazier & Rody, 1991; Hunt & Nevin, 1974; Lusch & Brown, 1982; Kale, 1986), whereas some research also shows that increasing power tends to foster the use of "Legalistic pleas," which is a coercive tactic (Boyle & Dwyer, 1995).

Dependence is another antecedent of influence strategies. Channel studies have found that dependence has a significant effect on achieving compliance. A dependent target is more likely to respond positively to the source's requests (e.g., Keith et al., 1990). In addition, a

target's dependence negatively impacts the frequency with which coercive strategies are used (Frazier et al., 1989; Frazier & Rody, 1991; Payan & McFarland, 2005). This means that when the dependence level is low, there could be a high likelihood of coercion, though the probability that requests might be declined could also be high. Frazier and Summers (1984) have also discussed the reverse effect of strategy use on dependence. They indicate that a source's use of a "Reward" strategy could increase the target's dependence over time.

The influence strategies could be their own antecedents. In another words, the influence strategies used by one firm are likely to be returned in kind by its partner firm. For example, a manufacturer's use of coercion is positively related to its dealer's use of coercion (Frazier & Summers, 1986; Frazier & Rody, 1991). However, Frazier et al., (1989) found that a dealer's use of a coercive strategy was negatively related to the manufacturer's use of coercion in the seller's market in developing countries. This opposite result still leaves this question open for discussion.

The effectiveness and pervasiveness of influence strategies are other research directions. Regarding the effectiveness of influence strategies, Payan & Mcfarland (2005) have shown in their results that "Request" has the strongest influencing effect, followed by "Information exchange."[1] Furthermore, Bacharach and Lawler (1980) point out that the strategies would have limited effectiveness if the channel members have more substitutes. Finally, coercive and non-coercive strategies differ in terms of their effectiveness. A "Threat" is positively related to compliant behavior when dependence is high, while the use of coercive strategies with low dependency is ineffective and might not lead to compliance. For non-coercive strategies, Frazier & Rody (1991) suggest that firms with relatively little power attempt to use non-coercive strategies, but most of time this is ineffective and does not lead to a great response.

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[1] In Payan and McFarland's paper (2005, p. 68), the most effective strategy is "Rationality." This is defined as follows: "the source presents reasons accompanied by supportive information for a target to comply with a request." This strategy is relatively new and has not been widely applied and tested, which is why the author has not adopted it here.

Pervasiveness is also an important topic that is investigated quite often. Frazier and Summers (1984) found that "Information exchange" was the dominant influence strategy, followed by "Request," and "Recommendation". Coercive strategies such as "Promise," "Threat," and "Legalistic pleas" were used least. Boyle and Dwyer (1995) have suggested that increased power could foster the "Information exchange" and "Legalistic pleas" strategies, while "Promise," "Legalistic pleas," and "Threat" are increasingly affected by the degree of centralization.

The relationships between influence strategies and important marketing factors such as conflict and satisfaction are also well explored in the inter-organizational context. There is supporting evidence to suggest that manifest conflict is positively related to the use of both non-coercive and coercive strategies, while latent conflict is positively related to the use of coercion and the frequent use of non-coercive strategies (Frazier & Rody, 1991; Lusch, 1976). On the other hand, a use of non-coercive strategies could lead to the greater satisfaction of a target (Keith et al., 1990), while coercive influence from franchisors is significantly inversely related to a franchisee's satisfaction (Hunt & Nevin, 1974). Scheer and Stern (1992) studied the role that performance outcomes played in influence. They found that the use of "Reward"/"Promise" results in lower satisfaction and trust when the target receives unfavorable performance outcomes. However, when the outcomes are favorable, a "Reward" can lead to greater satisfaction.

Table 2-3 lists the main literature and the major findings on influence theory (compliance research) in B2B marketing.

Table 2- 3 Prior literature on compliance (influence theory) in business marketing

Author	Research Setting	Research Method	Main Findings
Payan, Mcfarland (2005)	Specialty Tools and Fasteners Channel	Mail Survey	1. Noncoercive strategies with an argument structure lead to greater levels of compliance. 2. Rationality as a new noncoercive strategy with a full argument structure 3. Recommendations was negatively related to compliance especially when trust is low 4. Threats positively affect compliance when dependence is high 5. The most effective strategy is Rationality, followed by Requests and Information Exchange.
Boyle, Dwyer (1995)	Industrial Product Channel	Survey	1. The relationship between level of bureaucracy and use of strategies are investigated, promises, legalistic pleas and threats are significantly affected by level of centralization. 2. Increasing power tends to generate use of information exchange while preventing legalistic pleas 3. Requests and threats have negative effects on relationship performance, yet information exchange increases performance
Gundlach, Cadotte (1994)	Microcomputer Industrial Channel	Survey	1. Power is not associated with threats and punishment use 2. Noncoercive use increases interdependence 3. An increasing power is related negatively to performance evaluations and negatively to residual conflict
Boyle, Dwyer, Robicheaux, & Simpson (1992)	Automobile Channel	Survey	1. New multi-item measures of influence strategies 2. Frequency of recommendations, promises and information exchange is related positively to a global measure of relationalism 3. The frequency of supplier communications differs from the four governance structures
Scheer, Stern (1992)	Channel	Experiments in laboratory on MBA students and executives	1. Performance outcomes (compliance) impact on the attitude toward the use of influence strategy (reward) 2. Before compliance is gained, reward leads to greater satisfaction and trust 3. Satisfaction and trust are impacted by influence exercised and performance outcomes

Frazier, Rody (1991)	Industrial Channel	Mail Survey	1. A frequent use of noncoercive strategies has a positive effect on agreement and leads to lower latent conflict 2. Manifest conflict relates positively to both coercive and noncoercive strategies. 3. The use of coercive strategies is negatively related and the use of noncoercive strategies is positively related to the distributor's attitude toward conflict resolution. 4. Use of influence strategy applies reciprocal action theory 5. Power is positively related to the use of non-coercive strategies. 6. A firm's power inversely related to the other firm's use of coercive strategies. 7. Latent conflict is positively related to the use of coercive strategies and negatively to the use of the noncoercive.
Keith, Jackson, & Crosby (1990)	Food Brokers	Factorial Design	1. A target's readiness of positive response to source's request is greatly determined by the target's dependence on the source 2. Information and expert bases of power lead to more satisfaction than the exertion of reward or coercive bases of power. 3. A certain request (e.g. A request of hiring another retail person) is positively related to dependence and perceived legitimacy, negatively to desire for autonomy
Frazier, Gill & Kale (1989)	Tungsten Carbide Tool Channel in India (Developing country)	Interview	1. A source's coercion use is inversely related to the target's return use of coercive strategies based on frequency index (contrary to reciprocal action of strategies use) 2. Dealer's dependence has significant effect on manufacturer use of coercive strategies 3. Use of coercive strategy on dependent target only has slight probability of target's leaving the relationship even though its conflict and dissatisfaction are high
Gaski (1986)	Loaders Channel (Heavy industrial Machinery)	Mail Survey	1. Use of reward / punishment has a positive/ negative effect on other power sources (expert, referent, legitimate) 2. "Intermediation" effect of expert, referent and legitimate power sources on rewards or punishments and their consequences like power and satisfaction.

Frazier, Summers (1986)	Automobile Channel	Mail Survey	1. Analyzing from both manufacturers' and dealers' perspectives 2. Power inversely related to the use of coercive strategies. 3. Coercive strategies use can lead a reciprocal use of corresponding strategies 4. Coercion leads to dissatisfaction
Frazier, Summers (1984)	Automobile Channel	Mail Survey	1. Frequencies of influence strategies being used 2. Interrelationships among the strategies (Coercion may be used after non-coercion fails) 3. Use of strategies on agreement items

From table-2-3, we can easily conclude that the previous B2B compliance research is mainly focused on how to effectively use the influence strategies to gain or elicit a compliance.

The next section will discuss the fairness heuristic theory, which specifies the compliance decision-making process from the perspective of complying people/organizations.

2.2.3 Fairness heuristic theory

Organizational fairness, which involves the employees' perception of fairness in the workplace, is a central concept in contemporary organizational psychology (Brown et al., 2006). Numerous studies have been conducted in this field over the last 20 years, which have led to the development of a notable theory, the fairness heuristic theory.

Fairness heuristic theory (e.g., Lind et al., 2001; Van den Bos et al., 1997; Van den Bos et al., 2001; Van den Bos & Lind, 2004) primarily demonstrates that "fairness judgment mediates as a heuristic and guides decisions and behaviors of social exchange when a person or a group expects substantial interaction with another person or group or they identify personally with a group or relationship... ... When there is tension between social impulses and individual interests." (Lind, 2001, p. 62) Fairness heuristic processes will activate, and people will form an overall fairness judgment and use it to decide whether or not to comply with requests or to

behave cooperatively with regard to a social dilemma. In fact, fairness judgment serves here as a decision heuristic and a guideline for behavior (Lind et al., 2001).

The theory mainly answers three questions: When do people form fairness judgments, how are fairness judgments formed, and how are they used? In order to answer these questions, people will engage in a two-phase cognitive process, the judgmental phase and the use phase. Lind (1995a) has noted that people need a fairness judgment particularly when they encounter a fundamental social dilemma and/or uncertainty that could involve conflicting interests/identities between individuals and groups, competing demands/investments among multiple groups and group memberships, and so on. Once a dilemma or uncertainties happen, a fairness judgmental phase is expected to happen. In this phase, the central issue for people to be concerned with is what information is involved in forming a fairness judgment. Various information sources are used such as the experiences of treatment, characteristics of formal rules and procedures, and outcome distributions, which can all help people to form a general impression of fairness, e.g., the overall fairness judgment. Once this judgment is formed, a post-formation phase follows in which a fair judgment is used as a "heuristic device" or "shortcut" to respond cooperatively to demands and requests.

Figure 2-2 by Lind (2001, p. 70) on the next page clearly depicts the theory in a simpler two-phase layout. The model is very focused and applicable for indicating the formation and function of fairness judgment.

Since fairness heuristic theory has been found and mainly applied in an organizational context, the theory places great emphasis on procedural fairness (fairness judgment on procedures) and interactional fairness (fairness judgment on treatment and information exchange) rather than on distributive fairness (fairness judgment on outcomes). Theorists have even found that the procedures can substitute outcome information for the distributive fairness judgment when the outcomes are not available (e.g., Van den Bos et al., 1997). However, in the B2B context this is hardly the case where the major focus is on economic results. Moreover, it has also been

demonstrated that firms still have different opinions on procedural fairness, even though they use all types of contracts to govern and guarantee procedures and the policy of outcome allocation in their relationships (Brown et al., 2006). Hence, the judgmental phase is not applicable in the inter-organizational context, which is why further research is needed to explore how both kinds of fairness are evaluated.

Figure 2- 2 Representation of judgmental and use phases

Source: Lind (2001)

Judgmental Phase
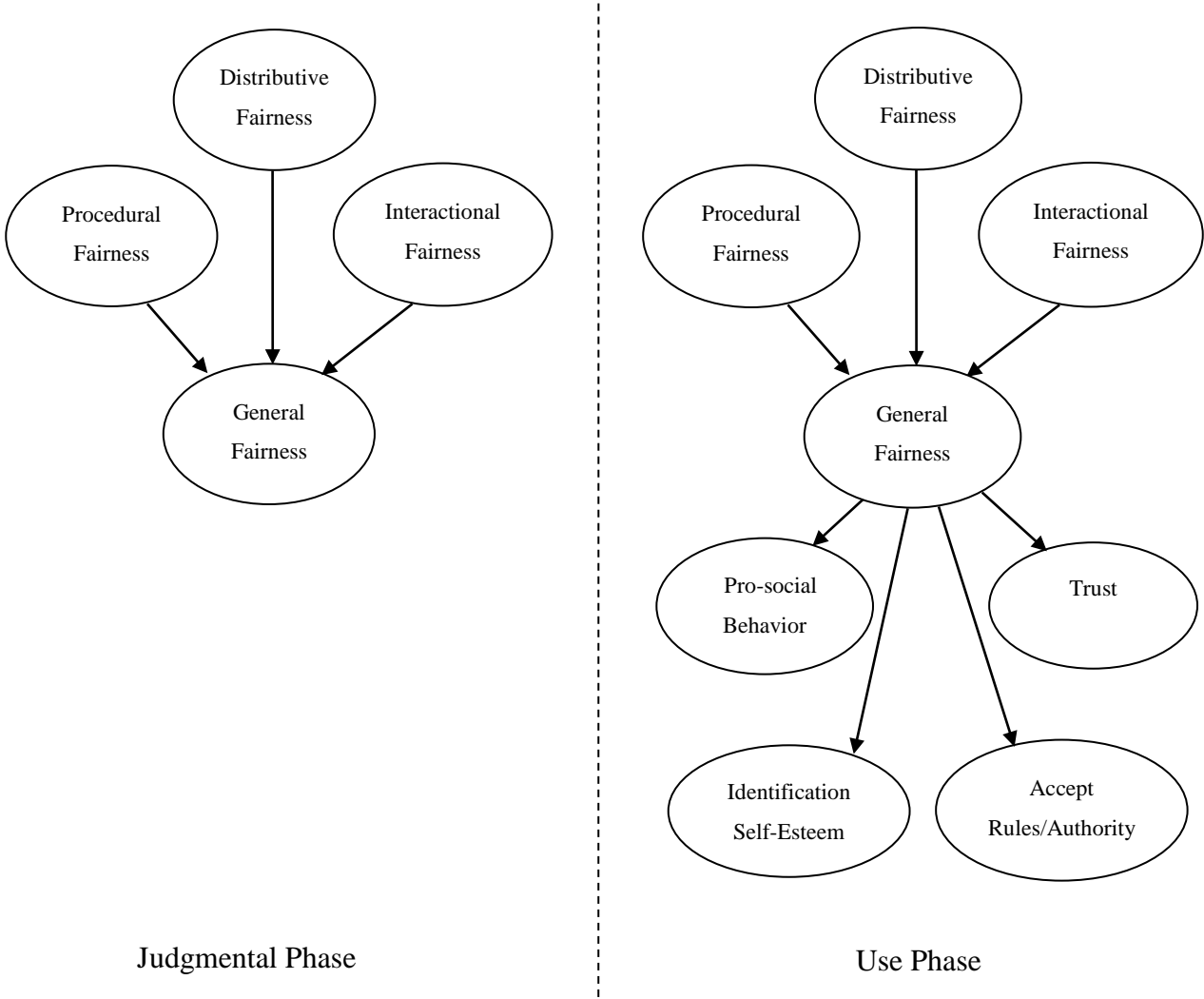
Use Phase

On the other hand, the use phase of this theory proposing the behavioral heuristic effect of fairness judgment has already been applied to marketing research. Crosno and Dahlstrom (2011) posited that fairness heuristics might guide firms in deciding whether they should stay

in relationships with their partners or not, and that they could also influence the amount of special assets a firm would like to invest into the relationship. This means that when a firm forms a fair judgment about its partner, it tends to continue and expand business with this partner and is more likely to increase the investment and involvement with the partner. In the same year, 2010, Gu and Wang pointed out that a distributor's fairness judgment of a manufacturer-initiated program significantly impacted compliance with this program. The findings show the positive relationship between the fairness judgment of a single program and compliance with it. Table 2-4 shows the primary literature on fairness heuristic theory.

Table 2- 4 Primary literature on fairness heuristic theory

Author(s)	Research Context	Key Findings/ Conclusion
Tyler & Lind (1992) Lind, Kulik, Ambrose & De Vera Park (1993)	Organizational Court-ordered Arbitration	Behavioral heuristic of fairness judgment - Accept resolutions and rules, comply with requests and fulfill demands of authority if they have fair perceptions - The behavioral heuristic effect works on both individual level and corporate level (organizational)
Van den Bos, Lind, et al., (1997) Lind, Kray & Thompson (2001)	Organizational Organizational	Fair Process Effect: - Integrating procedural and distributive fairness domain -When outcome information is unavailable, procedural fairness is used as a substitute to assess outcome fairness - People who received negative outcomes will use more information of procedure than the one who received positive outcomes
Lind, Kray & Thompson (2001) Van den Bos, Vermunt & Wilke (1997)	Work Trials Organizational	Primacy Effect: - Earlier fairness-relevant information has greater impact on fairness judgments than later one - Once fairness judgment if formed, later fairness-relevant experience can be difficult in changing it
Van den Bos, Wilke & Lind (1998)	Organizational	Fairness as trust substitution - Fairness judgment can substitute information of trustworthiness - When information of trustworthiness is lacking, people especially need procedural fairness

Lind, 2001 Van den Bos, Lind & Wilke (2001)	Organizational Organizational	Social dilemma generating fairness concern - People need fairness judgment when they face a social dilemma
Crosno & Dahlstrom (2011)	Interorganizational	Fairness heuristic theory in transaction specific investments decisions - Apply fairness heuristic theory to inter-organizational context - Fairness heuristic theory provide insight into the fundamental transformation as complementary perspectives - Fairness heuristic influences the level of investment and involvement over the relationship
Gu & Wang (2011)	Channel	- Distributor's perception of program fairness positively affects its compliance with a manufacturer- initiated program. - Distributor dependence weakens the positive effect of program fairness on compliance

In business relationships, firms receive all kinds of requirements and requests from their partners that are not the firms' inherent desires and sometimes even go against their interests. Whenever a conflict of interests occurs, these firms face a dilemma. Fairness heuristic theory already suggests that a fair judgment of a certain order/project signals potential compliance with it. Since compliance is a susceptibility or tendency (Gudjonsson et al., 1989), it is possible that a firm will tend to comply with a general request from its partner when it has a fair judgment regarding the business relationship with the partner. Based on this assumption, the following question would be how to promote fairness judgment in business relationships. The next section will review another primary construct of this work, fairness judgment.

2.3 Fairness and fairness judgment

2.3.1 Fairness

Fairness is a central moral standard and motivator in everyday life. As a basic human concern and main conceptual foundation of society, fairness is regarded as a "human hunger or thirst" (Pascal & Pensées, cited in Cohen, 1986, p. 1) and the "first virtue" (Rawls, 1971, p.3). Due

to its pivotal role in human lives, it has been widely investigated for centuries in various disciplines of the humanities and social sciences including philosophy, economics, politics, sociology, psychology, and anthropology. Despite extensive research in these fields, there is still a notable deficiency: What falls within people's understanding of fairness and what falls outside of it (Cohen, 1986; Furby, 1986; Greenberg, 1990; Sheer, 2008; Suranovic, 2000)? This section thus aims to review the previous research on this topic.

2.3.1.1 Terminology

The terminology should first be discussed. In prevalent academic and practitioner literature, equity, justice, and fairness are interchangeably used and are sometimes regarded as the same concept. Even still, there are slight differences between them. This work chooses the term "fairness" for the following reasons. On one hand, equity is too limited to use in this work. First, according to Allen (1982), fairness and justice "look up" and equity "looks around," meaning that justice and fairness refer to a general sense and a fixed idea, whereas equity is frequently used to denote a comparison. Second, from the perspective of the inherent theoretical meaning, equity refers to an allocation principle of outcome and input describing a status in which the allocators' outcome/input ratios are equal. In other words, equity is confined to the outcome domain. Since this work focuses on the general notion and looks at both outcome and procedural domains, equity is not used.

On the other hand, justice is also not appropriate for this study because it is often found in research areas such as sociology, legal studies, and organizational research where the target of the research is the whole social or organizational system. Fairness, on the other hand, mostly appears when discussing overall perception in business and marketing studies.

The author has thus chosen the term "fairness" over the other two for this work.

2.3.1.2 Definition

Fairness has been defined in hundreds of ways over the centuries. Webster's Dictionary online refers to fairness as the "ability to make judgments free from discrimination or dishonesty." It shows that in everyday language fairness declares itself at both the levels of judgment and behavior. Fairness has even more definitions in academia. Aristotle in his *Nicomachean Ethics* (Nu Version, p. 75) defined fairness as "that which is manifested in distributions of honor or money or the other things that fall to be divided among those who have a share in the constitution or that which plays a rectifying part in transactions between man and man". In modern research, philosophers believe that fairness (justice) exists "when a person receives that to which he or she is entitled, namely, exactly those benefits and burdens that are due the individual because of his or her particular characteristics and circumstances" (Buchanan & Mathieu, 1986, p. 11). In the field of psychology, Furby (1986, p. 257) clarified fairness as "an evaluative judgment about the moral rightness of a person's fate, that is, a person's treatment by others (including nonhuman forces) is judged to be just if it corresponds to some standard or criterion of what is morally right." Compared to the previous definition, this one also refers to human nature's inherent needs and rights, and more clearly specifies how much is "due" and what is "just." However, the standard is confined to morality, which is why this work uses the following definition by Scheer (2008):

> *Fairness is an evaluation that one's condition, outcomes, and/or treatment are appropriate when judged against relevant standards held by the evaluator.*

Two points need to be made. First, fairness concerns one's "condition" as the same level of outcomes and treatment, which implies that the outcomes and treatment received should first be in accordance with one's status quo. This particularly applies in complex business circumstances in which firms usually have different marketing roles and tend to behave based on them (Cateora, 1983). Second, the definition stresses that not just one standard is used for

fairness evaluations. In other words, it indicates that fairness also varies according to the application of different rules.

2.3.1.3 Types of fairness

Fairness theorists have identified three different types of fairness: distributive (outcome) fairness, procedural fairness, and interactional fairness. Distributive fairness focuses on the content and the results achieved from systems or relationships. Procedural fairness emphasizes the process and the ways used to achieve certain results (e.g., Greenberg, 1987a; Törnblom, 1990). Interactional fairness focuses on the fairness of treatment and the truth of the information provided during the process (Bies & Moag, 1986).

When taking an overview of the history of all the modern fairness research, distributive fairness used to be a hot topic and dominated the attention of the field from the 1960s to the 1980s. However, it began to fall into disfavor in the early 1980s and became a yesterday story (Greenberg, 1990). Instead, procedural fairness was extensively explored after that. Interactional fairness, on the other hand, is a very new concept compared to the previous two. It was developed in 1986 in organizational research and is primarily researched within this area as well[2](e.g., Bies & Moag, 1986; Greenberg, 1993).

Fairness research in business marketing began with Kumar, Scheer, and Steenkamp's paper in 1995. Since then, the topic has become more and more popular. Despite the fact that the recent organizational research trend is to ally different types of fairness as general fairness (Greenberg, 1990; Gu & Wang, 2011; Lind, 2001), most marketing scholars focus on distributive and procedural fairness separately in business relationships. The reasons for this could be as follows: First of all, distributive fairness is more important in the field of marketing. On the one hand, "not all aspects of the distributive justice literature have been

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[2] Colquitt also identified the fourth type of fairness: informational fairness in organizational context (Colquitt, 2001).

clearly established" (Greenberg, 1990, p. 420). Particularly in the inter-organizational context, there is still very limited research conducted on this with some notable exceptions (e.g., Brown et al., 2006; Jap, 2001; Kumar et al., 1995). On the other hand, enterprises focus on economic results. From a firm's perspective, distributive fairness is the overriding fairness criterion for the satisfaction of business relationships (Brown, et al., 2006), while from a business individual's perspective, it is also assumed that sales representatives are more concerned with issues of profit and loss than when they act as private individuals (Lener, 1982). Therefore, fairness research in the business context does not combine distributive and procedural fairness as an overall perception of fairness or even substitute procedural fairness for distributive fairness as the organizational context tends to do. Instead, some fairness theorists have only stressed on distributive fairness (e.g., Gassenheimer et al., 1998; Jap, 2001).

Second, interpersonal fairness is studied within the category of procedural fairness. On the one hand, despite the existence of asymmetric interdependence relationships, partner firms still have an equal status rather than a heretical status within organizations. Hence, interpersonal fairness is comparatively less important in an inter-organizational context than in an organizational context (Colquitt & Rodell, 2011). On the other hand, interpersonal fairness is the treatment and truth of information during "the process," so it is always perceived as a branch of procedural fairness in marketing research (see the only exception, Liu et al., 2012). Indeed, most theorists choose to investigate the content of interpersonal fairness within the category of procedural fairness without mentioning the concept (e.g., Kumar, et al., 1995; Ting, 2012)

Consequently, this work follows most of the fairness studies in relationship marketing and is primarily concerned with distributive and procedural fairness. In order to explore the certain effects that sources have on different types of fairness, the author will research the two types of fairness separately.

2.3.1.4 Fairness and fairness judgment

Fairness is "endlessly resilient" (Pitkin, 1981, p.349), because its nature is cognitive, subjective, and sometimes egocentric. First, fairness is a perceptual cognition that does not necessarily have to be "reality" in the "truth world" (Folger & Cropanzano, 1998, p. preface XV) or an "'objective' reality as conceived by a competent, impartial observer" (Deutsch, 1985, p. 12). Second, the principles of fairness or value involved were only dependent on the evaluator's choices and opinions (e.g., Lerner, 1974; Deutsch, 1975). Finally, in academia, the object of fairness research is one's fairness *perception* rather than the "truth." As Azar and Darvishi (2011, p. 7365) stated: "An act is 'just' because someone thinks it is." This again underscores that a cognitive perception is all fairness theorists ask for.

In fact, the definitions already indicate that fairness is a perception or judgment, in which is why in previous literature fairness and fairness perception (judgment) are used interchangeably. However, in order to make a clear distinction, this work uses the term "fairness judgment" instead of "fairness" at all times.

2.3.2   The construction of fairness judgment

Due to the critical role of fairness, for centuries, scholars have never stopped pursuing how to achieve it. Philosophic and public policy research is normally concerned with the rules and regulations that guarantee overall fairness for human beings and the levels of society. Psychologists and sociologists, on the other hand, mostly look at the interpersonal level within small groups and relationships. This work is primarily concerned with the sources of fairness judgment in business relationships. However, to the extent of the author's knowledge, virtually no business marketing studies have worked on the sources of fairness. In sticking with this core idea, this section reviews the major social-psychological and organizational literature on the antecedents of fairness judgment.

2.3.2.1 Characteristics of antecedents of fairness judgment

Before getting to the details, one topic that is important and needs to be discussed first is the *nature* of fairness judgment antecedents.

Adams (1963) noted that all antecedents of fairness judgment, no matter what they are, have two conceptual characteristics: *recognition* and *relevance*. In other words, the information that is taken into consideration in the fairness assessment must be both recognized and perceived as relevant by the evaluator. However, people could have different opinions on the recognition and relevance of the same information/factor. For example, when a firm (A) evaluates its outcomes from the partnership with another firm (B), B might believe that B's own fame gives A good image by being its partner. This can actually be counted as the input of B and, at the same time, an outcome of A. However, A might not regard the benefit of the good image as a relevant outcome earned from B or even recognize such an outcome. Either way, A and B have different fairness judgments on the same outcome of their relationship. It seems that the recognition and relevance take a lot of deliberation, however, such reactions often occur quickly (Cropanzano & Mitchell, 2005)

Moreover, the antecedents of fairness judgment carry the concept of social *comparisons* (Greenberg et al., 2007). On the one hand, when making a fairness judgment, people compare their outcomes and treatments with a *referent* in similar conditions either in or out of an exchange relationship (e.g., Adams, 1963a, 1965; Festinger, 1957). For example, a referent could be a work colleague or a counterpart in another firm. On the other hand, the comparison can be *cognitive*, which is also known as the "counterfactual thoughts" (e.g., Duffy et al., 2006; Folger & Cropanzano, 1998). In this judging process, people's own thoughts, past experiences, and emotional moods are compared, and the "would," "could," and "should" scenarios are used. In other words, the antecedents of fairness judgment also involve a comparison with people's ideas of alternative actions. To sum up, people consciously or unconsciously compare the judging event either with other people in similar conditions or their own ideas of what might happen.

Generally speaking, research on the antecedents of fairness judgment is roughly conducted in two ways. First, theorists identify some *objective rules* and *fundamental criteria* for judging fairness despite the fact that the concept itself is cognitive and subjective. Second, certain social contexts including types of relational, situational, and emotional influences are also investigated.

Rather than structure the review based on the *distributive* or *procedural* sources of fairness, the following two sections are categorized according to the *criteria* or *contextual* sources due to the following reasons. First, it is the chronological order of research. The criteria studies have been conducted since the 1960s, while the focus on contextual influences did not begin until the 1980s. Second, there is a tendency to investigate different types of fairness together as a general judgment (Greenberg, 1990). Therefore, the research does not always specify the sources for each type of fairness. Third, this work investigates antecedents of fairness judgment from the perspective of a relational context. Hence, it makes more sense logically to organize the review by the types of sources rather than the types of fairness.

2.3.2.2 Criteria for fairness judgment

There are primary two representative criteria for fairness judgment (Cohen, 1987; Törnblom, 1990): Adams's equity theory (Adams, 1963a, 1965) as the reactive approach and Leventhal's justice judgment model as the proactive approach (Leventhal, in press).

1. Reactive approach – equity theory

Equity theory has been proposed by many theorists such as Homans (1961), Jacques (1961), Patchen (1961), and Adams (1965), though Adams's research received widespread attention and became the most notable research in this field due to his explicit and extensive work. Based on Festinger's (1957) cognitive dissonance theory, his work is inherently relevant to compensation and comparison (Greenberg et al., 2007).

Adams's work was carried out from the perspective of inequity, which was, according to him, "more precisely" than equity and was "a pervasive concern of industry, labor, and government" (Adams, 1965, p. 280). The entire theory mainly included four parts: 1. The nature of input and outcome. 2. The nature of the social comparison process. 3. The possible effects of inequity. 4. The possible actions one may take to reduce a condition of inequity. The first two parts will be stressed because of their relevance, while the effects of and reactions to inequity will be briefly discussed at the end.

The nature of input and outcome

Two major variables in the theory are input and outcome. Input is defined as something of value a person believes that he/she contributes to the relationship. In contrast, the outcome is what the person regards as his/her returns, which should be useful or valuable to him/her. As discussed before, both variables should have two conceptual characteristics: recognition and relevance. That is, something of value is not attributed to the input or outcome until the evaluator recognizes its existence and believes that it is relevant in the exchange.

The social comparison process

As discussed before, an equity judgment cannot be separated from a comparison process. Festinger (1957, cited from Adam, 1963, p. 424) defined *inequity* as follows: "Inequity exists for *Person* whenever his perceived job inputs and/or outcomes stand psychologically in an obverse relation to what he perceives are the input and/or outcomes of *Other*." Person (P) here means the one making the evaluation, while Other (O) represents the evaluator's social comparative referent. Hence, equity occurs when Person perceives his/her own outcome-to-input ratio as equal to the Other's. The following formula is usually found in later literature to explain an equity state in simple terms:

$$\frac{P\text{'s Outcome}}{P\text{'s Input}} = \frac{O\text{'s Outcome}}{O\text{'s Input}}$$

When a person perceives his outcome-to-input ratio as matching that of his reference person, he will judge the exchange or the relationship as fair. But imbalance happens in most cases when people very often find themselves to be either under-rewarded or over-rewarded. When P's ratio is greater than O's, P is over-rewarded, or P possesses positive inequity. In contrast, O is under-rewarded and he has negative inequity. According to the theory, the major consequence of inequity is that it "creates tension" which motivates O to reduce or eliminate the disproportionate results. "The larger the difference between the two ratios is, the more motivated the O will be." (Adam, 1963, p. 427)

Since Adams's papers were published (1963a, 1963b, 1965), equity theory has received great attention and been widely applied to various disciplines. Despite some later comments and criticism (e.g., Avermaet, et al., 1978; Furby, 1986), it is well recognized as a classic work and foundation of fairness study.

2. Norms of equality and need

Although stimulated by equity theory, social theorists found that the equity norm was neither the only solution to the distributive problem nor the most preferred one in the contemporary world (Sampson, 1975). Hence, fairness theorists in later years sought out other norms of allocations that could also lead to a fairness judgment. Between the 1970s and 1980s, this type of research was so popular that varieties of norms were identified. Reis (1979), for example, distinguished as many as 17 principles. According to him, outcome and input can be distributed in terms of ability, efforts, reciprocity, and so on. However, more principles also cause more problems. On the one hand, some norms conflict with each other, such as, "the most needy may not be the most able" (Deutsch, 1975, p. 140). On the other hand, in practice it is rather difficult to apply so many norms, and some norms are more applicable and useful

than others. Eventually, the two norms of "equality" and "need" became the most effective ones because they are widely accepted and repeatedly identified by scholars.

As early as 2,000 years ago, Aristotle asserted that equality was a law of justice. Ever since then, researchers have identified many contexts for the use of equality, such as equal opportunities for education and voting in social public systems. According to Deutsch (1975, p. 143), the basis for applying equality is: "in cooperative relations in which the fostering or maintenance of enjoyable social relations is the common goal."

On the other hand, the need rule is unique as the norm of "humanitarianism or social responsibility" (Schwartz, 1975.p. 112). People may forego relative a balance of input and outcomes as they do when applying equity and equality. Instead, they are likely to pick up what they desire and enjoy for little or no return. It is suggested that the need norm dominates the contexts in which "the fostering of personal development and personal welfare is the common goal" (Deutsch, 1975, p. 143). Medical care, for example, is allocated by the need rule.

3. Proactive approach – the justice judgment model

During the 1970s there was a fierce argument about which norm was the fundamental one. Even still, the answer to this question may not be productive since social psychologists gradually discovered that using different norms could vary in different situations, cultures, and histories (e.g., Lamm, Kayser and Schwinger, in press; Pepitone, 1976; Lerner, 1974). Using multiple norms for outcome and input allocations instead of a single use was thus considered to be more effective (Leventhal, 1976, 1980). This theory was later considered to be one of the most applicable approaches in organizational fairness studies (Greenberg, 1990).

The major idea behind this theory is that people select different distribution rules at different times, which means that the basic criteria for evaluating fairness also change with the circumstances. When assessing distributive fairness, a four-stage judgment process is

supposed to follow. The first stage is *weighting*. People should figure out which rules are applicable and how important they are. Second, there is a *preliminary self-estimation* of the type and amount of outcomes they deserve based on applicable rules. The third stage is *rule combination,* which can be summarized by the rule-combination equation:

$$Deserved\ Outcome = w_c D_{by\ contributions} + w_n D_{by\ needs} + w_e D_{by\ equality} + w_o D_{by\ other\ rules}$$

The letter w stands for weight, D stands for deservingness. w_c, w_n, w_e, w_o stand for, respectively, contribution rule, need rule, equality rule, and any other distribution rules expected to influence the judgments of distributive fairness. $D_{by\ contributions}$, $D_{by\ needs}$, $D_{by\ equality}$ and $D_{by\ other\ rules}$ represent an individual's preliminary estimates for the recipients' deservingness based on the respective rules. The fourth stage is the *outcome evaluation.* In this stage, the individual will make a final assessment of the actual rewards and punishments and determine whether it is fair or not.

Activation of the justice judgment sequence

Leventhal also indicates that the justice judgment sequence will not start or influence perception and behavior unless it is activated. Activation may occur when people have reason to believe a justice rule has been violated or a sudden change of outcomes has been experienced. As seen here, people play a role in deciding whether or not to "trigger the whole judgment process, evaluate primary deservingness, give up maintaining or restoring actual outcomes to their deserved levels in several situations" (Leventhal, 1976, p. 37). Hence, the dynamic role of allocators/evaluators is stressed.

In conclusion, Leventhal's work is fundamentally important for two reasons: approaching fairness judgment as a multi-dimension rather than as a uni-dimension and putting emphasis on not only the allocation itself, but also on the role of allocators. The latter point, according

to Cohen and Greenberg (1982, p. 23), "raised fundamental questions about the allocator's role in matters of justice," thus opening a new chapter of fairness judgment research.

Table 2-5 lists some selected studies on the norms of distributive fairness judgment in the field of social psychology. This table clearly shows that the studies of fairness sources (mostly, distributive fairness) on the criteria were mainly conducted before 1980. Since then, procedural fairness has become a new focus and has been greatly developed and applied, which is why the situational/relational sources are increasingly underscored.

Table 2- 5 Primary literature on norms of distributive fairness judgment

Author(s)	Norm(s)	Key Findings/ Conclusion
Homans (1961)	Equity	- Introduce distributive justice in exchange theory - Fundamental "Rule of distributive justice": Reward/ profit will be proportional to the cost/ investment - Third party allocation involved should also stick to the rule - Sources for proportionality belief - Reactions of inequity
Adams (1963, 1965)	Equity	- Causes and consequences of inequity in human exchange relationships - Nature of input and outcome - Solutions to reduce or avoid inequity
Berger, Zelditch, Anderson, & Cohen (1972)	Equity	- Status-value formulation "Referential" comparison with generalized other, including: definitions, standards and importance of referential - Possibility of different types of justice and injustice
Walster, Berscheid, & Walster (1973, 1978)	Equity	- Four interlocking propositions - Reformulating the equity equation incorporating both negative and positive values - Actual equity and psychological equity (cognitive distortions of reality) - Extending context from monetary outcomes and work input to harm-doer and a victim
Deutsch (1975)	Equity, equality, & need	- Nature of justice (fairness) - Values involved in justice: equity is not the only value underlying a given system of justice - Value bases of different norms
Lerner (1974) Lerner, et al., (1976)	Mixed norms	- "Just world" hypothesis: people should believe that the world they live is one in which people generally get what they deserve - "Humanlike figure" involved, discrepancy of actual and deserved

		outcomes are only experienced as injustice when evoked by identifiable cause (another person, societal agency or abstract social process) - Direct relationship between one's commitment to deserving his own outcomes (personal contract) and other's deserved outcomes - seven "rules for determining how the desired pool of resources are to be deserved"
Leventhal (1976a, 1980)	Mix norms of equity, equality, need	- Multiple norms defining distributive fairness instead of sole use - Model of justice-judgment with four-stage sequence - Shifting focus of research on justice allocation toward allocator's role in matters of distributive fairness

2.3.2.3 Contextual sources of fairness judgment

The research focus of fairness sources shifted from the criteria to the social contexts in the 1980s. Since then, extensive contextual influences are found in the fields of psychology and organization, although they vary substantially from theory to theory (Barsky et al., 2011). The broad range of contextual sources roughly fits into the following five categories:

1. *Relational* factors. Several relational factors have been investigated and proven to be the antecedents of fairness judgment. It has been demonstrated that *trustworthiness, neutrality* and *standing* (status recognition) are related to fairness judgment in disputes (e.g., Colquitt & Rodell, 2011; Dirks & Ferrin, 2001; Lind et al., 1997; Tyler, 1989, 1994). Kaufmann and Stern's work (1988) suggested that *solidarity* could alleviate an unfair judgment in a manifest dispute. It has also been found that when people have a *long-term orientation* and a goal of *harmony*, their fairness judgment on negative inequity is enhanced (Avermaet et al., 1978). Similarly, people in *close (social) relationships* tend to choose less self-interested rules of fairness (Austin, 1980) and are more likely to form a fair procedural fairness judgment (Lamertz, 2002).

2. *Situational* factors. Theorists have investigated various situations in which people are more likely to make a fair judgment. The *communication mode* has been proven to be a source of fairness judgment (Anderson & Patterson, 2010). They found that people are more likely to

make a fair judgment face-to-face than in computer-mediated communication. Van den Bos et al., (1997, p. 1042) pointed out that " Whether a procedure or an outcome is judged to be fair depends more on what information comes first than on what information comes next." So not only the content of the relevant information, but also *the order* in which such information comes plays an important role in shaping fairness judgment. A work by Leventhal et al., (1972) found that when allocating rewards in *secrecy*, people are less likely to inflate the difference between the rewards of superior and inferior performers. One might argue that deep down people's actual fairness judgment is hidden and not influenced in this situation. Even still, the expressed judgment is, in fact, affected. It is thus the explicit perception that could have been known most of the time that really matters.

On the other hand, the *cognitive* situations of "*counterfactuals*" also affect fairness judgment (e.g., Collie et al., 2002; Duffy et al., 2006; Elovainio et al., 2005). People imagine possible alternative actions and use them to judge fairness. As Cropanzano et al., (2001b) illustrated, when people believe someone clearly could and should behave differently, the fairness judgment becomes more negative.

3. *Emotional* factors. It has been well researched that emotions and moods influence fairness judgment by *forming or evoking* more or less fair behavior by others (Barsky et al., 2011). This actually affects fairness judgment by affecting the immediate *fairness-related events* or the *fairness generation process* (e.g., Friedman et al., 2004; Shiota et al., 2004; Wheatley & Haidt, 2005). For example, an angry employee may lead his supervisor to react less amicably (Van Kleef & Côté, 2007). Second, emotions and moods could also affect the fairness judgment by linking it to multiple *situations* (e.g., Sanna et al., 1999). Sanna et al.,'s research (1999) revealed that a bad mood tends to generate upward counterfactuals (e.g., a better alternate reality), which may be the result of a negative effect. In fact, these studies also focus on the situational sources of fairness judgment, but they fit into this category because the situations are elicited by emotions and moods.

4. *Heuristic substitutions*. Researchers found that people use the *judgment of a certain type* of fairness to substitute for other type of fairness. First, interpersonal fairness judgment is used to substitute for procedural fairness judgment. The treatment (e.g., courtesy, respect for rights) received from the other party and the adequacy with which formal decision-making procedures are explained significantly influence procedural fairness judgment (e.g., Bies. 1986; Tyler & Bies, 1990). Moreover, procedural fairness judgment is used to assess how to react to outcomes (e.g., Van den Bos et al., 1997; Sondak & Tyler, 2012). When procedures are perceived as fair, people are more accepting of less than ideal outcomes and have more positive evaluations of outcomes.

On the other hand, people also adopt *fairness judgment from others* as a substitution for their own. According to an organizational study by Lamertz (2002), an employee's judgments of both procedural and interactional fairness are significantly associated with the judgments of a peer.

5. *Cultural and industrial* differences. Brockner, et al. (2001) stated that the justice study could not be considered complete without understanding differences in national cultures. Fairness scholars repeatedly stress that even the very meaning of fairness is radically different across cultures (e.g., Kidder &Muller, 1991; Lind et al., 1997). It has also been proven that Dutch and U.S. firms react differently to the outcome of inequity (Scheer et al., 2003). As such, cultural differences could also affect how a fairness judgment is made. Scheer (2007, 2008) pushed this idea further and believed that in a business context fairness judgment could be influenced by both nationality and culture as well as industry norms and standards. However, relevant research is still in the conceptual stage and no conclusive evidence is available at present.

2.3.3   Fairness research in B2B marketing

As one of the most common human concerns, fairness also plays a critical role in business relationships. Fairness research in the business context started as early as the 1980s, however, it was quite short and limited compared with the long study histories and fruitful outcomes in other disciplines of the humanities and social sciences. Since the publication of the classic paper by Kumar, Scheer, and Steenkamp in 1995, more and more marketing scholars have been inspired by the work and recognize the importance of fairness. Research is now rapidly increasing with many notable works (e.g., Jap, 2001; Brown et al., 2006).

Distributive fairness and procedural fairness are defined contextually in business marketing. Distributive fairness refers to a firm's "perception of the fairness of earnings and other outcomes that it receives from its relationship" with its partner. Procedural fairness, on the other hand, is defined as the perception of the fairness of a firm's procedures and processes in relation to its partners (Kumar et al., 1995, p. 55).

To the extent of the author's knowledge, fairness research in the B2B field focuses on answering a same question: How does perceived (un)fairness impact business relationships? The research puts a great deal of emphasis on this from the perspectives of both fairness and unfairness. Direct effects include that a fair distribution is positively related to channel members' satisfaction and performance, negatively related to conflict between them. A fair perception enhances long-term orientation and relational behaviors (Griffith et al., 2006; Brown et al., 2006), while unfairness tends to generate hostility, conflict, and opportunism in business relationships (Kaufmann & Stern, 1988; Samaha et al., 2011). Moreover, unfairness also causes negative reactions; firms might be angry when they receive negative, inequitable outcomes (Scheer et al., 2003).

According to previous literature, fairness also has indirect outcomes. For instance, Kumar, Scheer, and Steenkamp (1995) found that as the outcomes received from the relationship

increase, the importance of distributive fairness on the relationship quality increases, while in long-term relationships, procedural fairness is more important than distributive fairness.

Finally, (un)fairness itself acts as a moderator in business relationships. Cui et al., (2007) demonstrated that in a fair channel relationship coordination could be achieved by using a constant wholesale price. On the other hand, it has been identified that conflict and opportunism slightly decrease a channel member's outcomes if the perceived unfairness is low (Samaha et al., 2010). In addition, they also found that perceived unfairness strengthened the negative effects of conflict and opportunism on cooperation and flexibility.

Table 2-6 on the next page provides a summary of primary literature on fairness judgment in business marketing.

Table 2- 6 Primary literature on fairness judgment in business marketing

Author(s)	Research Setting	Fairness Type	Main Findings & Contributions
Hofer, Knemeyer, Murphy (2012)	Logistics Outsourcing Relationships	Distributive & procedural fairness	1. Procedural justice positively related to trust. 2. Trust is positively related to long- term orientation, cooperation, and proactive improvement.
Liu, Huang, Luo & Zhao (2012)	Buyer-supplier relationship	Distributive, procedural & interactional fairness	1. Mutual perceptions of distributive justice, procedural justice, informational justice are positively related to buyer-supplier coupling behaviors. 2. Mutual coupling behaviors by the buyer and the supplier (knowledge sharing, continuous commitment, and relationship investment) are full mediators between mutual justice perceptions and relationship performance. 3. Mutual procedural justice has the greatest impact on mutual knowledge sharing and mutual relationship investment, and informational justice has the greatest impact on mutual continuous commitment. 4. Informational justice exerts the strongest indirect effects on relationship performance, followed by procedural justice.
Samaha, Palmatier, Dant (2011)	Longitude research on a fortune 500 firm's channel	Distributive unfairness	1. Perceived unfair distribution deteriorates the level of conflict and opportunism, and damages the benefits of using contracts to manage relationships. 2. The role of perceived unfairness with regard to the effects of conflict and opportunism on cooperation and flexibility, specially, when perceived unfairness is low, high levels to low levels of conflict and opportunism's effects on cooperation and flexibility change slightly. 3. Contract utilization aggravates negative effects of perceived unfairness. 4. Cooperation and flexibility greatly increase performance.
Jambulingam, Kathuria, Nevin (2011)	Channel Relationship	Distributive & procedural fairness	1. Trust fully mediates the effect of fairness on loyalty. 2. Under conditions of no perceived interdependence, mutual independence and symmetric buyer dependence, fairness directly influences loyalty.

Ting (2011)	Business relationship	Distributive & procedural fairness	Dual domains model: Economic Chain and Social chain 1. Better distributive fairness leads to higher economic satisfaction, which then enhances the trust in supplier's ability and continuance commitment. 2. Procedural (and interactional) justice leads to higher non- economic satisfaction, which then increases trust in supplier's benevolence and integrity and the affective commitment and normative commitment. 3. Distributive fairness has a direct influence on ability trust and continuance commitment, economic satisfaction has a direct impact on continuance commitment. 4. Procedural (interactional) fairness has a direct influence on benevolence (and integrity) trust and affective (normative) commitment. 5. Non- economic satisfaction has a direct influence on affective commitment.
Luo (2008)	Strategic alliances	Procedural fairness	1. Procedural fairness has a direct effect on operational outcome, and an indirect effect on financial outcome via increased trust driven by fairness. 2. Procedural fairness contributes more to performance outcomes when strategic alliances are equity joint ventures than if they are contractual agreements.
Griffith, Harvey, Lusch (2006)	Industrial channel	Distributive & procedural fairness	1. Perceived distributive and procedural fairness generate long-term orientation and relational behaviors. 2. Long-term orientation and relational behaviors are positively associated with satisfaction and negatively with conflict. 3. Conflict affects performance negatively.
Brown, Cobb, Lusch (2006)	Durable /Nondurable goods channel	Distributive & procedural fairness	1. Normative contracting relates positively to satisfaction and negatively to conflict. 2. Explicit contracting links to higher levels of conflict. 3. Both types of fairness limited the level of conflict. 4. Firms are more satisfied and less conflict with their relationship when they perceive fair distributive outcomes. 5. Firms have less conflict with their partners when they experience procedural fairness. 6. High distributive fairness is positively affect satisfaction effectively as procedural justice.

Yilmaz, Sezen & Kabadayi (2004)	Supplier-reseller relationship	Distributive & procedural fairness	1. The perceptions of procedural fairness and distributive fairness exert positive effects on reseller satisfaction, and the effect of procedural fairness is stronger. 2. Environmental uncertainty has a positive effect on reseller satisfaction. 3. Reseller evaluations of supplier financial and operational support are found to be positively related to distributive fairness and procedural fairness perceptions. 4. Delivery performance and operational support positively affect procedural fairness judgments.
Scheer, Kumar, Steenkamp (2003)	Automobile channel in US and Netherlands	Distributive fairness	1. Reactions of dealers in US and Netherlands to negative / positive inequity, specially, Dutch firms experience hostility when they have negative inequity and feel guilty when they receive positive inequity. US firms feels nothing when they are overcompensated. 2. Cultural differences are compared when reacting to inequity.
Jap (2001)	Inter-firm relationship	Distributive fairness	1. Under varieties of resource and organizational conditions, using certain principle of distribution (equity or equality rules) can increase relationship quality. 2. Separating each firm's input to a collaboration and the joint creation of idiosyncratic input enhances relationship quality. 3. Use of equity has negative effect on relationship quality when firms have reasonable expectation of each other's payoff. 4. Different goals of collaboration (spin technology into or out of federal organizations) should have different sharing strategies.
Gassenheimer Houston, Davis (1998)	Business relationship	Distributive fairness	1. Relational outcomes are influenced by dependence, interdependence, social and economic values as well as fairness perceptions. 2. Different types of relationships are defined based on transactional cost analysis, social exchange theory and dependence status, under these types, perceptions of fairness are vital for relationship retention decisions.
Kumar, Scheer, Steenkamp (1995a)	Automobile channel in US and Netherlands	Distributive & procedural fairness	1. Distributive and procedural fairness increase relationship quality with the moderations of outcomes and environmental uncertainty level. 2. Procedural fairness affects relationship quality stronger than distributive fairness in building long-term relationship 3. Theory concepts and models are tested on cross-national data.

Table 2-6 above depicts a brief review of the major fairness literature in the B2B context. As can be seen, despite the extensive work on the outcomes of fairness, the underlying fairness judgment process has rarely been the main focus of research. In other words, the questions of how a company shapes its fairness judgment regarding business relationships and which factors influence such fairness judgments has still been left unanswered.

2.4   Research questions

To set forth the research base for this study, a preliminary conceptual model was presented at the beginning of the chapter. Figure 2-3 shows a refined model of the major constructs and their relationship.

Figure 2- 3 Preliminary conceptual model
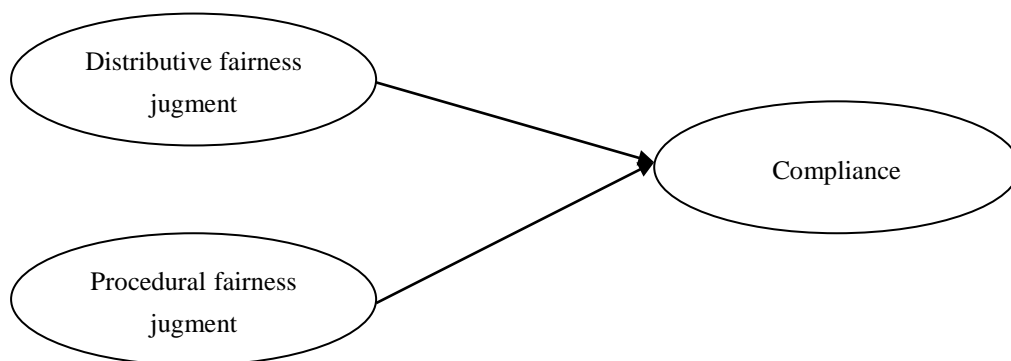
2.4.1   Research gaps

2.4.1.1 Research gaps in B2B compliance

Compliance research is well known as one of the most important subjects in the context of business because it studies the great effect of a firm's ability to change the behaviors of other firms to satisfy the firm's own preferences. Over the past 30 years, marketing scholars have

only made good efforts in studying the sources of influence strategies to help firms improve their persuasion skills. At the same time, they have rarely taken the research perspective on the complying firms, which are indeed the final decision makers, despite the fact that other disciplines shifted the focus to the non-strategy sources of compliance long ago (e.g., Colquitt and Rodell, 2011; Van den Bos, et al., 2001). The situation did not change until fairness heuristic theory was introduced in the B2B context in 2011. However, this kind of research was just a start and is still very insufficient. Moreover, no relational factors other than fairness judgment have been investigated as the antecedents of compliance. Hence, it is essential to conduct research from the perspective of complying firms in an inter-organizational context since little is known about their concerns when making compliance decisions. From table 2-7 one can easily understand that B2B compliance research is fairly limited.

Table 2- 7 Summary of research directions on antecedents of compliance

Directions Subjects	Social Psychology	Business Marketing
Personal Traits	×	
Relational sources	×	
Influence Strategies	×	×
Particular Contexts	×	×

2.4.1.2 Research gaps in B2B fairness

Fairness theorists (e.g., Lerner, 1974; Leventhal, in press) repeatedly indicate that various conditions call for corresponding allocation principles. Particularly, "in cooperative relations in which economic productivity is a primary goal, **equity** rather than equality will be the dominant principle of distributive justice" (Deutsch, 1975, p. 143). This means that equity is the most appropriate shared norm in a business context. In fact, marketing scholars often do

apply the equity norm to fairness research and sometimes naturally treat an equitable share as fair. However, equity is not as applicable in business practice. According to Scheer (2007), an equitable outcome is not always judged as fair by firms. First, the defined equitable state only exists when both firms' outcome-to-input ratios are equal (Adams, 1965), yet this perfect equivalence is hardly attainable. Besides, most of the time firms do not have actual information on the outcome and input of their partners (Scheer, 2007; Van den Bos & Lind, 1997). Finally, even though the input and outcome information is available, firms still have different understandings of relevancy (Adams, 1965). In other words, they might disagree on whether certain efforts or returns should be counted as input or outcome. Hence, it is easy to come to the conclusion that an equitable allocation can neither be easily achieved nor precisely calculated. Although equity is the most suitable norm in a business context, its limitations are obvious and significant. For similar reasons, other norms of outcome allocations are not effective for generating a corresponding fairness judgment in business relationships.

On the other hand, findings reveal that people's fairness judgment is distorted consciously or unconsciously (e.g., Azar & Darvishi, 2011; Elovainio, et al., 2005) depending on their own circumstances and relationship status. Since inter-organizational fairness judgment is a perception of a group of people, certain relational and situational factors could also have effects on it. Moreover, business relationships are a lot more complex than interpersonal relationships, and firms might be more concerned with contextual influences when judging fairness. Despite its importance, research on the contextual sources of fairness judgment has not yet been conducted in Business Marketing as it has in other disciplines (see table 2-8).

Table 2- 8 Summary of research directions on sources of fairness judgment

| Directions\
Subjects	Social Psychology	Business Marketing
Norms of fairness	×	×
Contextual sources	×	
Relational sources	×	

2.4.2   Research questions

After providing an overview of relevant literature, what has and what has not been done in the B2B field becomes clearer and it is easy to identify a significant inadequacy in prior research. This work aims to focus on the research gaps and, in particular, attempts to find the common type of sources of both compliance and fairness judgment, that is, the relational sources, to explore which relational factors affect these two constructs.

The central aim of this study is to answer the following research questions:

1. How does a firm's fairness judgment regarding the overall business relationship influence its compliance with its business partner?

2. Other than fairness judgment, which relational factors are also taken into considerations by firms in the compliance decision-making process?

3. Which relational factors affect a firm's fairness judgment of the business relationship?

The goal of this work is to test the compliance sources on relational factors rather than on tactics. It also aims to explore the antecedents of fairness judgment, which, according to the author's knowledge is the first attempt to do this in Business Marketing research.

In attempting to answer these questions, a mixed methods research approach has been developed, which is presented in detail with the qualitative part of the results in the next chapter.

3 Research Approach and Qualitative Research

3.1 Mixed methods approach

The debate over whether a quantitative or qualitative research paradigm should serve as the approach for social science research has been conducted for over a century. Certainly, both paradigms have their strengths and weaknesses. In order to be move beyond quantitative versus qualitative research arguments, and draw from the "strengths" and minimize the "weaknesses" from both approaches (Johnson & Onwuegbuzie, 2004, p. 127), a third paradigm, the mixed methods approach is used in this work.

The mixed methods approach has been defined in various ways, but this work adopts Chen's (in Johnson, et al., 2007, p. 119) definition:

"Mixed methods research is a systematic integration of quantitative and qualitative methods in a single study for purposes of obtaining a fuller picture and deeper understanding of a phenomenon. Mixed methods can be integrated in such a way that qualitative and quantitative methods retain their original structures and procedures (pure form mixed methods). Alternatively, these two methods can be adapted, altered, or synthesized to fit the research and cost situations of the study (modified form mixed methods)."

This definition not only clarifies the breadth and the purpose of mixed methods, but also, and more importantly, the integration structure and procedure of the research method.

When designing the mixed methods, the researcher should carefully consider how to obtain the greatest benefit from the mixed methods (Creswell, et al., 2003). Qualitative research has strengths in that "it is useful for describing complex phenomena, describes phenomena as they are situated and embedded in local contexts in details, and it also identifies contextual and setting factors," while the major advantages of quantitative research are that "it could test and validate already constructed theories about how phenomena occur, and can generalize

research findings when the data are based on random samples of sufficient size, and when it has been replicated on many different populations and subpopulations" (Johnson & Onwuegbuzie, 2004, p. 21). The integration of both approaches can help to find convergent results, bracket the range and scope of estimates for the correct answer, assess the plausibility, and enhance the interpretability (Mark & Shotland, 1987).

The use of the mixed methods approach in this work is also greatly concerned with maximizing the strengths of the two approaches. To date there has been very limited research on the antecedents of fairness judgment and compliance, which is why the qualitative method is needed to explore and identify the relational elements that affect fairness judgment and compliance. Besides, qualitative interviews also help to deepen the understanding of the influencing effect of settings on fairness judgment and compliance, in particular, the fairness judgment that is dependent on the local situations and industrial environments. Finally, the qualitative results also serve as corroboration, which boosts confidence in the quantitative research in the next research phase. Since there are few relevant findings in this field, this function of the qualitative research is especially important for this work. As a major part of the research method, quantitative research is even more important for this work. Its function of examining the validity of research models and the relationships between target variables is most needed. As a result, the research findings can be generalized with higher credibility.

In order to achieve the above goals, an effective mixed methods strategy has been designed for this work. Creswell (2009) notes that planning the mixed methods procedure consists of four important aspects: timing (concurrent or sequential), weighting (equal or prior), data mixing (connecting, integrating, or embedding), and theoretical perspective. Since the purpose of conducting mixed methods research in this work is to find corroboration in the qualitative results and to use the findings to inform the quantitative research (Johnson and Onwuegbuzie, 2004), the author has designed the procedure as a *sequential* process, conducting the qualitative research first, followed by the quantitative research. The *quantitative* approach is the *major method* of research because the primary aim of this work is

to examine the estimated results and generalize the findings based on random samples of a sufficient size. The qualitative data are *embedded* in the quantitative data to provide information to support the following survey (Creswell, 2009). Last but not least, a large, *theoretical perspective* (fairness heuristic theory) guides the entire design, which is explicitly evident since it shapes the types of questions asked. The shaded section in Figure 3-2 stands for the strategy adopted in this work.

Figure 3-1 Mixed methods design matrix with mixed methods research designs

(Source: Johnson & Onwuegbuzie, 2004, p. 22)

	Time Order Decision	
	Concurrent	*Sequential*
Equal Status	$QUAL + QUAN$	$QUAL \rightarrow QUAN$ $QUAN \rightarrow QUAL$
Dominant Status	$QUAL + quan$ $QUAN + qual$	$QUAL \rightarrow quan$ $qual \rightarrow QUAN$ $QUAN \rightarrow qual$ $quan \rightarrow QUAL$

Paradigm Emphasis Decision

Note: "qual" stands for qualitative, "quan" stands for quantitative, "+" stands for concurrent, "$\rightarrow$" stands for sequential, capital letters denote high priority or weight, and lower case letters denote lower priority or weight

3.2   Qualitative research

3.2.1   Qualitative method

Qualitative research is broadly defined as "any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification" (Strauss &

Corbin, 1990, p. 17). One goal of the qualitative phase of this work is to examine and find support for the estimated relationships between fairness judgment and compliance and the hypothesized effects of the other three relational elements (dependence, trust, and bonds) on fairness judgment and compliance. In addition, new ideas or influences that are relevant to the research can also be discovered during this phase of research.

In order to achieve the above aims, the (in-) depth interview method is used as the data collection method. A depth interview is defined as "In-depth interviewing is a qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation." (Boyce & Neale, 2006, p. 3). Depth interviewing has a variety of advantages, such as the flexibility to collect data or activities and behavior patterns, attitudes, motivations and feelings, the potential to collect a large amount of detailed data, and the possibility to probe the respondent further (Hair, et al., 2008). Wansink (2000) noted that depth interviews were especially useful when the researcher wanted to understand decision-making. This research attempts to explore a firm's fairness judgment process and compliant decision-making, which is why depth interviewing has been chosen as the research method.

Furthermore, the protocol analysis, a special-purpose qualitative research technique that has been developed to investigate people's decision-making processes, is used. Protocol analysis refers to "placing a person in a decision-making situation and asking him or her to verbalize everything he or she considers when making a decision" (Burns & Bush, 2005, p. 4-56). Because it requires the interviewees to "think aloud," the protocol analysis can best serve the purpose of this work. On the one hand, the purpose of the research project is to find the latent considerations of firms when they make compliance decisions (the fairness judgment process could also be regarded as decision-making). On the other hand, as an abstract concept, the fairness judgment process is very complex and it gets more complicated when both the judgment subject and object are organizations. Therefore, the protocol technique helps the interviewees to review their decision-making experiences step-by-step and allows them to recall all of their considerations.

Finally, the interviews are designed in a semi-structured manner, which both encourages free expression on the part of the interviewees and ensures the relevance to the research questions.

3.2.2   Sampling

The interview participants were basically found at industry fairs and business conferences. Two of the participants were introduced by the earlier participants' referrals and three (Chinese marketing managers) were obtained through personal networking contacts. The interview invitations were made face-to-face or by phone calls. The interviews were recorded and transcribed as Word files immediately after each of the interviews.

The sample selection uses a maximum variation (heterogeneity) sampling strategy to ensure "the conclusions adequately represent the entire range of variation, rather than only the typical members or some 'average' subset of this range" (Maxwell, 2005, p. 98). Sandelowski (1995) asserts that researchers who want maximum variation in their sample should decide on the kinds of variation they want to maximize. In this work, the firm size, the type of industry, and the B-to-B experiences of interviewees are well considered with heterogeneity. Furthermore, culture differences have also been covered as a kind of variation. Preparing for the later cross-cultural survey in Germanic countries and China, both German and Chinese firms were selected for interviews.

Regarding the sample size, it is indicated that the sample size should match the purpose and method chosen for a particular study (Sandelowski, 1995). For purposeful sampling, the sample size is determined by informational considerations and information redundancy (Lincoln & Guba, 1985). Since the qualitative approach is not the major method of this work and the main tasks of the interviews are to locate influencing elements and find support for the following quantitative research, the sample size in this work is not very large. In total, 11 interviews were conducted.

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3.2.3 Thematic analysis

The interview data are analyzed using the thematic analysis approach, which is a process for encoding qualitative information (Boyatzis, 1998). The specific thematic codes are developed by a deductive approach, or more specifically, the theory-driven approach. Miles and Huberman (1994, p. 119) recommend that analysts who choose to use this approach create a "provisional 'start list' of codes prior to fieldwork." The conceptual framework, research questions, hypotheses, problem areas, and/or key variables focused on in the research can all be considered in making the list. In fact, the list allows the analyst to stick to the research questions and link them directly to the interview data.

In this work, some of the codes on the start list come from the key constructs (variables), compliance and fairness judgment. The conceptual framework is also used to generate the list, meaning that the relational elements that are hypothesized to influence fairness judgment and compliance are also considered in making the list. One point that should be noted here is that the conceptual framework is modified and refined after analyzing the interview data. The conceptual framework used in this phase was therefore different from the final version of the conceptual framework presented in the next chapter.

The coding process is conducted manually.

3.2.4 Validity and reliability of the qualitative research findings

Patton (2001) indicates that validity and reliability are two factors that should concern any qualitative researcher when designing a study, analyzing results, and judging the quality of the study. In qualitative paradigms, validity refers to credibility, transferability, and

confirmability (Lincoln & Guba, 1985), and reliability refers to the dependability (Lincoln & Guba, 1985) and consistency (Healy & Perry, 2000).

To make sure the qualitative research is credible and transferable, researcher bias and interviewee reactivity or reflexivity are minimized (Maxwell, 2005). The "member checking" technique (Creswell & Plano Clark, 2007) is used. Before being analyzed, the interview transcripts were e-mailed to the interviewees for confirmation.

Several verification strategies are also conducted within the qualitative research. Verification refers to "the mechanisms used during the process of qualitative research to incrementally contribute to ensuring reliability and validity and, thus, the rigor of a study" (Morse, et al., 2002, p. 9). First, in order to ensure congruence between the research questions and the interviews, the *methodological coherence* strategy is kept throughout the entire research process. Second, *sufficient sampling* is used to ensure the participation of professionals knowledgeable about the research topic. Third, *data collection and analysis* are conducted *concurrently*. Finally, the ideas emerging from the data are *reconfirmed* in new data, and the new ideas are verified in the data already collected.

3.2.5   Ethical considerations

The author considers ethical issues throughout the entire research process.

In the qualitative phase of the research, all of the interviewees voluntarily participated in the interviews and were informed that they could withdraw from the interview at any time. Before each of the interviews, the author first assured the participants that their identities would be kept confidential. The quotes would only be cited in publications without corresponding to the names of their firms or the mentioned partner firms. Moreover, the author tried to design the interview questions to avoid potential harms and conflicts with their personal or firm's rights and interests. The author also prepared some alternative questions in case of difficulties or tension.

In the quantitative phase, the questionnaire invitations were sent via e-mail or internal messages on the business platform "XING." The invitations gave a general introduction to the overall research project, the goal of the research, and the plan to collect data. It also stressed information confidentiality and declared that the results would only be published on an aggregated basis. Participants who were interested in the results would receive a short report. The questions were generic and clearly worded, which also met the statistical requirements for establishing construct validity.

3.3   Qualitative data collection

3.3.1   Preparation and collection of qualitative data

As many as 34 phone calls and nine face-to-face requests were made to the marketing / purchasing managers at both Chinese and German companies to ask whether they would be interested in participating in the research interview. A short description and the purpose of the study were interpreted during the calls or face-to-face conversations, and finally eleven interviews were conducted (five German companies and six Chinese companies). Each of the interviews lasted between 30 and 45 minutes. Three interviews of Chinese companies were conducted in German cafés when the marketing managers were on business trips in Germany, three interviews of German companies were conducted right after the business conference or business match-making meeting in Berlin, Germany, and the rest of interviews were conducted in the interviewees' companies (both in China and Germany).

The author transcribed all of the interviews, which was done immediately after each interview using the audio recording to ensure the accuracy.

Different languages were used for the interviews. The interviews of Chinese companies were conducted in Chinese and later translated into English after transcription for coding analysis.

English was used when interviewing German companies. In order to make sure that the interviewees correctly expressed the real meanings and that the interviewer (the author) fully understood them, a native German speaker who is fluent in English was invited to attend all of the interviews of German companies to explain and discuss anything that was unclear.

3.3.2   Description of interviewees

The interviewees are familiar with the business relationships and have at least two years of experience dealing with the business with their partner companies. The detailed descriptions of the interviewees are provided in table 3-1, which is listed in the chronological order of the interviews.

Table 3- 1 Description of Interviewees

No.	Country	Industry	Position	Years of B2B Experience	Numbers of Employees
1	China	Office Paper Dealer	General Manager	12	19
2	China	Petrochemicals Producer	Sales Manager	9	> 10000
3	China	Solar Panels Producer	Sales Manager	22	2000+
4	Germany	Strategic Consulting	General Manager	7	<10
5	China	Telecom Technology Provider	Sales Representative	4	9000+
6	Germany	Auto Parts Manufacturer	Sales Representative	8	>10000
7	Germany	Managerial Consulting	General Manager	4	<10
8	Germany	IT System provider	Sales Manager	2	137
9	China	Stereo System Producer	General Manager	7	680
10	Germany	Art & Craft importer	Purchasing Manager	13	74
11	China	Digital Devices Producer	Sales Manager	8	1700+

As can be seen in the table, the interviewees come from a range of various industries and service organizations, including an office paper dealer, petrochemical plants, consulting firms, and so on. They also hold different types of positions in their companies, though most are general managers, sales managers, and purchasing managers.

In terms of the interviewees' experience in dealing with business relationships, three of them have less than 5 years of experience, five have 5-10 years of experience, two have 10-20 years of experience and one has over 20 years of experience. With regard to the company sizes, Chinese companies normally have many more employees than their German counterparts, which have the same level of revenue. Hence, the definition of a large/medium/small company in China is different from in Germany and other European countries. In accordance with the latest regulation of MIIT China (Ministry of Industry and Information Technology), the Chinese sample includes one small company (less than 300 employees), two medium-sized companies (300-2000), and three large companies (over 2000). While turning to the relevant rule in Germany, there are two interviewees from small companies (less than 50 employees), 2 from medium-sized companies (50-249), and one from a large company (over 250) [defined by European commission].

3.3.3 Interview questions and relevance to the research questions

The questions about fairness judgment are asked before the questions about compliance for two reasons. First, fairness judgment is suspected to be an antecedent of compliance, so asking questions in the order of decision-making enables the interviewees to logically connect the two main constructs. Second, compliance is a "negative" concept that firms would like to gain from their partners, but not impose on themselves. These questions are thus raised later when the interviewee and the interviewer are more relaxed and more familiar with each other to avoid an unpleasant atmosphere at the beginning of the interview.

Three categories of questions were prepared before the interviews. These categories are: (1) General questions about the basic situation at the company; (2) Warm-up questions about general feelings of fairness; (3) Considerations when making fairness judgments; (4) The determinants of compliances; and (5) Concluding and complementing questions. To be more specific, the second category of questions was added after the third interview. According to the first two interviewees, fairness was an abstract concept that they could sense, but could not easily measure. The second category thus includes questions about the two types of fairness and helps the interviewees get into the topic quickly and clearly think of relevant cases. The third category clarifies the factors that influence the fairness judgment of firms regarding business relationships with their partners. An "extreme" question was prepared for interviewees who had difficulties answering the questions. The fourth category is meant to identify the elements that lead to compliance, particularly, if fairness judgment would have an impact on compliance. The examples of questions and the relevant research questions are presented in table 3-2.

Table 3- 2 Categories of interview questions with examples

Categories	Relevant research questions	Interview question examples
(1) General questions	Understanding of the company and the relationship status	- What is your company's main business? How many employees does your company have? - Could you name your main clients? - How long have these relationships lasted?

(2) Warm-up questions	Awareness and cognition of fairness	- How would you normally share outcomes between your company and the partner, and why? - How do your company and your partner company normally make procedural policies regarding the business relationship? - Which factors are essential for constituting a fair business relationship?
(3) Considerations when making fairness judgments	1. Which elements are taken into consideration by firms when they judge distributive and procedural fairness regarding their business relationships? 2. How would these elements influence fairness judgments?	- Does your company have unfair outcomes or is it experiencing unfair procedures in certain relationships? - Would you adjust the fairness judgments? Under what conditions would you do so? - Do you have different concerns when facing different companies? - (Extreme case) Is your company still in one relationship that your company believes is not fair? Why?
(4) The determinants of compliances	1. What is the effect of fairness judgment on compliance? 2. Are there some other elements or considerations that make one firm decide to comply?	- Has your company ever complied with your partner's requests? - Would you fulfill the request if you think it is fair even if you don't want to? - Are there any other situations or considerations under which you are likely to comply with the requests of the partner?
(5) Concluding and complementing questions		- Do you have anything to add? - Is there anything I should have asked, but have not?

In order to be most effective, the questions and the wording of the questions varied slightly from one interview to the next. The order of the questions within one category sometimes changed and sometimes a question was skipped depending on the answer and how relevant the interviewees considered it.

3.3.4   Coding method and data analysis process

The qualitative data were analyzed by applying Braun and Clarke's (2006) 6-phase thematic analysis process. Table 3-3 shows the general analyzing phases with the detailed coding steps. However, the analysis was not exactly processed stage-by-stage as presented below; sometimes certain phases were iterative. Besides, the data collection and analysis were undertaken concurrently, and the coding analysis was done manually.

Table 3- 3 Qualitative (Thematic) analysis phases (Braun & Clarke, 2006)

Phase	
1. Familiarizing with data	3. Searching for themes

2. Generating initial codes
    1)   Producing of initial codes
    2)   Reviewing literature and reconstructing the codes
    3)   Connecting the codes and searching for themes
	4. Reviewing themes

	5. Defining and naming themes
	6. Producing the report

Codes are defined as "the most basic segment, or element, of the raw data or information that can be assessed in a meaningful way regarding the phenomenon" (Boyatzis, 1998, p. 63-5). Braun and Clarke (2006) also stated that generating codes was related to the feature of the data concerning the analyst's interests. They suggested that the "theory-driven" themes could be approached with specific questions in the interviews, which is why some higher ranking themes were prepared before coding, and the measurements of relevant hypothetical theories were directly used as codes.

The next step was to sort various codes into potential themes. A theme is broader if it "captures something important about the data in relation to the research question and represents some level of patterned response or meaning within the data set" (Braun and Clarke, 2006, p. 82). The main task in this stage was thinking about the relationship between

codes, between themes, and between different levels of themes. After themes were collected, a good review was carried out to refine them. A check was conducted to see if they were well supported by data, if they conflicted with each other, or if they needed to be separated by applying Patton's (1990) dual criteria – internal homogeneity and external heterogeneity. Some codes were generated at this review stage, and the whole set of stages was gone over again to ensure approaching consistency.

3.4   Key findings of the qualitative research

This section provides the key findings of the qualitative research. The order presented is based on the order of the interview questions.

3.4.1   Fairness judgment

During the interviews, the author gradually noticed that fairness was a difficult topic for marketing professionals (companies). When referred to fairness, most interviewees expressed that it was not very easy to form a judgment on fairness since it was very abstract and complicated. Hence, the question normally took longer for them to answer. The detailed codes and some selected interview quotes are provided in Table 3-4.

Table 3- 4 Sample quotes of making distributive and procedural fairness judgment

Conceptual codes	Definitions of the codes	Sample quotes

Distributive / Outcome fairness judgment	The perception that the outcomes the firm receives from a B-to-B relationship are appropriate	1. I believe a fair outcome is coverage of the cost plus **reasonable** profit. 2. When our **deserved** outcomes are received from the relationship, we call them fair. 3. Basically, a fair allocation of outcomes is supposed to consider the **contributions**. 4. If we earn more or less the same **as our partner**, then I could say it is a fair relationship. 5. Our industry is quite transparent, so we are asking the **same** with our main **competitors**, or at least the **average outcomes** within the industry.
Procedural fairness judgment	A firm's perception of the fairness of its partner's procedures, processes, and treatments in relation to it	1. The procedures are made in accordance with the common **standards** or **customs** of our industry. When applying to any firms, I think it is fair. 2. When we get **no lower level** of treatments from a customer compared to our other customers, we will judge the treatments as fair. 3. If a company treats us same with (as) **their other suppliers**, we are satisfied with the treatment.

During the interviews, the author noticed that the Chinese companies generally had a lower level of awareness of fairness compared to their German counterparts. To be specific, the fairness judgment process is normally only generated by the Chinese companies when they sensed a significant imbalance or uncovered costs. Three Chinese general managers even bluntly admitted that they had never thought about fairness, because the only thing that mattered was to close deals. Their words revealed that most Chinese companies are still in the early stages of development. Since economic results are their primary concern, they seem to have little need for concepts such as fairness. On the other hand, German companies actually have higher considerations of fairness than they have realized. Their business practices and advanced managerial principles guarantee that companies receive "appropriate" outcomes, which in fact corresponds to the philosophy of fairness.

As can also be seen from the above quotes, procedural fairness judgment was much less frequently mentioned than distributive fairness judgment. According to the interviewees, the procedures were nailed down by contracts, general regulations/policies, and industry customs and standards. In addition, some procedures had been followed even far before the interviewees worked for the companies, which was why they preferred not to judge as long as the processes were standard. Treatment was thus mentioned most often.

3.4.2   Considerations when making fairness judgments

The fairness judgment process is quite complex for individuals, let alone for companies engaged in even more complicated joint activities and that allocate much more in outcomes gained from such activities. In this case, companies are very likely to have a number of considerations when they make fairness judgments. One primary attempt of this research is to explore these considerations. Hence, questions were pursued such as "Other than the above principles you mentioned, are there other concerns that influence the fairness judgment regarding the business relationship with your partner firm?" When the interviewee did not have any idea about where to begin, a question was posed from the opposite angle, such as: "Could you think of one of your business relationships that is not very fair when judged by the 'principle' you mentioned before, yet your company still continues the business relationship or accepts the unfair outcomes/procedures?"

The theoretically hypothesized elements that might influence fairness judgments and their detailed codes are presented in table 3-5.

Table 3- 5 Relational influences of fairness judgment

Theme	Definitions of the codes	Conceptual codes	Definitions of the sub-codes
Dependence	Dependence refers to a firm's need to maintain the business relationships in order to achieve desired goals. (Frazier, 1983a)	Current sales and profits	The percentage of a firm's current sales and profits contributed by another firm.
		Expected sales and profits in future	The expected percentage of a firm's current sales and profits contributed by another firm in the future.
		Availability of alternatives	The availability of alternative companies to replace the currently cooperating one.
Trust	The perceived credibility and benevolence of a target of trust (Ganesan, 1994)	Credibility	The belief that a trading partner is expert and reliable in conducting transactions effectively.
		Benevolence	Beneficial intentions and motives of one partner for the other.
Bonds	Bonds are the psychological, emotional, economic, or physical attachments in a relationship that are fostered by association and interaction and serve to bind parties together under relational exchange. (Turner, 1970)	Social bonds	Personal ties or linkages forged during interaction at work.
		Structural bonds	Ties relating to the structure, governance, and institutionalization of norms in a relationship.
		Functional bonds	The multiplicity of economic, performance, or instrumental ties or linkages that serve to promote continuity in a relationship.

3.4.2.1 Dependence

A dependent status was the most mentioned influence that companies considered when they made a fairness judgment regarding their business relationships. Previous studies (e.g., El-Ansary, 1972; Kale, 1986) noted that dependence is found in three aspects: 1) when A currently contributes a high percentage of sales and profits, or 2) when A is expected to contribute more sales and profits to B in the future, or 3) when it is difficult to replace A with another company, then B is dependent on A.

The interviews suggested that when a company counted on the sales and profits from its partner, the company would make more positive fairness judgments about this partner. Here are two quotes that clearly reflect this effect:

> *This company is our **key** customer, approximately **a quarter of our sales** is from this customer every year. We are quite satisfied with the cooperation with them ... Fair? You won't care about if every penny you earn from them is fair. **Contributing so big amount of sales**, they deserve **more [of our] efforts and inputs** for this relationship.*

> *The **large amount of sales** this customer brings to us is a very **steady income**, which, on the one hand, saves us a great deal of costs and time, and eases the pressure of searching for other customers, and, on the other, greatly ensures the achievement of our sales goals. We get what we want, I think they do, too. From this point of view, I think the relationship is fair.*

Companies generally regard their partners that have contributed high sales and profits as "VIP" clients, and they would like to serve them with "special treats." Therefore, it is not uncommon that they would use a more "generous" standard to evaluate the outcomes from their "VIP" clients than from their normal, average clients.

On the other hand, companies do see negative outcome inequity as fair if they expect or believe they would get more deals for compensation from their partners in the future, even though there is not much happening at present. Examples are provided as follows:

> The firm is very likely to **become our customer** ... In the customer exploration phase, **efforts** and **investments** are inevitable; it is **common**.

> For example, an American importer came to us and ordered 30 sets of stereos. The order size was not so large. But we offered him very low prices with high level after-sales services... ... He has very good distribution channels in the US, and we hope we can get **more orders** from him **in the future**.

According to the interview results, the "sales and profits in the future" effect on fairness judgment is positive, yet the extent is greater for Chinese rather than German companies. Although German companies also expressed opinions that they would think about the next deal in the future, they were not as willing to invest too much initially. The Chinese companies, on the other hand, are more determined to win their clients as long-term partners. It may be because of the Chinese business tradition of building harmonious and long-term oriented relationships with every single client, meaning that Chinese companies do not easily let go of any potential clients. Hence, they tend to expend greater efforts and resources even long before they get big deals, and believe it is worth it.

Yet, there are no uniform answers to questions such as "What if your company did not get the expected business afterwards? Do you still think it is fair to receive inequitable outcomes?". Two companies attributed the inequitable outcomes to their partners' deliberate promises, which led them to believe they would certainly get the intended deals. In this case, the failure to get the expected deals would lead to a strongly unfair perception. Some companies expressed that there was no certainty in business, so this was still acceptable. As one general manager said during the interview: "You never know who will be your key account, but it's

worth a shot … Yes, I agree the advanced investment could be a risk, but even if only one in ten clients comes back to us, we still win new business, and maybe later on, a long-term cooperation. So I will not regret [it]." Since the company volunteered to receive the negative inequity, the fairness judgment will not be changed. Hence, companies might judge inequitable outcomes as fair if they expect future businesses from their partners, but the judgments are also very likely to change based on the real business results afterwards.

The third aspect of dependence is the availability of alternatives, meaning how difficult it is to find another company to replace the current partner. This is also a well-mentioned point that companies consider when they judge fairness. Here are two quotes as examples:

> Our industry is intensely **competitive** ... We have to lower our prices while still offering good services ... You ask me if I think it is fair or not [and] I have to say [that] compared with our competitors, we already get a **pleasing** outcome. However, we [will] never expect our customers input as many as we do ... This is the status quo of the whole industry, not one company's issue.

> There is very **limited number** of firms that need our technology ... So normally they are very harsh and captious, but that is not all. Some of them make "special" policies, for example, to prolong system maintenance, or postpone the payment ... It is not fair in common sense, but it is the rule of survival, our kind of fairness.

The effect of availability of alternatives is again stronger for Chinese companies than for German companies. The major reasons might lie in the following two aspects. On the one hand, most industries in China are buyers' markets at present, hence the inferior sellers more or less have fewer equity concerns or expectations. On the other hand, the products and services offered by Chinese suppliers are highly similar, most of which lack independent R&D and core technologies. This means that there are tiny differences in the functions between

them (Shao, 2010). However, it is still too early to draw conclusions from the interviews that a company facing fierce competition passively accepts the outcomes, but does not think it is fair at all, or considers inequity to be common throughout the industry, thus making it fair. As a supplier from Shenzhen (an industrial city in southern China) mentioned: "We keep transacting with our American customers not because we get fair outcomes, on the contrary, our profits are extremely low. The only reason is that we need to win the deals to survive the peer competition... A little is better than nothing."

As discussed before, most interviewees focus on economic results, which is why the "sales and profit" approach for measuring dependence is appropriate for this work. Moreover, the three dimensions of this measurement were well mentioned as rationales for making a fairness judgment. Hence, dependence is selected as the first relational influencing element of fairness judgment. More selected quotes on dependence are presented in table 3-6.

Table 3- 6 Selected quotes on the dependence effects on fairness judgment

Theme	Codes	Sub-codes	Selected quotes
Dependence	Current sales and profits	(Present/Current) sales & profits important/key	1. We ordered so **many deals** from them, their high percentage of **sales** are contributed by us, but the supplier does not compensate enough… Fairness only exists when they **input higher than us.** After all, the deals are much more **important to them** than to us. 2. We accept **less profits** for **large sales** ... [this] is **fair.** 3. We make exceptions for our **key accounts;** more **favorable outcomes and transaction policies** were considered for them than for the others.
	Expected sales and profits in the future	(Future/Plan/ Potential /Expected) sales & profits new business and deals	1. This company was recently **planning** a **big** project, part of which is highly relevant to our business. So we are preparing the extremely high quality control standard they demand, which we would not normally consider. 2. When expecting to do **more businesses** with a company in the **future**, we will certainly input more and may **accept less outcomes** than normal. 3. They (one supplier) are eager to **expand** their **sales** to us within **half a year**... So we keep the price down for the recent transaction and, of course, for future deals if possible.
	Availability of alternatives	Competition substitution/ alternative replace change	1. Our **competitors** leave us not so many choices. Fairness standard depends on the competitive strength within one industry. 2. In order not to be **replaced**...... the inequitable outcomes, from our point view, is fair... ...We need to give a better offer to compete. 3. This customer is really **important** to us ...... they bring us tangible and intangible **resources** we need, some of which could **only be offered** by them. So the overall relationship is very **satisfying**. 4. We can easily **change** our current supplier, there is plenty of options out there. We have advantages to get more than we give, and I think fairness should be so.

3.4.2.2 Trust

Trust is another commonly mentioned reason for fair judgments. Two aspects of trust, trust in benevolence and trust in credibility, are both proposed by companies to have effects on fairness judgments.

Benevolence is A's belief that B is genuinely interested in A's welfare and is motivated to seek joint gain (Doney & Cannon, 1997). During the interviews, the interviewer found that fairness judgments were sometimes based on trust in the other's kindness, which indicated that this dimension of trust positively influenced a company's fairness judgment. For example:

> *A company ... is different. There is **no doubt** that we (two companies)*
> *support each other and only do good to each other. The goal is to achieve*
> *a win-win situation, so [a] fair relationship is a necessity.*

> *We have been cooperating with this firm for more than seven years; we do*
> *not **believe** that they would **hurt** our interests. To keep the relationship*
> *continuous and harmonious, we have common sense that both of us*
> *behave **fairly.** We settle our differences of opinions on **responsibility***
> *allocation** as well as the newly added **procedural items**, which is why we*
> *are so **confident** with the fairness of relationship.*

Credibility, on the other hand, also appeared to impact fairness judgment frequently during the interviews. Rotter (1971, p. 444) defined credibility as "an expectancy held by an individual or a group that the word, promise, verbal, or written statement of another individual or group can be relied on." Some literature also included trust in honesty as part of the credibility dimension. Here the analyst adopted both meanings for this part of coding. To be specific, terms such as "promise and keeping words," "frank," and "honest" are classified under this category. Here are two quotes that reflect the effect of credibility on fairness judgment.

*Some of our partners are always **honest** to us, they clarify their costs, and sometimes also explain to us their circumstances to help us understand each other more. They seem to be **open** to us ... The distribution and treatment received from the cooperation with them are **just**.*

*We like this seller; they are always **frank** about their opinions on some issues at our firm. Sometimes the comments were negative, but they took the risk of offending us. The seller is not the kind of firm that does things under [the] table. So we tend to believe we get **fair** outcomes and treatment from the relationship.*

Although trust as an everyday concept is widely understood, not all the interviewees (companies) realized its different dimensions. They also were not always able to clearly distinguish between them. Instead, when talking about trust, people sometimes mean trust in general without specifying the content of trustworthiness. On the other hand, some "trustworthy" companies possess both characteristics, which might also be the reason that their trusting partners have make the distinction (the interviewees). The quote below provides such an example.

*The company I mentioned before is really **trustworthy**. They were not calling to cancel orders or ask for compensation when our supply chain had a serious problem last year. They keep their promises to us too... They are a true friend. We **believe** the outcomes are **reasonable**.*

More quotes that represent the effect of trust on fairness judgment are shown on the next page. By analyzing the interviews, the role of trust in fairness evaluation is becomes clearer, which is why the quantitative research will involve trust and test its impact on fairness judgment in the following part of the study.

Table 3- 7 Selected quotes on the effect of trust on fairness judgment

Theme	Conceptual codes	Sub-codes	Selected quotes
Trust	Benevolence	Support Kind Caring	1. Some companies showed **kindness** and offered their **support** during our hard time. They did not take advantage of us then; we believe they will not hurt our interests now or [in the] future. 2. Having been in this field for many years, I have at least such **confidence** in some partners that even if there were any inequitable outcomes, they must **have their reasons** and will compensate for us somehow afterwards. 1. "A gentleman makes his wealth through **ethical** means" (a Chinese saying). Maybe companies are more profit-oriented than private individuals. But I believe many companies hold this value, that is, to guarantee each other's deserved interests.
	Credibility	Frank Reliable Creditable Keeping words and promises	1. If you ask me to think of a fair business relationship, I will begin with the firms [that] offer us **reliable** messages or information. 2. We have a customer [who] always behaves opportunistically. Although we try to be alert, we cannot tell if they are cheating. If we are to make a fairness judgment about all our customer relationships, this one is certainly off the list. 3. When doing business with firms with **credibility**, you can't stop behaving the same way. It is like a "gentleman's agreement" ... Well, behaving in a fair way could be regarded as respect for **credibility**.
	General	Trustworthy Trust Kind and reliable	1. If we **trust** some clients, we will believe in **the good** in them. Being fair is of course part of it. 2. Our firm **trusts** clients like friends, so we are equal in the relationship. 3. The supplier **asks** our **opinions** every time it makes new plan relative to us and would never make **promises** that it can't keep … These kinds of firms are more likely [to be] fair....

3.4.2.3 Social bonds

Bonding is widely accepted to have the function of stabilizing buyer-seller relationships (Han, 1992). Previous research conceptualized three types of bonds: Social bonds, structural bonds, and functional bonds, which have effects on binding business partners (Han, 1992; Smith, 1998; Wilson, 1995). During the qualitative interviews, bonds especially social bonds were mentioned as important points that were considered in the fairness judgment processes by the interviewed companies.

Despite the fact that behaviors / activities of "building and maintaining relationships" and the closeness of business relationships have been hypothesized to affect compliance and fairness judgment, it is difficult to select an appropriate term for it in the conceptualizing phase. This problem becomes more significant during the interviews. First, there are several distinct concepts and variables regarding this phenomenon that have been conceptualized in previous studies with overlapped meanings (Wilson, 1995) such as business networking (Möller & Halinen, 1999), relationship solidarity (Kim, 2000), and closeness (Ferguson, 2005). Unlike dependence and trust, which have been clearly defined and well researched, the behaviors / activities of "building and maintaining relationships" remain relatively unexplored (Han, 1992) and called for further classification and research. Second, language is another problem. The interviewees are either from Germany or China and speak German or Chinese as their native language. In fact, the interviewees mentioned a range of words and activities pointing to networking behaviors. Hence, directly locating a term from the interviews is invalid. It is thus the author's task to sort them out and select a corresponding term in English developed in previous research that could epitomize the interviewees' meanings. Third, cultural customs also play a role in this issue. Particularly in China, the terms *guanxi* (literal translation is good/close relationship) and *gao guanxi* (to build close relationships) are used for unique business networking, and the activities and psychological attachments involved are significantly different from Western relationship marketing principles (e.g., Park & Luo, 2001; Wang, 2007; Yen, et al., 2011). At the same time, it is the common values and principles of

business networking shared by both Western and Eastern cultures that should be addressed for equivalence in the cross-cultural survey in the next phase of the work.

In an attempt to solve the above problems, the term social bonds was finally chosen as the third influencing element of fairness judgment. First of all, social bonds are comparatively better researched as relationship management behaviors not only by business scholars, but also by psychologists (cf. Han, 1992; McCall, 1970; Smith, 1998; Turner, 1970; Wilson, 1995). This means that social bonds are the basic social ties widely identified in human societies. Moreover, social bonds are international concepts that commonly apply in different business cultures. Although bonds do not have exactly the same implications as *guanxi* or *gao guanxi*, the business networking behaviors are fully covered, which are the primary focus of this work. Finally, compared with other concepts, social bonds have more comprehensive implications with all kinds of business bonding activities, psychological attachments, and the closeness of the relationship between business partners. Hence, social bonds have been chosen as the most appropriate concept in this work.

As the "personal ties and linkages forged during interaction at work" (Smith, 1998, p.78) social bonds are also regarded to be relevant for the fairness judgment. Firms tend to make more positive judgments about the fairness of business relationships when their partners also have social relationships with them. The two quotes listed below reflect this effect:

> *I can think of one business relationship of ours that is fair. I am a friend of the product manager as well as some salespersons with [at] that company ... The **friendship** is also between the two companies, we have many social interactions. So our company has good knowledge of the staff, the internal environment, and the business style of the company. That's why I am certain of the fairness.*

> *I (the general manager of an interviewed company) have a very **good [quality of] relationship** (**guanxi**) with the GM of the company I*

mentioned just now. Dealing with business relationships is like personal

friendships, but more subtle and also sensitive, especially in terms of

economic interests. It is very important to keep a balance. No relationship

can last long if one party always takes more. We both value the

*relationship (*guanxi*), so we try our best to be **fair** to each other.*

Social bonds are mentioned to have an influence on fairness. The reason behind this could be that people tend to be more tolerant of their closely bonded friends and are more likely to make positive judgments about them. Since social bonds are prevalent in the Chinese business context and Chinese marketing practitioners who spend a lot of their private time engaged in social networking are more likely to involve personal interactions and emotions in business relationships, the Chinese – as opposed to Germans – normally have closer ties. As a result, the effect of social bonds on fairness judgment should be different between Chinese and German firms.

As a short summery, the next page presents the selected quotes about social bonds and their effects on fairness judgment. The compliance part of the interviews will be discussed in the next section.

Table 3- 8 Selected quotes on the effect of bonds on fairness judgment

Theme	Codes	Selected quotes
Social bonds	Social interactions Close Friendship	1. Cooperating with Mr. X, the project manager at one partner company, I feel **right** because he knows exactly what we expect... We also talk about **work and family issues**. The mutual understanding or whatever it is enhances my sense of acceptance of this company, too ... I will vote this company as being fair. 2. The CEO of this company is a very **good friend** of mine. She and I keep in touch not only in business, in fact, even more often in **social** life. We introduce each other to new businesses that are normally much more reliable and profitable within the small community. Even if unfairness happened one time, I can get compensation next time or from the new ones. This is a benefit of doing business with friends. 3. I will add extra points (for fairness judgment) to firms that do **networking** with our firm. Of course, I know that networking is only a means of doing business. But at least we see the sincerity, [meaning that] they would like to spend time and efforts on our firm. 4. Our company has a really **close** partner, an example, we invite our counterparts of the company to our Christmas party every year ... Since the two parties are so familiar with each other, I feel it is difficult to connect them to negative things, [it would be] as difficult as negating a friend.

3.4.3　Compliance decision-making

Compliance is not an uncommon behavior for a company to exhibit in a business relationship. Previous studies on B2B marketing have suggested that certain strategies used by a source company are very likely to elicit compliant behavior from a target company. For this reason, the use of influence strategies (by influencing companies) has long been regarded as the only antecedent of compliance in an inter-organizational context.

This work is conducted from the perspective of complying companies to see which elements concern the companies and finally lead to compliance during a decision-making process. The author thus rules out compliance that is elicited by using strategies and places emphasis on the relational influencing elements that complying companies consider.

Fairness heuristic theory in organizational theory has indicated that individuals are more likely to comply with other people within an organization when they have an overall fair judgment of these people (e.g., Lind, et al., 1993; Van den Bos & Lind, 2001). By applying this theory in the channel context, Gu and Wang (2011) found that a distributor's positive fairness judgment of a manufacturer-initiated program has a significant impact on its compliance with the program. Since the initial part of the interviews already asked questions about fairness judgment, in the second part, the author directly asked whether a fair judgment about the business relationship would influence compliance with the request(s) of this partner.

It should be noted, however, that compliance is not a positive term from the perspective of complying companies. In order not to engender the interviewees' sense of exclusion, the wording in the interview has been restructured. At the beginning of this part, the original definition of compliance is explained in general as a common phenomenon. When turning to the interviewees, a direct use of "compliance" is avoided most of the time. The interviewer asks the following instead: "Is there a request that your company inherently does not want to agree to fulfill at first given your immediate interests, but then finally agrees to cooperate?"

Although it is a longer expression, it reminds the companies (interviewees) about the conditions of such behaviors, which is why it is more effective to do so. Another point that needs to be specified here is that "compliance" in German has a very different meaning from its meaning in English. That is also the reason that the interview questions do not use the term "compliance" directly.

The analysis results show that most respondents have behaved more cooperatively in fair relationships. Here is a quote from a German interviewee:

> *Generally speaking, a **fair** partner will not ask for something that makes no sense. Besides, a company's fairness style will not vanish, and it could ensure that we will somehow get the favor back. So normally we incline to be **collaborative** if we can; we are safe on one hand and helpful on the other.*
>
> *The client asked us to add a very expensive component to our products but to keep the same price... it was such an **unfair** request and totally ignored our economical capabilities. We would like to be cooperative, but we are not doing charity ... We **refused** to do as they asked.*

From the interview results, the author found that German companies seemed to care more about the role fairness plays in the compliance decision-making process. Some of the interviewees gave the reason that fairness was a good argument for contributing more or making changes, particularly in the short term. Chinese companies, on the other hand, have relatively smaller decision-making systems (top hierarchy), more flexible decision-making processes, and less complete rules and regulations. The justification for compliance thus seems to be less important.

On the other hand, other influencing elements that a company considers when it responds to its partner's request were also surveyed. The main points they mentioned also focused on the key relational elements, dependence, trust, and bonds. The following are three representative quotes for each of the points.

*We are trying our best to **fulfill** this partner's **requirements**, even when it could cause us vast expenses. Although it sounds extreme, I am making this partner an example because more than **half of our returns** come from the company and we cannot risk losing them.*

*[Regardless of] whether **agreeing** to do as requested depends on the **trustworthiness** of one company, we will consider doing this for some companies because we **believe** they will only make requests that are important, necessary, or unavoidable for them. For some other companies, the first thing [we think is that] they are taking advantage of us.*

*Some of our customers have cooperated with us for quite a long time. Our company is already strongly **tied** to them. We are allies, partners, and also good **friends**. It is not very easy to say "no" directly to their face. Even though we could not **fulfill** all the requirements, we are under the obligation to show our sincerity by compensating them in other ways. No feelings should be hurt. "Harmony makes money." (A Chinese saying)*

More quotes are listed in the table 3-9 on the next pages.

Table 3- 9 Selected quotes on the effects of fairness, dependence, trust, and bonds on compliance

Theme	Selected Quotes
Effects of fairness on compliance	1. In the long run, the one that holds fairness as a business rule decreases the possibility of causing the other's losses.
	2. We doubt that the payoffs from the firm are not so favorable (fair) for us, certainly we are not doing [inputting] more for it ... Our aim is to get more back.
	3. The firm we just talked about, I think overall it is behaving fair and it has its own principles. When receiving a request from this firm, the first feeling is that there should be some good reasons behind it. This feeling, I think, weighs in [into] our **agreement of cooperation**.
	4. The demands some companies asked were aimed at shifting responsibilities to us. These companies were not searching for support, they were encroaching... We refused these kinds of requests without any hesitation.
Effects of dependence on compliance	1. We refused a firm's request recently. This partner was **not important enough** for us to make such a compromise. It would be fine with us if they **terminated the cooperation** because of the refusal.
	2. We **expected** to be part of the big **project** our partners were planning, so we did our best to **meet** their **demands**.
	3. There is a better chance for us to **comply** with the requests made by a company that gives us a **high** amount of sales than one that gives us low sales. Customers are different in terms of how important they are.
	4. Our **competitors** don't leave us many choices ... If we don't do it, somebody else will.
	5. We count on **more deals** from some customers, apparently [we think] there are many more spaces [great possibilities] of expanding buyings from some of them... I think if they came and asked for something from us, we would seriously think about fulfilling.

Effects of trust on compliance	1. (I believe) if we were **asking the same** from some partners, they would also **do it** for us.
	2. We will consider **complying** if we know the other party will "pay us back" the next time.... ... **Trusting** that someone follows the "reciprocity rule" enables us to "make sacrifices" (temporarily).
	3. **Trustworthy** companies vs. non-trustworthy ones, we would like to do the favor for the former more than the latter. Sometimes "doing business is like fighting on a battlefield," one should be cautious about who he is helping.
	It is not because we are against them (a supplier), it is just that we always feel that they would take every penny from our pocket if they got the chance. So it would be wise to **stick to** the contract to lower the risks.
Effects of social bonds on compliance	1. We feel it is hard to say "no" to our partners whom we regard as **friends**. When they have new plans they need us to cooperate with, we would like to be **supportive**, you know, as all friends do.
	2. It is already part of our job to deal with all kinds of big or small requests from our partners and make them satisfied. But from the depths of my heart, I would like to do better for some people we **like** (from some companies) than for others.
	3. In some cases, we believe that **refusing to agree** with our partners' plans would **hurt their feelings**. Of course we would not agree with whatever they ask, but at least we will be **more cooperative** compared to other partners, for example, some companies with whom we don't have as **close of relationships**.
	4. We are not considering **comply [complying]** with every partner's requests. For example, we seldom think about complying with some firms we do not have many **interactions** or **business contacts** with, even though sometimes the demands are not big.
	Complying is sometimes a kind of reciprocal action, we serve them this time, and they will do it for us next time. The whole relationship also develops during the "favor-asking process." The **closer** the **relationship** is, the bigger the **favor** we tend to **do for them**, and the relationships get increasingly stronger. It is a positive cycle, I am not sure the **close relationship** enables **compliance** or the other way around.

The qualitative findings reveal that fairness judgment has a positive influence on compliance, and that the relational factors, dependence, trust, and social bonds are associated with both compliance and fairness judgment in business relationships. The next chapter reviews primary literature on dependence, trust, and social bonds, and also presents the conceptual framework for this work.

4 Development of the Conceptual Framework

This chapter describes the development of the conceptual framework. The conceptual framework is separated as a new chapter, which is presented between the qualitative and quantitative studies for various reasons. The broad conceptualizing work starts from the beginning of this research project and ends when key findings from the interviews support the conceptualized model. As a matter of fact, the conceptual work covers the phases of literature review, qualitative research, and framework construction. During these phases, the framework was revised several times, especially in the qualitative phase, having been tested and refined and so on. The framework presented in this chapter is thus a "final" version of the conceptualizing phase and can be regarded as a summary of the results for the first half of the research. The quantitative research, which is designed and conducted based on the framework, is presented afterwards.

4.1 Review of the literature on relational factors

4.1.1 Review of the literature on dependence

It is a well-established tradition that inter-organizational literature includes dependence as a major relational factor. As most of the dependence research is based on Emerson's (1962) classical power-dependence theory, dependence has been defined very consistently. This means that dependency implicitly resides in the other's power and "the dependence of actor A over actor B is (1) directly proportional to A's motivational investment in goals mediated by B, and (2) inversely proportional to the availability of those goals to A outside of the A-B relation" (Emerson, 1962, p. 32). As the theory was developing in the following decades, power and dependence become two conceptions. Although logically one party's dependence on its counterpart still implies that the counterpart has certain power over it, this dependency

sometimes can be mutual, and turn to interdependency, meaning that, both parties possess power and both are dependent to each other as well. In order to deal with the complication and to have deeper insight into them, scholars normally take either power or dependence as their research subject and investigate them separately. In this study, the author choose to only focus on dependence for the conceptual framework.

Adapted to buyer-seller relationships, dependence is sometimes normally defined as the irreplaceability, in which buyer dependence on a particular supplier is referred as the costs for the buyer associated with terminating their relationship with that supplier and switching to an alternative supplier (Heide & John, 1988; Morgan & Hunt, 1994). However, this definition, criticized by Scheer, et al., (2010), stresses only on the extent of dependence, while ignoring the nature of the dependence. This work thus chooses the more general and widely applied definition of dependence in prior marketing literature, which was made by Frazier in 1983 (p. 71):

> *"Dependence refers to a firm's need to maintain the business relationships in order to achieve desired goals."*

In B2B relationships, both interdependence/bilateral dependence (mutual dependence of both partners) and asymmetric dependence/unilateral dependence (imbalance between partner's dependence) exist.

The antecedents of both interdependence and asymmetric dependence have not been extensively studied. Commitment and trust have been argued to have consequences on interdependence (El-Ansary, 1975), however, the effects are not significant (Palmatier, et al., 2007). The more implicit antecedents come from the different perspectives of dependence conceptualization, for example, irreplaceability, specialized investments, and role performance, (e.g., Heide & John, 1988; Kale, 1986; Kim & Frazier, 1997; Frazier, et al., 1989) and should result in higher interdependence. The conceptualization and measurement will be discussed in the next chapter. The main objective of this work is to identify the effects

of dependence other than dependence itself and how to increase/lower dependence in exchange relationships. The following will therefore only focus on the consequences of both types of dependence.

Generally speaking, interdependence has been shown to have a positive effect on business relationships. To be more specific, interdependence is considered to positively influence exchange performance, collaborative communication, commitment, and trust (e.g., Habbard, et al., 2001; Kumar, et al., 1995; Palmatier, et al., 2007) and could promote the use of legal contracts and contract enforcement (Antia and Frazier, 2001; Cai, et al., 2009). A summary of the literature on the consequences of interdependence is presented in table 4-1.

Table 4- 1 Primary research on the effects of interdependence in business marketing

Author(s)	Research Context	Main Findings regarding Interdependence
Cai, S., Yang, Z., Hu, Z. (2009)	Buyer-Seller Relationship	Interdependence is positively related to legal contract, joint planning, joint problem solving and collaborative communication.
Palmatier, R., Dant, R., Grewal, D. (2007)	Interorganizational Relationship	Interdependence increases commitment. Interdependence positively influences overall financial performance and cooperation, and negatively influences conflict.
Palmatier, R., Dant, R. Grewal, D. (2007)	Interorganizational Relationship	Positively related to relationship specific investments.
Izquierdo, C., Cillán, J. (2002)	Supplier-Manufacturer Relationship	Trust moderating the positive effect of interdependence on the relational orientation.

Hibbard, J., Stern, L. (2001)	Channel Relationship	1. Testing the relation between interdependence and destructive acts
		  - Dealer is more likely to respond with constructive discussion and venting.
		  - Dealer is less likely to respond with disengagement and passive acceptance.
		2. Positive effects of interdependence on dealer's relational consequences (performance, post-act relationship quality).

Antia, K., Frazier. G. (2001)	Channel Relationship	Positive effect on contract enforcement:

Sheppard, B., Shermen, D. (1998)	Organizational Relationship General individual Relationships	Different interdependence depths cause different risks and the needs of qualities of trustworthiness:
		  - Shallow interdependence leads to poor coordination, and needs to produce predictability and consistency.
		  - deep interdependence causes misanticipation, and need to produce foresight, intuition, and empathy.

Kumar, N., Scheer, L., Steenkamp, J. (1998)	Channel Relationship	Interdependence decreases the use of punitive actions.
Lusch, R., Brown, J. (1996)	Channel Relationship	1. Interdependence positively relates to normative contracts governing relational exchange. 2. Interdependence positively relates to relational behavior: flexibility, information exchange and solidarity.
Gundlach, G., Cadotte, E. (1994)	Channel Relationship	1. Interdependence negatively affects conflict aftermath. 2. Interdependence is positively associated with more favorable evaluations of exchange partners. 3. Interdependence positively relates to the use of the noncoercive strategies. 4. Interdependence negatively relates to the use of coercive strategies.

Dependence asymmetry is more often investigated in B2B marketing research. In most cases, dependence asymmetry has been viewed as the comparative level of each firm's dependence (e.g., Gundlach & Cadotte, 1994; Lusch & Brown, 1996). In other words, dependence imbalance in business relationships is no longer the concern; instead, scholars only consider one firm's dependence state regardless of its partner's. The logic behind is that when a firm is

dependent on its business partner, there must be some certain effects of it that the firm cannot get rid of. As long as such effects exist, a firm's behavior and judgment are probably inevitable, no matter whether its partner is also dependent on it or not, because ultimately the firm's state of dependency does not change. Even in an interdependent business relationship, both party's dependency effects might counteract, but they will never fully disappear. Moreover, in many cases, a firm knows better about its own dependency, but cannot easily and precisely detect the other's.

This work therefore only concentrates on this logic of asymmetric dependence conceptualization, and the term dependence will be used for short.

A range of dependence effects has been found in business relationships. Some papers have shown that dependence undermines trust in benevolence (Eggert & Ulaga, 2010), leads to the use of coercive strategies, and reduces the willingness to compromise (Gundlach & Cadotte, 1994). Others suggest that it is positively related to the cooperation intentions (Andaleeb, 1994) and relational loyalty (Scheer, et al., 2010). Its effects on opportunism are also mixed under low/high relational norms (Joshi & Arnold, 1997). Furthermore, moderating effects of dependence have also been found in several studies (Eggert & Ulaga, 2010), some of which have examined that different dependence depths (levels) lead to different risks and qualities of trustworthiness (Clark, et al., 2010; Sheppard & Sherman, 1998). Finally, some recent work aiming at conceptualizing new dependence dimensions contributes to the relatively traditional field by offering new research perspectives to keep up with the rapidly developing business world (Guzmán-Cuevas, et al., 2010; Scheer, et al., 2010). Table 4-2 presents the primary studies on the effects of dependence. (The dependence work, which is conceptualized together with "trust" as the "trust-dependence model," will be listed in the next section under the trust category).

Table 4- 2 Primary research on dependence in business marketing

Author(s) & Years	Research Context	Dependence as Antecedents or Consequences	Main Findings regarding Dependence
Guzmán-Cue-vas, J., Cáceres-Cara-sco, R., Soriano, D. R. (2009)	Entrepreneur-ship and Economic Growth of a Reginal Context	Antecedents	1. Two types of firms distinguished: product-maker (located in advanced areas) and market-maker (located in less developed areas). 2. Two types of dependence: functional dependence and productive dependence. 3. Firms in less developed economies show greater levels of functional dependence, while in more economically advanced regions, firms are suggested to be more productive dependent.
Scheer, L.K., Miao, C.F., Garrett, J. (2010)	Supplier - OEM Customers Relationship	Antecedents & Consequences	1. Bi-dimensional dependence is conceptualized: Benefit-based dependence and cost-based dependence. 2. Supplier's operations capability enhances customer benefit-based and cost-based dependence. 3. Customer benefit-based dependence affects relational loyalty, and relational loyalty mediates its effect on customer insensitivity to competitive offerings and future purchase expansion. 4. Customer cost-based dependence increases customer insensitivity to competitive offerings.
Palmatier, R., Dant, R., Grewal, D. (2007)	Inter-organizational Relationship	Antecedents & Consequences	1. Longitudinal analysis of five theoretical perspectives: Commitment-trust perspective, Dependence perspective, Transaction Cost Economics Perspective, Relational Norms perspective, and RBV perspective. 2. Dependence engenders high level of conflicts, but has no effect on cooperation, overall financial performance and sales growth as prior studies showed. 3. Environmental uncertainty does not moderate the effect of dependence on conflict.

Racela, O., Chaikittisilpa, C. Thoumrungroje, A., (2007)	International Business Relationship	Consequence	Exporters' market orientation minimizes their dependence.
Hibbard, J., Stern, L. (2001)	Channel Relationship	Antecedences	Dealer's dependence is positively related to its response with passive acceptance, negatively related to the response with disengagement.
Lusch, R., Brown, J. (1996)	Channel Relationship	Antecedents	1. Supplier dependence is positively related to the explicit contract governing in the relationship. 2. Distributor dependence increases its long-term orientation (See also Ganesan, 1994).
Antia, K., Frazier. G. (2001)	Channel Relationship	Antecedents	Less dependent party tend to be more severe to contract enforcement response.
Kumar, N., Scheer, L., Steenkamp, J. (1998)	Channel Relationship	Antecedents	Less dependent party is more likely to reciprocate punitive actions.

Joshi, A., Arnold, S. (1998), (1997)	Buyer-Seller Relationship	Antecedents	1. Buyer dependence positively relates to buyer compliance.
			2. Relational norms (flexibility, information exchange, and solidarity) moderate the effect of dependence on compliance:
			   - Under high relational norms, the relation is positive.
			   - Under low relational norms, no effect of dependence on compliance is found.
			3. Relational norms (flexibility, information exchange, and solidarity) moderate the effect of dependence on opportunism:
			   - Under high relational norms, the relation is negative.
			   - Under low relational norms, the relation is positive.

4.1.2 Review of the literature on trust

Trust is not only essential for building successful business relationships, but is also important for enhancing business performance. It has thus attracted a great deal of attention in inter-organizational research (e.g., Doney, et al., 2007; Doney & Cannon, 1997; Gounaris, 2007; Moorman, et al., 1992; Morgan & Hunt, 1994; Siguaw, et al., 1997; Sirdeshmukh, et al., 2002) as well as in other research fields, such as social psychology (e.g., Lewicki & Bunker, 1995) and sociology (e.g., Williamson, 1991).

There are two dimensions of trust: credibility (or honest / integrity) and benevolence (a paper by Clark & Boles, [2010] conceptualized trusting in ability as the third dimension of trust, which was not yet widely used). Credibility is the expectation that the partner's word or written statement is reliable, while benevolence refers to the extent to which a firm is genuinely interested in the other's welfare and is motivated to seek mutual gain. Although nearly all definitions of trust given by trust scholars involve these two dimensions, they are still conceptualized differently. Here are two of the most commonly cited definitions of trust.

> *Trust is the perceived credibility and benevolence of a target of trust (Doney & Cannon, 1997, p. 107).*

> *Trust is the extent to which a firm believes that its exchange partner is honest (credibility) and/or benevolent. (e.g., Geyskens, et al., 1997, p.225).*

This work will use the former as the working definition. Although it is a belief held by one party, trust implies an interaction between two parties, meaning that the belief should actually be based on the other's certain words or behavior. In other words, a firm's trust is engendered by the other firm's trustworthiness, or at least the other firm's believed trustworthiness. The latter definition, on the other hand, inclines to stress one side's confident belief, without mentioning the other firm's important role in generating trust. On the contrary, the wording of

the first definition, "perceived," describes such reflection and hence has been chosen in this work.

The key effects of trust on inter-organizational relationships determine its important position in a business marketing context. It is suggested that trust promotes long-term relationships and higher-level cooperation (e.g., Morgan & Hunt, 1994), enhances competitiveness, commitment and satisfaction (e.g., Noordewier, et al., 1990; Anderson & Narus, 1990), and reduces conflict and opportunism (e.g., Pfeffer & Salancik, 1978). On the other hand, the central role of trust also motivates marketing theorists, who are working on its antecedents.

The nature of trust, which Doney and Cannon generalized in 1997, lies in the two following points. First, in spite of the disagreement about whether organizations can be targets of trust, mainstream literature on trust suggests that trust does exist on the organization level. Second, the operation of trust stems from the vulnerability of decision makers (trustors) and their decision outcomes – uncertainty that is important to the trustor. Hence, the effects of trust concentrate on building long-term relationships/orientation to avoid such risk (e.g., Dwyer, et al., 1987). Owing to the above reason, trust is very frequently researched together with dependence or commitment as the "trust-dependence model" and the "commitment-trust model," which also represent two primary theoretical perspectives of inter-organizational relationship performance.

Since this work includes both trust and dependence as part of the conceptual framework, a summary of the studies on the "trust-dependence" model is listed separately from the rest of the literature on trust on the following pages.

Table 4- 3 Primary Research on Trust-Dependence in Business Marketing

Author(s) & Years	Context	Model Type	Main Findings regarding Dependence- Trust Model
Jiang, Z., Henneberg, S., Naude, P. (2012)	Inter-organizational Relationship	Together as relational factors	1. Dependence on one supplier positively influences the trust in it. 2. Dependence affects commitment and long-term orientation. 3. Trust has a positive impact on commitment, communication, satisfaction and long-term orientation.
Chang, S.,Wang, K., Chih, W., Tsai, W. (2012)	Business -to - Business Relationship	Together as relational factors	1. Dependence is influenced positively by customer's relationship specific investment, social bonding, relationship termination and negatively influenced by customer expertise. 2. Dependence positively influences calculative commitment but negatively influences affective commitment. 3. Trust is influenced positively by customer's relationship specific investment, social bond. 4. Trust negatively influences calculative commitment but positively influences affective commitment.
Clark, R., Ellen, P., Boles, J. (2010)	Buyer-Seller Relationship	Effects of levels of dependence on trust	1. Three dimensions of trust construct: integrity, benevolence and ability. 2. In deep dependence, trust in benevolence is greatly important, while in shallow dependence, trust in ability is more important. 3. Moderating effects of dependence levels: in deep dependence, the influence of trust in establishing coordination is greater than in a shallow dependence.
Eggert, A., Ulaga, W. (2010)	Buyer-Seller Relationship	Together as relational factors	1. Dependence affects trust in benevolence negatively. 2. Dependence negatively moderates the relationship between customer share and trust in benevolence. 3. Customer share has negative impact on both dimensions of trust. 4. Supplier's marketing strategies to manage customer share in high / low customer dependence.

Gao, T., Sirgy, M., Bird, M. (2005)	Buyer-Seller Relationship	Together as relational factors	1. A supplier's dependence on buyer as perceived by the buyer has a negative effect on the buyer's decision - making uncertainty in purchasing the supplier's offerings. 2. Buyer's trust lowers its uncertainty in purchase decisions. 3. Buyer perceived supplier trust and supplier commitment positively influence buyer trust.
Razzaque, M., Boon, M.(2003)	Channel Relationship	Effects of the level of dependence on trust	1. High level of buyer's trust positively influences buyer satisfaction. 2. When a buyer is not dependent, satisfaction of buyer will be influenced by the level of buyer's trust. 3. Dependence and trust impact on cooperation positively. 4. Higher dependence and trust promote higher commitment. 5. When lacking of dependence, commitment will be affected by different levels of trust.
Wicks, A., Berman, S., Jones, T. (1999)	Stakeholders - Manager Relationship	Matching of level of mutual trust and level of interdependence	1. When interdependence between stakeholders and managers is in high of moderate levels, the level of mutual trust will influence the level of performance. High mutual trust exhibits high performance, and low mutual trust exhibits low performance. 2. When interdependence between stakeholders and managers exists, substantial investments in creating high levels of mutual trust exhibits high performance, while substantial investments in creating trust exhibits low performance.
Sheppard, B., Shermen, D. (1998)	Organizational Relationship	Effects of the level of dependence on trust production	1. Increasing depth of dependence induces trust. 2. When the dependence is shallow, the quality of trust is discretion, reliability and competence, and the trust mechanism is deterrence. 3. When the dependence is deep, the quality of trust is integrity, concern and benevolence, and the trust mechanism is obligation.
Andaleeb, S. (1996)	Channel Relationship (2x2 factorial experiment)	Effects of levels of dependence on Trust	1. Dependence is positively related to commitment. 2. Buyer trust is positively related to buyer satisfaction and buyer commitment. 3. When a buyer is dependent, its commitment is high and not sensitive to different levels of trust. 4. When a buyer is not dependent, its commitment is sensitive to trust.

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Andaleeb, S. (1995)	Channel Relationship (2x2 factorial experiment)	Effects of levels of dependence on Trust	1. When a buyer is dependent, the buyer's intention of cooperation is not sensitive to different levels of trust, while when the buyer is not dependent, its intention of cooperation is sensitive to trust. 2. Higher level of trust of a buyer is negatively related to its use of controls in the relationship. 3. Higher level of trust of a buyer is negatively related to its adoption of a strong influence stance.

Gundlach, G., Cadotte, E. (1994)	Channel Relationship	Effects of levels of dependence on Trust	1. Dependence is positively related to the use of non-coercive strategies.
			2. The interaction effects of dependence and trust on commitment:
			   -commitment is not sensitive to different levels of trust when dependence exists.
			   -commitment is sensitive to different levels of trust when dependence does not exist.

Table 4- 4 Primary Research on Trust in Business Marketing (Excluding the Trust-Dependence Studies)

Author(s) & Years	Research Context	Trust as Antecedents or Consequences	Main Findings regarding Trust
Hoejmose, S., Brammer, S., Millington, A. (2012)	B2B & B2C Relationship	Moderating Effects	Trust in credibility and benevolence positively moderate the role of top management support on green supply chain management in B2B context.
Hofer, A., Knemeyer, A.M., Murphy, P.(2012)	Logistics Outsourcing Relationships	Antecedents & Consequences	1. Procedural justice positively related to trust. 2. Trust is positively related to long- term orientation, cooperation, and proactive improvement.
Jambulingam, T., Kathuria, R., Nevin, J., 2011	Channel Relationship	Mediating effect	1. Trust fully mediates the effect of fairness on loyalty. 2. Under conditions of mutual independence and symmetric buyer dependence, fairness directly influences loyalty.
Bianchi, C., Saleh, Md. (2011)	Latin Importer Foreign Supplier Relationship	Antecedents & Consequences	1. Importer's trust positively influences its relationship performance. 2. Foreign supplier opportunism negatively affects importer trust. 3. Importer and foreign supplier cultural similarity positively affects importer trust.
Micheels, E. Gow, H. (2010)	Channel Relationship	Antecedents	1. Trust increases commitment. 2. Trust increases the innovativeness of the firm.
Aurier, P. N' Goala, G. (2010)	Service Relationship	Antecedents & Consequences	1. Trust positively impacts on commitment. 2. Trust has a direct positive impact on service usage and cross-buying. 3. Overall satisfaction positively influences customer's trust. 4. Perceived quality (technical and functional) has a direct positive effects on trust.

Doney, P., Barry, J, Abratt, R. (2001)	B2B Service Relationship	Antecedences, Mediating and Direct Effects	1. A buyer's trust of a service provider is positively related to frequent social interaction with a service provider's salesman, the degree of open communications with the service provider and the service provider's customer orientation. 2. Perceived value of the service and overall service quality are positively related to buyer's trust. 3. Trust positively affects commitment and share of purchases. 4. Mediating influence of trust between social interaction and loyalty commitment.
Palmatier, R., Dant, R., Grewal, D. (2007)	Inter-organizational Relationship	Antecedents	1. Trust positively affects financial and relational outcomes. 2. The impact of trust on overall financial performance and cooperation is enhanced as environmental uncertainty increases. 3. Fully mediating effect of trust in "resource-based view" perspective.
Gounaris, S. (2001)	B2B Service Relationship	Antecedents & Consequences	1. The more the customer trusts its service provider, the more the former will be affectively committed to the latter, the less the former will be calculatively committed to the latter. 2. The higher the perceived quality of the service offered by the service provider, the customer will be inclined to invest in the relationship. 3. The more integrated the service provider's bonding strategy, the more the customer will trust the provider.
Sirdeshmukh, D., Singh, J., Sabol, B. (2002)	B2B Service Relationship	Antecedents & Consequences	1. Two dimensions of trust: frontline employee trust and management policies and practices trust. 2. The consumer's perception of the operational competence, operational benevolence, and the problem-solving orientation evident in frontline employee behaviors are positively related to frontline employee trust across retailing and airline contexts. 3. In retailing context, operational competence and problem-solving orientation significantly influence management policies and practices trust, while in airline context, operational competence and operational benevolence have a significant effect on management policies and practices trust. 4. Operational benevolence increases positive evaluation. 5. Frontline employee trust positively affects management policies and practices trust and vice versa. 6. Management policies and practices trust affect consumer loyalty.

Hewett, K., Bearden, W. (2001)	Headquarter-Subsidy Relationship	Antecedents	1. A subsidiary's trust in its headquarter is positively related to the its acquiescence and cooperation. 2. Trust in marketing function is positively related to cooperation. 3. Culture (collectivistic vs. Individualistic) moderates the effects of trust on cooperation, in a highly collectivistic culture, trust has stronger effect on cooperation.
Siguaw, J., Simpson, P., Baker, T. (1998)	Channel Relationship	Antecedents & Consequences	1. Distributor's market orientation positively affects its trust. 2. Distributor's trust has a positive impact on its perception of cooperative norms in the relationship.
Geyskens, I., Steenkamp, J., Kumar, N. (1998)	Channel Relationship	Consequences	1. Trust contributes to satisfaction and long-term orientation more than economic outcomes of the relationship do. 2. Trust and economic outcomes working together are conductive to relationship marketing success.
Doney, P., Cannon, J. (1997)	Buyer-Seller Relationship	Consequences	1. Supplier size, supplier's willingness to customize positively affect buying firm trust, trust of the supplier's salesperson has a positive effect on trust of the selling firm. 2. Salesperson expertise positively influences buyer trust. 3. The extent to which the salesperson is perceived to be likable, similar to members of the buying firm, frequency of business contact with the salesperson have positive impacts on buying firm's trust of the salesperson.
Morgan, R., Hunt, S. (1994)	Channel Relationship	Antecedents & Consequences	1. Trust is positively related to relationship commitment, cooperation, functional conflict and negatively related to uncertainty. 2. Trust is positively related to acquiescence, negatively related to propensity to leave.
Moorman, C., Deshpandé, R., Zaltman, G. (1993)	Market Research Relationship	Consequences	1. User trust in researchers is higher when researcher expertise or willingness to reduce uncertainty is perceived to be higher rather than lower, when researcher sincerity, integrity, tactfulness, timeliness, confidentiality, or congeniality is perceived to be higher rather than lower. 2. User trust in researchers is higher when the user organization's formalization is perceived to be lower rather than higher, when users hold organizational positions with lower rather than higher levels of authority, when the perception is that research organizational/department power is higher rather than lower, when the user perceives a researcher's organizational/department culture to be a weaker hierarchical culture, when the researcher's organizational location is perceived to be higher rather than lower.

4.1.3 Review of the literature on social bonds (social bonding)

As common ties that unite people and groups in human societies, bonds have been investigated by sociologists since the 1970s. Their relational nature and key effects on increasing relational attachments have gradually come to be valued in business marketing over the last 20 years, which is why bonds have been studied in some B2B literature as a relational factor, but are rarely thoroughly researched as a main construct. Smith (1998, p. 78) defines bonds as:

> *"The psychological, emotional, economic, or physical attachments in a relationship that were fostered by association and interaction and served to bind parties together under relational exchange."*

Previous research conceptualizes three types of bonds that serve to bind firms to business relationships: social bonds, structural bonds, and functional bonds. Particularly, social bonds refer to "the personal ties or linkages forged during interaction at work" (Smith, 1998, p. 78). Functional bonds are "the multiplicity of economic, performance, or instrumental ties or linkages that serve to promote continuity in a relationship." Structural bonds are "ties relating to the structure, governance, and institutionalization of norms in a relationship" (Smith, 1998, p. 79).

Most prior studies in business marketing have focused on social bonds and found that social bonds could positively influence trust, commitment, satisfaction, and relationship quality in exchange relationships (e.g. Cater & Zabkar, 2009; Mavondo & Rodrigo, 2001). A few have researched the other types of bonds and investigated their effects on trust and relational performance (Gounaris, 2005; Lin, et al., 2003) or different effects on commitment in different cultures (e.g., Williams, et al., 1998). Smith (1998) also examined the antecedents of all the types of bonds and demonstrated that communication, cooperation, and relationalism could help to foster bonds. A summary of the previous literature on bonds is listed in table 4-5.

Table 4- 5 Research on social bonds in business marketing

Author(s) & Years	Research Context	Bonds as Antecedents or Consequences	Type of Bonds	Main Findings regarding Bonds
Chang, S., Wang, K., Chih, W., Tsai, W. (2012)	B2B Relationship	Antecedents	Social Bonds	Social bonds positively affect dependence and trust.
Cater, B., Zabkar, V.(2009)	Service Relationship	Antecedents	Social Bonds	The degree of social bonds positively influences the degree of affective commitment.
Gounaris, S. (2005)	B2B Relationship	Antecedents	Social & Structural Bonds	1. Bonds enhance trust. 2. Social bonds are much more important in fostering trust than structural bonds.
Lin, N., Weng, J., Hsieh, Y., (2003)	Service Relationship	Antecedents	Social & Structural Bonds	1. Structural bonds positively related to customer relational performance, social bonds also, but not as strong as structural bonds. 2. Customer use of a corporate website significantly moderates the relationship between the relational bonds and customer relational performance.
Smith, B. (1998)	Buyer-Seller Relationship	Antecedents & Consequences	Structural, Social & Functional Bonds	1. Social bonds increase relationship quality. 2. Relationship investment positively affects social bonds. 3. Communication and cooperation positively influence social bonds. 4. Relationalism affects all three types of bonds. 5. Relationship type influences functional bonds.
Williams, J., Han, S., Qualls, W. (1998)	B2B Relationship	Antecedents	Social & Structural Bonds	Structural bonds and social bonds are positively related to commitment. - Structural bonds have greater influences on commitment in individualistic countries, while social bonds have greater influences on commitment in collectivistic countries.

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There is one more point that needs to be stressed here: bonds, particularly social bonds, are originally defined as "personal" ties in sociology (Turner, 1970). For this reason, some marketing scholars have taken the perspective of social bonds between sales representatives and their customers (e.g., Smith, 1998). However, social bonds could also exist between organizations or between two functional departments within organizations (e.g., Williams, et al., 1995). Originating from business goals and interests and serving these goals and interests, social bonds are fundamentally different from friendships. The function of social bonds determines that business professionals, in spite of the social bonds between them, are merely operational representatives of their respective firms. The firms that are linked, rather than the business professionals, are thus the main roles of social bonds.

4.2   Compliance

One of the focal constructs of this work is compliance. Channel influence theory defines compliance as "the target acting in accordance with an influence attempt from the source" (Payan & McFarland 2005, p. 72). This definition was not chosen as the working definition in this work for the two following reasons. First, the definition emphasizes influence, which is not the research focus of this work. This work takes the perspective of the complying firms and aims to find their concerns for compliance, yet this definition does not reflect this meaning. Second, no influence strategies are involved in this compliance study as in previous influence theory studies. Hence, the terms "source," which stands for the firm using the strategies in an influence attempt, and "target", e.g. the firm that is the focus of the influence attempt, are no longer suitable here.

Joshi and Arnold (1998, p.106) defined compliance directly: "Buyer compliance is the positive reception given by the buyer to a request by the supplier for relationship continuance, despite potential costs for the buyer arising from agreeing to such a request." However, the

definition has not clearly indicated the characteristic of the "request" made by one firm and the (negative) attitude towards the request from its partner firm. The "request" should be contrary to the complying firm's inherent desires, otherwise it would not be called compliance. The author therefore analyzed the original definitions of compliance in psychology, selected a suitable one from Gudjonsson (1989, p. 535), and modified it for the B2B context.

4.2.1 Fairness heuristic theory

As introduced in the chapter 2, fairness heuristic theory in an organizational context addresses the use of fairness as a cognitive shortcut to arrive at feelings of safety in social relationships and as a guide to achieve cooperative and compliant actions within an organization (e.g., Lind, et al., 1993; Van den Bos & Lind, 2001). In 2011, Gu and Wang first applied this theory to channel marketing and found that a distributor's fairness judgment of a manufacturer-initiated program has a significant impact on compliance with the program. Without considering the use of influence strategies, their work researched compliance from the perspective of the complying firms and indicated that fairness judgment was a primary concern when complying firms make a compliance decision.

In the daily practices, firms need to adapt to the changing environment all the time, so it is not unusual for firms to generate new ideas and seek cooperation on that with their business partners. Moreover, it is quite hard for firms to foresee every pop-up problem and have them under control during the whole process on-going business. It is thus inevitable for firms to make requests to their business partners. As it is a quite common case within the business relationships, particular for the fair and reasonable requests, firms tend to accept them in general. Hence, a positive relationship between fairness judgment regarding the outcomes and procedures in exchange relationships and compliance with the exchange partners is assumed:

H1: As the distributive fairness judgment increases, a firm is more likely to comply with its partner's request.

H2: As the procedural fairness judgment increases, a firm is more likely to comply with its partner's request.

A preliminary model is presented in figure 4-1 as one part of the theory construction (Bagozzi, 1984) to show the presumed causal relationships between the major constructs.

Figure 4- 1 Central model
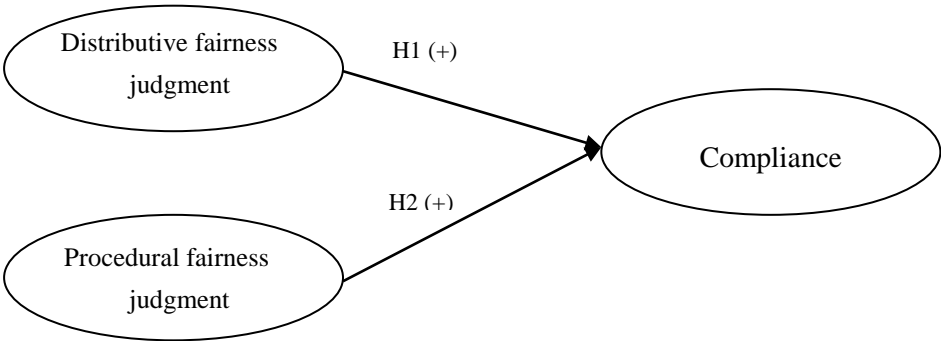
4.2.2   Dependence and compliance

First of all, compliance could be a "voluntary" choice by a dependent party. As inherently defined, a less dependent (more powerful, Emerson 1962) party has disproportionate control over the dependent party (Keltner, et al., 2003). Besides, the "power" law is commonly accepted in different cultures to mean that the powerful party deserves greater rewards and better treatment (Deutsch, 1975). Hence, there is high possibility that a dependent firm believes its compliance with the powerful partner is normal and the right thing to do.

Compliance could also be a reluctant choice by a dependent party. Frazier, et al., (1989) indicated that dependent dealers have a very high tolerance towards their suppliers because they need to maintain the relationships to achieve their goals (Frazier, 1983). Kumar, et al., (1998) state that dependent parties are unlikely to use responses that may result in escalation or dissolution of the relationship because they have misgivings about restraint and fear retaliation. Dependent parties are thus more likely to respond with passive acceptance (Hibbard, et al., 2001).

Finally, several previous studies already examined the similar constructs and found fruitful results. Psychological work showed that dependent people tend to regard another person's individualistic interests as joint interests and then consider them their primary concern (Scanzoni 1979). In the channel context, Keith, Jackson, and Crosby (1990) found that a broker's readiness to respond to its partner's request is greater when it is more dependent. A experimental scenario study also suggested that buyer dependence was positively related to buyer compliance (Joshi and Arnold, 1998).

In many observed cases from the business practices, the more dependent firms are normally in "disadvantage positon" that they comparatively have less options but to cooperate in order to sustain the relationships. The more dependent the firms are in a business relationship, the less likely they refuse to be cooperative with their partners. It is thus hypothesized that:

H3: As dependence on a partner increases, a firm is more likely to comply with its partner's request.

4.2.3   Trust and compliance

It has been demonstrated that trust can generate coordination, cooperative behavioral intentions or cooperation (Andaleeb, 1995; Hewett & Bearden, 2001; Morgan & Hunt, 1994;

Stern & El-Ansary, 1992), and acquiescence (Hewett & Bearden, 2001; Morgan & Hunt, 1994). Morgan and Hunt (1994) noted that cooperation involves two parties proactively working together, while acquiescence is a reactive and passive acceptance of one party. In spite of the differences, both imply that firms involved in exchange transactions make improvements or changes for their trusted partners. On the other hand, it has been found that a trustworthy party enhances its persuasion (Choo, 1964). A firm that is trusted by its partner could persuade its partner to comply more easily than others could.

It is common sense that people are more likely to do as they are asked by someone they trust, simply because they believe the trustworthy ones would not do harm to them. Besides, the potential future benefits suggested by trust might also lead to a greater intention to cooperation. In the business context, trust might also facilitate persuasion from business partners. It is thus hypothesized that:

H4: As the trust placed in a partner increases, a firm is more likely to comply with its partner's request.

4.2.4 Social bonds and compliance

According to the psychological research by Gudjonsson, et al., (2008), people are more likely to comply with requests from people they like or are familiar with than requests from strangers. The underlying reasons are an eagerness to please, the desire to avoid conflict, and fear of emotional rejection. When it comes to business relationships, these three reasons could be interpreted the desire to maintain a productive, harmonious, long-term relationship. No matter what is taken into consideration, a firm that is closely bonded with its partner could not refuse its partner's request very easily.

Business marketing practitioners are human beings, who have the need to interact and socialize not only within the workplaces, but also with their business counterparts from their partner firms. Furthermore, firms are increasingly networking with each other at an organizational level. When there are personal ties forged between firms, it is understandable that they are more likely to do favors to each other than to the firms which do not have social bonds with them. It is thus assumed:

H5: As the social bonds with a partner increase, a firm is more likely to comply with its partner's request.

4.3   Shaping fairness judgment

Based on the argument in the last section, fairness judgment together with dependence, trust, and bonds could impact compliant behavior. Now the question is how fairness judgment is shaped in business relationships. At 2008 AMA (American Marketing Association) winter Marketing Educators' conference Scheer indicated that the "study of B2B fairness is incomplete without understanding the components and process of fairness assessment and how the environment impacts these elements." Similarly, Avermaet (1978) also demonstrated that fairness judgment should reflect the dynamic role of evaluators and the social relationships between them. Both of the indications suggest that there is no identical standard for fairness judgment. Fairness judgment could be changed in terms of different people/organizations, regions/industries, and countries/cultures. Even for the same people/ organizations, when their roles in certain relationships, communities, or environments change, or the target of fairness judgment changes, for example, friends or relatives versus strangers, partners versus competitors, then their fairness judgments could be different as well. This work thus attempts to provide a social cognitive approach to study the antecedents of this

"endlessly resilient" construct and argues that fairness judgment could be influenced by the aforementioned "relational marketing elements" – dependence, trust, and social bonds.

4.3.1   Dependence and fairness judgment

Homans (1974) argues that some people believe that it is fair that people who have a high social status or possess more resources deserve higher outcomes, even though the high status or resources do not contribute to the relationship. A dependent firm with a less prestigious status thus might accept a lesser outcome and less favorable procedures/treatments and judge them as fair enough.

Furthermore, dependent firms very often have lower fairness expectations (Frazier, et al., 1991). In other words, expecting less means their judgment standard is not as high as the "normal" or "average" level. Hence, they are more likely to judge less favorable outcomes and procedures as fair.

Lastly, fairness is higher on the hierarchy of needs (Maslow, 1943), which may be the reason why some dependent firms, especially in developing countries, have fewer fairness concerns (Frazier, et al., 1989). Therefore, giving little regard to fairness, dependent firms are relatively easier to satisfy. Based on the above arguments, it is assumed:

H6: As dependence upon a partner increases, a firm is more likely to make a fair judgment about the outcomes it receives from the business relationship.

H7: As dependence upon a partner increases, a firm is more likely to make a fair judgment about the procedures in the business relationship.

4.3.2 Trust and fairness judgment

The organizational research of Bianchi and Brockner (2012) recently demonstrated that people who are more trusting have more positive procedural and interactional fairness judgments. Similar with this finding, psychologists also indicated that trust in honesty could greatly enhance procedural fairness judgment in court (Tyler, 1988) or in recruitment (Bies, 1986). On the other hand, trust enables people to believe that the outcomes they receive are fair (Andaleeb, 1995), suggesting that when a firm is trusted, it will generate the expectations of fair returns and outcomes from its counterpart, and when a firm is not trusted, it is more likely to be linked to the possibility of hiding and cheating on the outcome and responsibility allocation. Hence, the trusting party is more likely to make a fair judgment about the outcomes and procedures. Moreover, the experimental results of Schurr and Ozanne (1985) suggested that people tend to voluntarily give up more outcomes to their trustworthy partners, which means that the effect of trust can be so strong that a less favorable outcome and procedure could also be judged as fair.

In the business practices, it is also easier for the trusted firms to receive positive remarks and fair judgments because their partners believe they are doing good and behaving fair. It is thus presumed:

H8: As trust in a partner increases, a firm is more likely to make a fair judgment about the outcomes it receives from the business relationship.

H9: As trust in a partner increases, a firm is more likely to make a fair judgment about the procedures in the business relationship.

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4.3.3 Social bonds and fairness judgment

Research on the effect of bonds on fairness judgment has already been conducted in a psychological context. It is indicated that people in intimate/close relationships care less about their own material interests and tend to choose a less self-interested fairness norm (Austin, 1980; Curtis, 1979). Bies (1986) also found that high-quality interpersonal treatment could largely enhance procedural fairness judgment. A party in a closely bonded relationship is thus more likely to make a fair judgment about its received outcomes and procedures.

In the practice, firms in close relationships tend to know their partners better, and have sympathy with them, so their expectation and judgment on the fairness are higher, which is why it is hypothesized:

H10: As the social bonds with a partner increase, a firm is more likely to make a fair judgment about the outcomes it receives from the business relationship.

H11: As the social bonds with a partner increase, a firm is more likely to make a fair judgment about the procedures in the business relationship.

4.4   Conceptual model

The research questions in this work begin with achieving compliance. In business relationships, it is inevitable for firms to make requests of their partners. Hence, the problem arises of how firms can achieve compliance from their partners. Taking the perspective of complying firms, the author starts by studying the antecedents of compliance and finds that fairness is argued to have a positive effect on compliance. This then raises a new question of how to achieve a fair relationship. In order to answer the above research questions, the framework has been developed and presented in the previous sections. For the sake of clarity, an overview of the conceptual model is displayed in figure 4-2 in this section.

Figure 4- 2 Conceptual Model
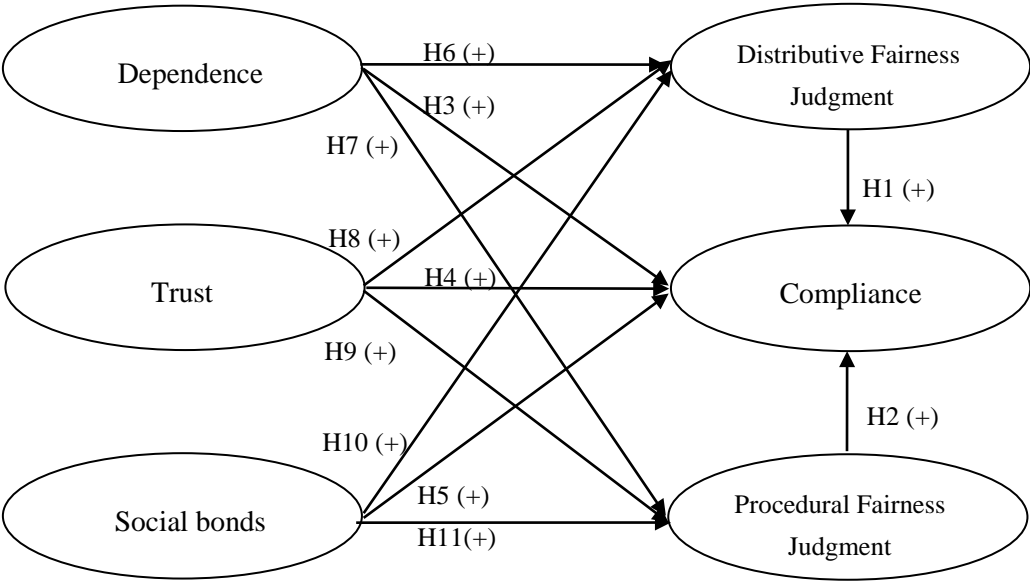
As seen from the figure, the hypothetical relationships between fairness judgment and compliance are presented on the right side. The relationships between the relational elements (dependence, trust, and social bonds) and compliance are then shown. Finally, the mediating effect of fairness on the relationships between the relational elements and compliance is provided. All of the constructs are hypothesized as being positively related.

5 Quantitative Research

The author uses the mix-method approach as the research methodology, that is, conducting qualitative interviews to examine and find support for the hypotheses first, and testing the conceptual model using quantitative data. In the chapter 3, the summarized interview results supported the estimated relationships between fairness judgment and compliance and produced the hypothesized effects of the relational elements (dependence, trust, and bonds) on fairness judgment and compliance. The quantitative research presented in this chapter is thus continued to test the conceptual framework in this chapter.

5.1 Questionnaire design

Krosnic and Presser (2010, p.263) stressed that "survey results depend crucially on the questionnaire", and thus the questionnaire is "the heart of a survey". Hence, the author designed the questionnaire carefully with the major concerns of the questions (construct items and rating scales), bias controlling and multi-language options for collecting data cross-culturally.

5.1.1 The items of the constructs

The author attempts to adapt the items that were previously used in relevant business marketing studies whenever possible. The sources of the items are presented in table 5-1. All of the constructs involved in this work are measured on a *multi-item* basis. Moreover, the independent variables, dependence, trust, and bonds are second order constructs. Finally, the work presents all of the constructs on a *7-point* Likert scale to generate sufficient variance in the responses on the one hand, and to be uniform and consistent on the other.

Table 5- 1 The sources of items and their original scales

Constructs	Sources	Likert- type scales
Compliance	Boyle, et al., 1992	7- point
Distributive/ Procedural Fairness Judgment	Kumar, et al., 1995	7- point
Dependence	Frazier, et al., 1989; Heide & John, 1988	7- point
Trust	Siguaw, et al., 1998	7- point
Social Bonds	Han, 1992; Smith, 1998	5- point

In particular, the author emphasizes the need to specify more details in the constructs of dependence and compliance, in order to explain why these certain measurements were chosen from the multiple measurement approaches of both constructs.

Dependence has been consistently defined, but is widely operationalized in business marketing (Scheer, et al., 2010). The primary measurements of dependence used in previous literature are conceptualized either from the perspective of overall dependence, the *irreplaceability* of an exchange partner (e.g., Heide & John, 1988; Joshi & Compbell, 2003; Palmatier et al., 2007), or from the perspective of the underlying *motivations* for firms to maintain relationships. The latter perspective is further divided into positive and negative motivations. Positive motivations include a focus on sales and profit (e.g., Frazier, et al., 1989; Kale, 1986, 1989; Rokkan, et al., 2003), role performance (e.g., Frazier & Summers, 1986; Kim, 2000), partner importance (e.g., Ferguson, et al., 2005; Wilkie & Pessemier, 1974) and so on, while negative motivations include such things as a transaction-specific investment or switching cost (e.g., Anderson & Narus 1990; Ferguson, et al., 2005; Heide & John 1988).

This work measures dependence based on the "irreplaceability" (Heide & John 1988) and the "sales and profit" (Frazier, et al., 1989) approaches. "Irreplaceability" describes the extent of the overall dependence of one firm on the other in general, while the "sales and profit" approach, which looks at firms' primary economic concerns, measures the reason and nature of the dependence. Both have been frequently mentioned in the qualitative interviews, which is why they are assumed to be more relevant to companies' fairness judgment and compliance.

One point that needs to be added here is the different dependence status that exists between buyers and sellers (Kamins, et al., 1998). Moreover, the research also aims to make a further comparison between these two groups. The survey has thus been separately designed for purchasing and sales businesses. Since the "sales and profit" measurements are no longer appropriate for purchasing businesses, a minor adaption of purchase/sales volume is used, while the items regarding "profit" are deleted to be uniform.

Prior work exists that measures compliance directly. Payan and McFarland (2005, p. 72), for example, have modified the items of "compliance probability or intention" from Hunt, et al., (1987) to actual compliance based on the definition "compliance refers to the target acting in accordance with an influence attempt from the source." (p. 72). However, the items based on this definition do not reflect the meaning of "against one's own original will and/or one's immediate gains." Furthermore, the items do not confine the "requested actions," which could lead the survey participants to various understandings. The author thus draws measures of the influence strategy "request" and makes adjustments according to the current working definition. In spite of the label "strategy," "request" refers to a simple statement of the requested actions without any kinds of influences provided, meaning that as a "non-strategy" strategy (Frazier & Summers 1986), it is merely a claim, for example: "We would like you to start shipping in full rather than partial truckloads." (Payan & McFarland 2005, p. 78). The author thus adjusts the original item of "request" "Ask our company to accept new ideas

without an explanation of what effect it will have on our business " to read as "We accept this customer's new ideas even though we do not currently obtain benefits," and so on.

The item details are listed in table 5-2 in the next page.

Table 5- 2 The construct definitions and items

Construct	Second order	Items
Dependence refers to a firm's need to maintain the business relationships in order to achieve desired goals (Frazier, 1983).	Sales and profit (adapted to the trading volume for both sales and purchasing perspectives)	1. The trading (sales/ purchasing) volume accounts for a high percentage. 2. The partner contributes lower percentage of trading volume compared to other partners (R). 3. Expected higher percentage of trading volume over two years. 4. New businesses are expected over two years.
	Irreplaceability	5. Have trouble to replace. 6. Many companies would like to cooperated with us **(R).** 7. We would suffer loss if replace the current partner. 8. We would easily compensate the terminated relationship by switching to another one **(R).**
Trust refers to the perceived credibility and benevolence of a target of trust (e.g., Ganesan, 1994; Doney & Cannon, 1997).	Credibility	1. The promises made by this partner are reliable. 2. Our partner is knowledgeable regarding his/her products. 3. We believe the information that this partner provides to our company. 4. This partner is not open in dealing with us **(R).**
	Benevolence	5. This partner cares for our company. 6. In times of shortages, this partner has gone out on a limb for our company. 7. This partner has been on our side.
Social bonds are the personal ties or linkages forged during interaction at work		1. Our company often interacts with this customer on a social basis outside of work. 2. We are able to talk openly as friends. 3. We would consider whether our customer's feelings would be hurt before we made an important decision. 4. The customer and our company also have social relations other than business relations. 5. We have feelings of acceptance of this partner.

Compliance is the general tendency or susceptibility of a firm to comply with its business partner's request that is not its inherently desired action for some immediate instrumental gain (Gudjonsson, 1989).		1. Our company fulfills this partner's requests, even though the request is not our inherent idea. 2. Our company cooperates with this partner's new programs although they do not bring us immediate gains. 3. We accept this partner's new ideas even though we do not obtain benefits. 4. Our company agrees to meet this partner's demands on making specific changes. 5. Our company complies with this partner's requests which are not our inherent desires.
Distributive fairness judgment refers to a firm's perception of the fairness of earnings and other outcomes that it receives from its relationship with its business partner (Kumar, et al. 1995)		How fair are your firm's outcomes and earnings compared to: 1. Your efforts and investments to the relationship. 2. Your company's roles and responsibilities in the relationship. 3. The contributions your company make to the relationship. 4. This partner's outcomes from the relationship. 5. This partner's payoffs drawn from the relationship.
Procedural fairness judgment refers to a firm's perception of the fairness of its business partner's procedures and processes in relation to the firm (Kumar, et al. 1995)		1. This partner promotes bilateral communication with our company. 2. A high level of two-way communication exists. 3. The partner does not discriminate but treat all his partners similarly. 4. This partner applies consistent policies and decision making procedures across all partners. 5. This partner sometimes alters its policies in response to our objections. 6. This partner seriously considers our company's objections to the partner's policies and programs. 7. This partner seldom explains its decisions to us **(R).** 8. This partner provides valid reasons for any changes in policies affecting us. 9. This partner is knowledgeable about the local situations we face. 10. This partner takes pains to learn the local conditions under which our company operates. 11. This partner treats our company with respect. 12. This partner is polite and well-mannered.

Note: R represents the reverse items

5.1.2 Controlling biases

The survey is designed to preserve the participants' *anonymity* and is also conducted online to be consistent. Allowing the respondents to answer anonymously could "reduce their evaluation apprehension and make them less likely to edit their responses to be more socially desirable, lenient, acquiescent, and consistent with how they think the researcher wants them to respond" (Podsakoff, et al., 2003, p.882).

The author also makes good use of the related functions offered by the online survey website "Unipark" to avoid obtaining skewed results and to produce data variance. When opening the link to the questionnaire, every participant is randomly assigned to select a business partner that his company is satisfied/dissatisfied with, according to the approach used by Saab (2006).

In order to control the priming effects, item-context-induced mood states, and other biases related to the context of the items, the items of the questionnarie were considered to be presented in a counterbalancing order. However, the disadvantages of counterbalancing are very obvious, a major one is that it disrupts the logical flow. Hence, both causal and counterbalancing orders were used. On the one hand, the relational factors as hypothetical antecedents of both fairness judgment and compliance were asked at the beginning (in causal order) due to three reasons. First, repliers will be aware of the relational factors and their roles played in compliance decision-making and fairness judgmental processes. Second, from the interviews, the author has already known that fairness is a very abstract concept and people need to warm up for it. The questionnaire thus should not begin with the fairness judgment items. Third, compliance is a negative concept that it would be better not to put the items of compliance at first either. On the other hand, fairness judgment as an anticipated source of compliance was presented at the very end of the questionnaire (in counterbalancing order) to control the context related biases.

5.1.3 Languages of the survey

Since the current work is a cross-cultural study of both Germanic and Chinese business relationships, the survey was made available in three language options: English, German, and Chinese. At the recommendation of Douglas and Craig (1983), a native speaker of German who speaks fluent English first translated the original English version of the questionnaire. Then another German who is also proficient in English translated the German version of the survey back into English. Lincoln and Kalleberg (1990) demonstrated a serious problem that often occurs in cross-cultural surveys in that the translation is literally precise, but ignores the meaning equivalence. The differences that emerged were then discussed and reconciled with the author and two other German marketing scholars regarding the construct conceptions and the research questions in this work. Four Chinese business professionals replicated the same translating process for the Chinese version of questionnaire.

5.2 Quantitative data collection

5.2.1 Sampling

The research attempts to understand how companies make their compliance decisions in responding to their business partners and which factors affect their fairness judgment regarding business relationships. Therefore, the research targets are **purchasing** and **sales** professionals who are the main players interacting with partner firms in industrial and service marketing.

Due to the vast environmental differences of business markets from country to country, establishing cross-cultural validity of theoretical concepts and models for business relationships becomes increasingly important (e.g., Frazier et al., 1989; Kumar et al., 1995). Based on this recommendation, this work tests the conceptual framework with a combined

sample of general business relationships in Germany, Austria, Switzerland, and China. According to the societal cluster theory developed by the GLOBE study (e.g., Javidan et al., 2006; Gupta et al., 2002), Germany, Austria, and Switzerland are grouped into the same societal cluster "Germanic Europe", so the samples from these three countries are brief labeled as Germanic data and then combined with the Chinese data.

5.2.2   Survey pretest

Before the survey officially started, two rounds of pretests of the survey had been conducted. The first round aimed at evaluating the wording and clarity, and the length of the survey. The author's 9 German colleagues from the Marketing department, Freie Universität Berlin and 8 Chinese scholars in multiple disciplines participated in this round. All the items with unclarity remarks were discussed with the commentors respectively and were reconciled finally. The average time to take the survey is 17 minutes.

For the second round of pilot pretests, invitation emails explaining the objective of the survey were sent out to 34 Executive Master of Business Marketing students of Freie Universität Berlin who were business-to-business marketing professionals and had business relationship experiences. No responding embarrassment, confusion or difficulties were reported in responses. On the other hand, the answers were also checked, and they had reflected the contents wanted in regards to the purpose of the survey, and also showed enough diversity.

The two-round pretests had proved the competency of the questionnaire and the formal survey was thus decided to start.

5.2.3 Survey administration

Both online and mail surveys were used to collect the quantitative data. The online survey was conducted using the online survey platform "Unipark".

All of the data from Germanic countries (Germany, Austria, Switzerland) was collected online. The author used "XING," a German online business networking platform, to search for business professionals and send survey invitations. A total of 4,680 invitations were sent from September 2012 to the end of January 2013.

The collection of Chinese data, on the other hand, was difficult and time consuming. Very limited Chinese companies have realized the important implications of scientific research for practice. Besides, cooperation between academia and practice is still rare and the ties between them are also weak. This means that normal Chinese managers consider participating in a scientific survey as neither useful nor interesting. However, since the Chinese value the *guanxi* rule (relationship or networking) in daily life as well as in business contacts, access to Chinese companies is possible when one is regarded as an "insider" within certain industrial communities. In fact, the *guanxi* (relationship) does not have to be very close; a previous contact history or a mutual friend as a mediator is enough in some cases. Collecting Chinese data was done both online and via mail in accordance with the different *guanxi* strategies. First, 438 invitation e-mails with the link to the online survey were sent directly to sales managers of Chinese exhibitors at the Hannover Messe 2012 (Hannover trade fair), whose business cards were collected at the fair. Second, 77 paper surveys were mailed out to private contacts who are either the author's friends or friends of friends.

5.3 Quantitative data analysis plan

An appropriate data analysis plan should be selected in terms of the research problem and the properties of statistical techniques, particularly the purpose and the underlying assumptions of the techniques (Hair et al., 2010; Malhotra, 2010).

The conceptual framework and model provided in chapter 4 are developed based on the literature review and the qualitative research. The multivariate analysis is used to validate the model, and the implementation process is shown in table 5- 3.

Table 5- 3 Model validation process

Steps	Analysis		
1. Assessing the assumptions of multivariate analysis	1. Normality 2. Outliers 3. Initial correlation analysis		
2. Assessing the measurement model	Construct unidimensionality		
	Construct reliability	1. Initial coefficient alpha, item- to- total correlations, and inter- item correlations 2. Purification of the items	
	Construct validity	Assessing convergent, discriminant validity and nomological validity	
	Model fit	Indicating how well the estimated model reproduces the observed data	
3. Assessing the structural model	1. Model fit 2. Hypothesis testing:Evaluating the significance, direction, and size of the structural parameter estimates		

SPSS 21 and AMOS 21 were used as the analysis softwares. The former was used to conduct the exploratory analysis, such as the descriptive statistics, Pearson correlation and Cronbach α tests. The latter was used to assess the construct validity and the hypotheses.

5.3.1 Data screening

There are four primary purposes of data screening: to check if data have been entered correctly, to check for missing values, and to check for outliers and normality.

Since most surveys were completed online, only the mailed surveys were checked for entry accuracy. The missing values were also checked. Third, univariate and multivariate outliers are detected by calculating the Z-score and Mahalanobis D-score. The normality of each item was also checked.

5.3.2 Analytical plan for structural equation modeling

Structural equation modeling (SEM) is chosen to test the hypotheses of this work. Structural equation modeling is a statistical procedure for testing measurement, functional, predictive, and causal hypotheses, which is essential to conduct applied research in behavioral, managerial, and social sciences (Bagozzi & Yi, 2012). In 2010 Byrne (p. 24) noted that "the term structural equation modeling conveys two important aspects of the procedure: 1. The causal processes under study are represented by a series of structural (e.g., regression) equations, 2. These structural relations can be modeled pictorially to enable a clearer conceptualization of the theory under study." Due to these two strengths, structural equation modeling is widely used in marketing research to examine validity and develop theories (Babin et al., 2008; Terbalance and Boshoff, 2008), and is also chosen as the analytical method of this work.

When applying SEM, a six-stage process should be followed. In each stage, certain decisions should be made for subsequent steps (Bollen & Long, 1993). Table 5-4 lists the six-step application process and the primary issues needed to be considered in each step. In response to the relevant issue in each respective step, the author gives the answers for this work in the third column of the table.

Table 5- 4 Six- stage process for SEM

(Adapted from Hair, Black, Babin & Anderson, 2010)

Stages	Relevant Issues	The answers of current work
1. Defining individual constructs	Operationalizing the construct	All scales are from prior research Scale type: 7- point likert scale Scale items: From prior research
2. Develop and specify the measurement model	SEM notation Creating the measurement model	Measurements are unidimensional All the constructs are reflective
3. Designing a study to produce empirical results	Model specification	Data collection for the designed study
4. Assessing measurement model validity	Construct/ Convergent/ Nomological Validity Assessing fit	Validities are supported after model diagnostics Fit indices are checked
5. Specify structural model	Using path diagram	The model is recursive without a feedback loop
6. Assess structural model validity	Structural model fit Examining hypothesized relationships	Assessing the structural model fit and comparing it with the CFA fit Path estimates, standardized residuals and modification indices are checked

5.3.2.1 Criteria for construct validity

Construct validity is the extent to which a set of measured items actually reflects the theoretical latent construct they are designed to measure (cited from Paswan, 2009). Cronbach and Meehl (1955, p.282) noted that "construct validation is involved whenever a test is to be interpreted as a measure of some attribute or quality which is not 'operationally defined.'" Therefore, the author examined respectively the five aspects of construct validation process, reliability, face validity, convergent validity, discriminant validity, and nomological validity (Churchill, 1998; Hair et al., 2010), among which reliability, convergent validity, and

discriminant validity have been identified as the key components (Peter, 1981).

- *Reliability*: the degree of consistency between multiple measurements of a variable

- *Face validity*: the extent to which the content of the items is consistent with the

construct definition

- *Convergent validity***:** the extent to which the measure correlates with other measures

designed to measure the same thing.

- *Discriminant validity*: the degree to which measures of conceptually distinct

constructs differ.

- *Nomological validity*: the construct's ability to correlate as expected with other

theoretically related constructs.

According to Hair et al., (2010), the criteria for construct reliability should be checked first. In order to test construct reliability, *Cronbach's alpha* (>0.7, [Hinkin, 1995; Nunnally, 1978]), *item-to-total correlations* (>0.5), and *inter-item correlations* (>0.3, [Hair et al., 2010]) are tested for internal consistency.

Face validity is tested based on the author's judgment (Hair et al., 2010). Construct reliability (CR) and average variance extracted (AVE) are calculated to assess the convergent validity (CR> .70; AVE> .50) and discriminant validity (AVEs of the two relevant constructs should be larger than the squared correlations between them). Since the construct reliability (CR) and average variance extracted (AVE) are not provided by AMOS, so they are calculated in Excel using the following two formulas (Fornell & Larcker, 1981, p. 45, p. 46):

$$CR = \frac{(\sum_{i=1}^{p} \lambda_{yi})^2}{(\sum_{i=1}^{p} \lambda_{yi})^2 + \sum_{i=1}^{p} Var(\varepsilon_i)} \qquad AVE = \frac{(\sum_{i=1}^{p} \lambda_{yi}^2)}{(\sum_{i=1}^{p} \lambda_{yi}^2) + \sum_{i=1}^{p} Var(\varepsilon_i)}$$

λ_x indicates standardized factor loadings, ε_i indicates indicator measurement errors

The nomological validity is tested by checking if the constructs behave the theoretically predicted way.

5.3.2.2 Criteria for model fit indices

Model fit indices indicate how well the estimated model reproduces the observed data. Multiple fit indices are used for the assessment of model fit, including Chi square (χ^2) and χ^2/df, R^2, the goodness of fit index, e.g., Comparative fit index [CFI] (Hu & Bentler, 1998), the incremental fit indices, e.g., Tucker Lewis index [TLI] (Sharma et al., 2005; Widaman & Thompson, 2003), and the badness of fit index, e.g., Root mean square error of approximation [RMSEA], standardized root mean square residual [SRMR] (Iacobucci, 2010). Although there is no single magic value that could separate good from poor models, sample size and model complexity can heavily influence the quality of fit.

Table 5-5 presents the criteria for construct validity and selected model fit indices, with current sample size (N=265) and model complexity (observed variables 12<m<30).

Table 5- 5 Criteria for construct validity with N>250, 25<m<30

(Source: Bentler & Bonett, 1980; Hair et al., 2010; Homburg & Baumgartner, 1995; Sharma et al., 2005）

Purpose	Indices needed to be checked	Cut off criteria
Reliability	Cronbach's α	>.70
	Inter-item correlation	>.50
	Item-total correlation	>.50
Convergent validity	Item loading	>.50, ideally >.70 when more than 3 indicators
	Construct reliability (CR)	.7 or above
	Average variance extracted (AVE)	.5 or above
Discriminant validity	Inter-correlation between two factors	AVE > squared correlation between the two factors
Nomological validity	Construct correlations	All construct correlations theoretically make sense and the correlations are significant

Model fit	χ^2/df	<2.5
	CFI	> .90
	TLI	> .90
	SRMR	.08 or less
	RMSEA	<.08, ideally <.05
	Standardized residual	<|±2.5|

5.4   Quantitative data analysis

5.4.1   Response rates and non-response bias

5.4.1.1 Response rates

A total of 4,680 invitations were sent to Germanic companies and 279 responses were received, a response rate of 5.96%.

Two collection methods were used to collect Chinese data as mentioned in the last section. First, 438 invitations were sent to the listed Chinese exhibitors at the Hannover Messe 2012 trade fair and 49 surveys were received, a response rate of 11.19%. Second, 77 paper surveys were mailed and all of them were mailed back, a response rate of 100%.

Table 5- 6 Response rate details

Item	Germanic countries	China	
Collection method	Online	Online	Mail
Overall invitation-outs	4680	438	77
Overall valid responses received	279	49	77
Response rate	5.96%	11.19%	100%

5.4.1.2 Missing data

The work adopts the *Complete Case Approach* for dealing with missing data collected online, meaning that only those cases with complete data are used. First, this approach is the simplest

and most direct one (Hair et al., 2010). Second and more importantly, 125 of the 133 incomplete cases drop more than half of the entire survey (93.98%). In other words, these participants left significant missing values that could not be substituted by replacement. The other eight incomplete cases only answered less than 75% of the survey with the independent variable items left, which were also not very useful. Since the resulting sample size is still appropriate (>250) after the invalid cases were deleted, the approach is suitable for the current missing data process (Hair et al., 2010).

There is no problem with missing data in the mailed surveys because they are all complete.

Table 5-7 shows the details of the complete sample.

Table 5- 7 Details of complete sample

Collection method	Total	Online	Mail
Overall received cases	405	328	77
Overall complete cases	274	195	77
Complete rate	67.65%	59.45%	100%

To sum up, 274 complete cases are used. These cases could be further categorized based on cultural differences or the marketing roles of the participants. From the perspective of cultural differences, 166 questionnaires are from Germanic countries and 106 are from China. In terms of the marketing roles, 186 surveys were answered by sales representatives and 86 by people in purchasing roles. The detailed configuration of the sample is provided in table 5-8.

Table 5- 8 Sample configuration

Total used cases(complete cases) : 274			
Germanic countries:166		China: 108	
Sales	Purchasing	Sales	Purchasing
112	54	75	33

Due to the constrains of data size in terms marketing roles, the planned data analysis on marketing role differences are dropped.

5.4.1.3 Non-response bias

The non-response bias is checked using Armstrong and Overton's (1977) method, which is to compare the earlier 1/3 responses with the later 1/3 ones. Since all the mailed survey were sent out and received at nearly the same time, the non-response bias is only examined for the data from the online survey. Furthermore, German and Chinese data are checked separately to avoid potential bias caused by cultural differences. All of the 49 items are tested using the t-test for independent samples.

No significant differences exist in the Chinese data at the $p<.001$ level (two tailed). However, when testing the German data, 28 of 49 items showed significant difference between early and late responses at the .001 level (two tailed) in Levene's test for equality of variances within the German data, meaning that the variances of these two group samples were not equal. The author checked the cases again and found the problem. Since the survey invitations were sent to German sales managers in the first two months and to German purchasing managers in the last two months, the earlier one-third of answers are all from sales managers and the later ones are from purchasing managers. The variances could be caused by the different marketing management roles. The test was therefore run separately on German sales and purchasing managers. This time the t-test for independent-samples did not show significant differences at the $p< .001$ level within each of the groups. Hence, the author concludes that non-response bias does not occur in the current survey.

5.4.1.4 Difference between mail and online survey responses

Since the mail surveys were only sent to Chinese companies and the part of the Chinese data was collected online, the comparison between mail and online responses was only conducted within the Chinese group to avoid the influence of cultural differences. The t-test for independent samples was performed to check the differences. There are eight indicators that

are significantly different at the p< .05 level (two tailed): Three indicators from dependence, one item from social bonds, two indicators from procedural fairness judgment and two indicators from distributive fairness judgment. Among these eight indicators, one is significant at the p< .01 level. Table 5-9 shows the mean values for the above indicators.

Table 5- 9 Mean values of the items with significant differences

Item	Mean differences	t-value	Sig. (two tailed)
The trading (sales/ purchasing) volume accounts for a high percentage	.654	2.204	p<. 05
Expected higher percentage of trading volume over two years	.734	2.081	p<. 05
We would easily compensate the terminated relationship by switching to another one	-.658	-2.075	p<. 05
This partner and our company also have social relations other than business relations.	.846	2.496	p<. 05
This partner treats our company with respect.	.538	2.168	p<. 05
This partner is polite and well-mannered.	.651	2.260	p<. 05
Fair when compared to the efforts and investments to the relationship.	.783	2.911	p<. 01
Fair when compared to the contributions made to the relationship.	.632	2.177	p<. 05

The online surveys only include responses from sales, while the mailed surveys cover the answers from both sales and purchasing sectors in China. Therefore, the author also tested the differences between the online sales and mailed sales responses to rule out the influence of the respondents' marketing management roles. No significant differences were found at the p< .05 level. Hence, it is safe to draw the conclusion that no major differences exist between online and mailed responses, and the responses can be analyzed together.

5.4.2   Profile of respondents

The open ending questions asked the respondents to fill their years of marketing experience, the sizes of their firms, their industries and the length of the business relationship they

referred to. This work uses the Standard Industrial Classification (SIC, from the website of U.S. Securities and Exchange Commission [SEC]) for classifying the given industries and then group them into broader industrial divisions (also offered by SIC), such as Mining, Construction, Manufacturing and so on. These questions were put in the end of the questionnaire, and they are not compulsory. Hence, only 238 of 274 respondents (used cases) gave their answers in this part.

The answers are summarized categorized into the following four tables.

Figure 5- 1 Marketing experiences
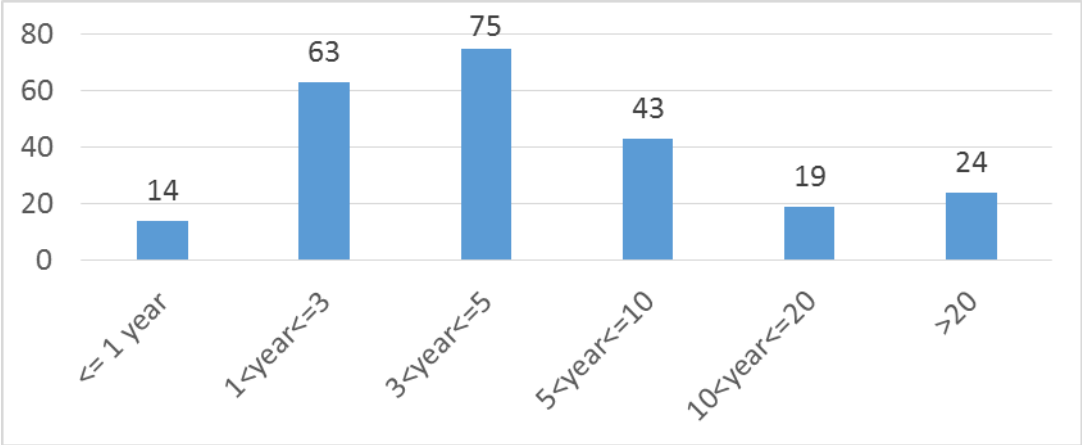
Figure 5- 2 Length of the relationship referred
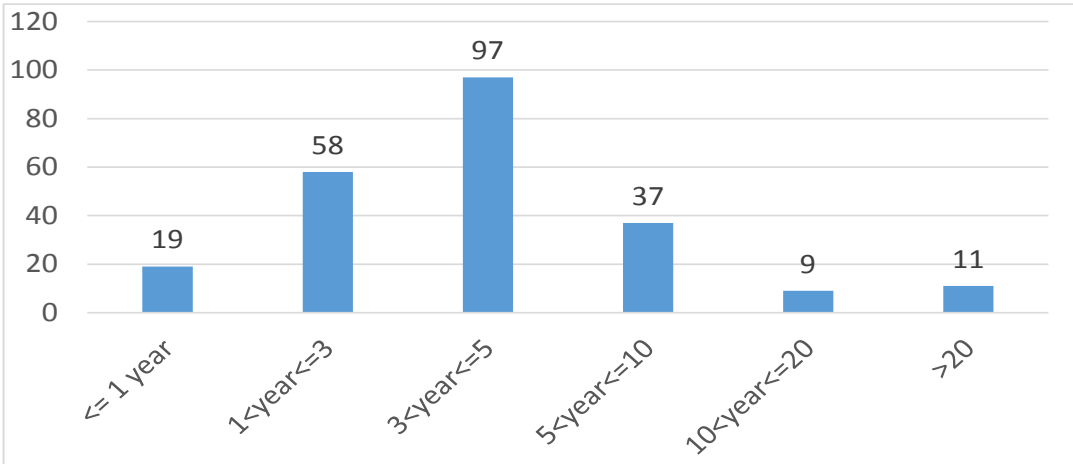
Figure 5- 3 Firm size
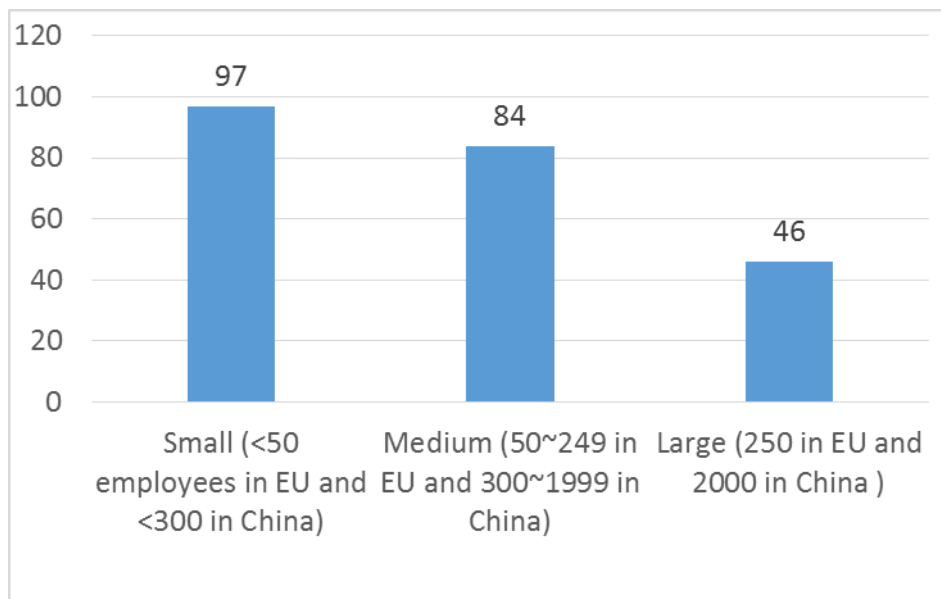
Figure 5- 4 Industrial divisions
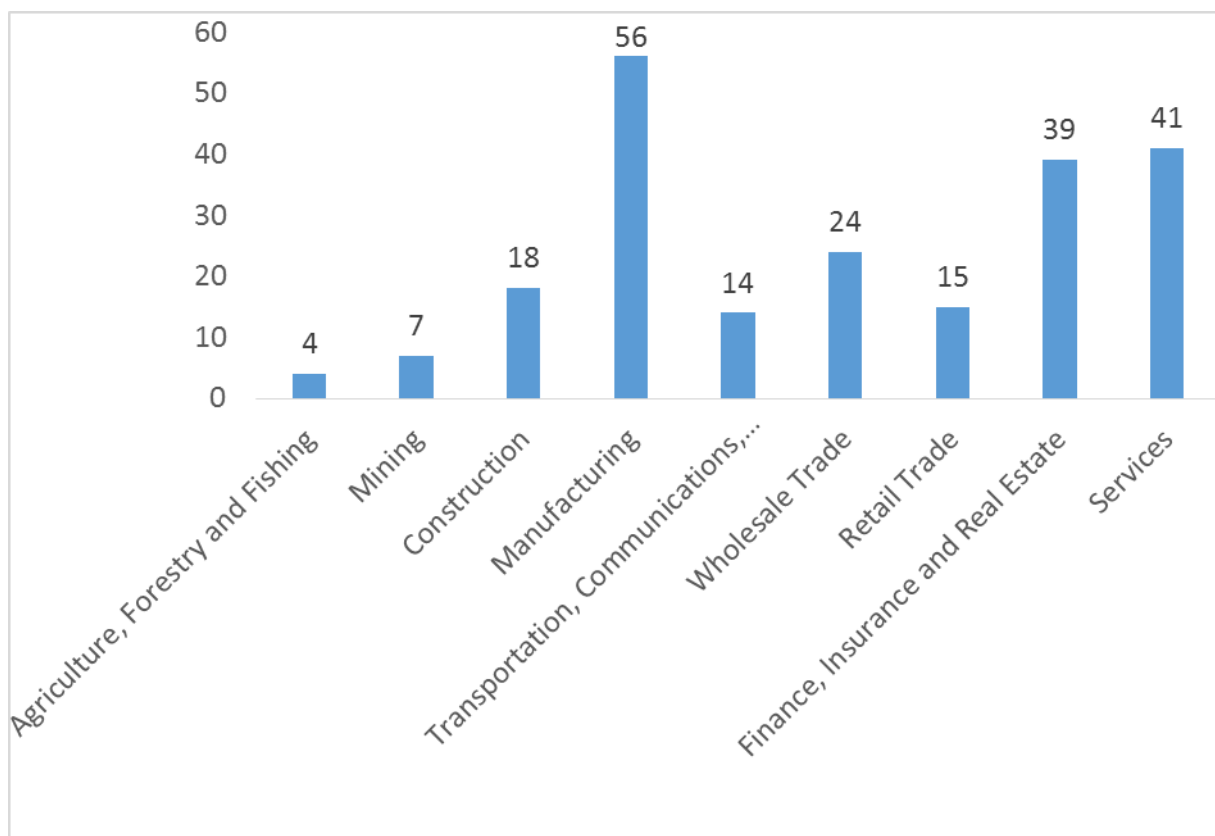
5.4.3 Preliminary data examination

5.4.3.1 Multivariate normality and descriptive statistics

The normality of data was tested to examine the influence of non-normal data on the choice of the estimation method in structural equation modeling. Then the mean, standard deviation, skewness and kurtosis of all 42 items in the questionnaire, including 20 relational influencing factors, 17 fairness judgment indicators and 5 compliance indicators, were examined. The primary descriptive statistics results are provided in table 5-10.

Table 5- 10 Descriptive statistics (N=274)

Construct	Item label	Mean	Std. Deviation	Skewness	Excess kurtosis	Range of std. value
Trading volume (Dependence)	The trading (sales/ purchasing) volume accounts for a high percentage.	4.08	1.492	-.239	-.809	-2.05~1.95
	The partner contributes lower percentage of trading volume compared to other partners. **(R)**	4.26	1.653	.012	-.929	-1.65~1.96
	Expected higher percentage of trading volume over two years.	4.37	1.467	-.267	-.681	-2.27~1.79
	New businesses are expected over two years.	4.42	1.503	-.303	-.781	-2.25~1.72
Irreplaceability (Dependence)	Have trouble to replace.	4.04	1.610	-.035	-.948	-1.86~1.84
	Many companies would like to cooperated with us. **(R)**	3.86	1.589	.120	-.943	-1.95~1.78
	We would suffer loss if replace the current partner.	3.97	1.683	-.203	-.992	-1.74~1.81
	We would easily compensate the terminated relationship by switching to another one. **(R)**	4.26	1.503	-.164	-.778	-2.14~1.79
Credibility (Trust)	The promises made by this partner are reliable.	4.35	1.498	-.233	-.872	-2.21~1.77
	This partner is knowledgeable regarding his/her products.	4.51	1.273	.017	-.556	-2.72~1.94
	We believe the information that this partner provides to our company.	4.45	1.460	-.347	-.757	-2.33~1.76
	This partner is not open in dealing with us. **(R)**	3.98	1.598	.026	-.976	-1.85~1.87
Benevolence (Trust)	This partner cares for our company.	3.53	1.323	.147	-.230	-2.03~2.49
	In times of shortages, this partner has gone out on a limb for our company.	3.58	1.376	-.136	-.613	-1.84~2.49
	This partner has been on our side.	3.84	1.469	-.012	-.520	-1.90~2.16
Social bonds	Interacting on a social basis outside of work.	3.74	1.647	-.125	-.878	-1.63~1.97
	We are able to talk openly as friends.	3.85	1.632	-.209	-.801	-1.71~1.94
	We would consider whether this partner's feelings would be hurt before we made an important decision.	4.14	1.483	-.235	-.447	-2.74~1.92
	This partner and our company also have social relations other than business relations.	3.76	1.664	.-346	-.977	-1.63~1.95
	We have feelings of acceptance of this partner.	4.25	1.462	-.175	-.815	-2.19~1.88
Compliance	Our company fulfills this partner's requests, even though the request is not our inherent idea.	4.27	1.457	-.170	-.789	-2.22~1.86

	Our company cooperates with this partner's new programs although they do not bring us immediate gains.	4.35	1.543	-.266	-.829	-2.14~1.72
	We accept this partner's new ideas even though we do not obtain benefits.	4.45	1.450	-.331	-.691	-2.35~1.74
	Our company agrees to meet this partner's demands on making specific changes.	4.40	1.580	-.130	-.915	-2.13~1.63
	Our company complies with this partner's requests which are not our inherent desires.	4.14	1.572	-.156	-.837	-1.98~1.81
Procedural fairness judgment	This partner promotes bilateral communication with our company.	4.23	1.494	-.251	-.807	-2.13~1.87
	A high level of two-way communication exists.	4.58	1.530	-.320	-.652	-2.30~1.59
	This partner does not discriminate but treat all his suppliers similarly.	4.55	1.216	-.099	-.091	-2.91~2.04
	This partner applies consistent policies and decision making procedures across all partners.	4.47	1.318	-.274	-.243	-2.62~1.93
	This partner sometimes alters their policies in response to our objections.	4.10	1.474	-.475	-.638	-2.08~1.97
	This partner seriously considers our company's objections to the partner's policies and programs.	4.25	1.366	-.644	-.101	-2.35~2.00
	This partner seldom explains their decisions to us.	3.91	1.571	-.121	-.924	-1.96~1.85
	This partner provides valid reasons for any changes in policies affecting us.	4.26	1.551	-.340	-.752	-2.07~1.78
	This partner is knowledgeable about the local situations we face.	4.57	1.376	-.464	-.444	-2.56~1.76
	This partner takes pains to learn the local conditions under which our company operates.	4.38	1.441	-.596	-.185	-2.31~1.81
	This partner treats our company with respect.	5.01	1.301	-.741	.281	-2.28~1.51
	This partner is polite and well-mannered.	5.08	1.331	-.709	.465	-2.98~1.44
Distributive fairness judgment	The received outcomes are fair when compared to the efforts and investments to the relationship.	4.62	1.273	-.312	-.206	-2.80~1.86
	The received outcomes are fair when compared to our roles and responsibilities in the relationship	4.68	1.183	-.244	-.564	-2.22~1.96
	The received outcomes are fair when compared to the contributions made to the relationship.	4.58	1.294	-.356	-.286	-2.72~1.88
	The received outcomes are fair when compared to the partner's outcomes.	4.53	1.183	.014	-.593	-2.11~2.86
	The received outcomes are fair when compared to the partner' payoffs from the relationship.	4.59	1.294	-.061	-.697	-2.10~2.00

The mean scores of the 42 key items ranged from 3.58 to 5.08. The standard deviations range from 1.301 to 1.664, which show a sufficient variance for SEM analysis.

The range of the skewness is within ± 1, so no substantial skewness is detected (Bulmer, 1979). Since the highest skewness and excess kurtosis values of the 42 items are .147 and .465 which are less than the cut-off points of 2.0 and 4.0 respectively, meaning that the data is suitable for CFA (Curran et al., 1996).

5.4.3.2 Outliers

Checks were done to detect both univariate and multivariate outliers. The standard value of each item was computed for detecting univariate outliers. For sample sizes larger than 80, which is true for the current study, a case is regarded as a outlier if its score is ± 3 and beyond (Bulmer, 1979), the range of the Z-scores are showed in table 5-10, as can be seen from the table, no univariate outliers were identified.

On the other hand, the Mahalanobis D^2 was computed for detecting multivariate outliers. The threshold level for the D^2/df should be conservative (.001), resulting in values of 3 or 4 for the sample larger than 80 cases (Hair et al., 2009). In the dataset, 9 cases have a Mahalanobis D^2 with a probability of less than 0.001. They are deleted as multivariate outliers. There was thus a total of 265 cases used for the final test.

5.4.4   Structural equation modeling

5.4.4.1 Assessment of the measurement model

Before the construct reliability, "Pearson" correlation between each pair of construct items was run to check if the level of correlation was sufficient for SEM. The correlations values should be greater than .30 (Hair et al., 2009). 17 items were deleted after the purifying, in

which, 8 are from procedural fairness judgment, 4 from dependence in business volume, 1 from dependence in irreplaceability, 1 from trust in credibility, 3 from trust in benevolence. There are 25 observed variables well correlated and are thus sufficient for conducting SEM.

Construct unidimensionality

In order to examine the unidimensionality of the 25 items, an exploratory factor analysis (EFA) was conducted. As Hair et al., (2010) recommend, the Oblimin rotation is the appropriate approach to minimize the variance when factors are anticipated to be intercorrelated. Therefore, this works chose to use this test.

The Kaiser-Meyer-Olkin value is .871, and Bartlett's test is significant. Table 5-11 on the next page shows the pattern matrix. As seen from table, all items have loadings greater than $\pm.50$, the significant level for a sample size of 265 (Hair et al., 2010). There are also no cross loadings. The overall 74.781% variance is explained by the seven factors.

The unidimensionality of measurements is thus supported.

Table 5- 11 Pattern Matrix for the unidimensionality of the measurement items (N=265)

			Factors					
			1	2	3	4	5	6
Eigenvalues			8.451	2.859	2.513	1.718	1.408	1.332
Construct	Item name	Item label						
Dependence	Irrepla1	Have trouble to replace.					.836	
	Irrepla2	Many companies would like to cooperated with us. **(R)**					.730	
	Irrepla3	We would suffer loss if replace the current partner.					.781	
Trust	Tcred1	The promise made by this partner are reliable.				.792		
	Tcred2	This partner is knowledgeable regarding his/her products.				.891		
	Tcred3	We believe the information that this partner provides to our company.				.821		
Social bonds	SocB1	Interacting on a social basis outside of work.			.887			
	SocB2	We are able to talk openly as friends.			.816			
	SocB3	We would consider whether this partner's feelings would be hurt before we made an important decision.			.717			
	SocB4	This partner and our company also have social relations other than business relations.			.909			
	SocB5	We have feelings of acceptance of this partner.			.703			
Compliance	Comp1	Our company fulfills this partner's requests, even though the request is not our inherent idea.		-.914				
	Comp2	Our company cooperates with this partner's new programs although they do not bring us immediate gains.		-.844				
	Comp3	We accept this partner's new ideas even though we do not obtain benefits.		-.798				
	Comp4	Our company agrees to meet this partner's demands on making specific changes.		-.887				

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			1	2	3	4	5	6
	Comp5	Our company complies with this partner's requests which are not our inherent desires.		-.860				
Distributive fairness judgment	DF1	The received outcomes are fair when compared to the efforts and investments to the relationship.	.791					
	DF2	The received outcomes are fair when compared to our roles and responsibilities in the relationship.	.860					
	DF3	The received outcomes are fair when compared to the contributions made to the relationship.	.804					
	DF4	The received outcomes are fair when compared to the partner's outcomes.	.782					
	DF5	The received outcomes are fair when compared to this partner' payoffs drawn from the relationship.	.708					
Procedural fairness judgment	PF1	This partner seriously considers our company's objections to the partner's policies and programs.						.801
	PF2	This partner takes pains to learn the local conditions under which our company operates.						.744
	PF3	This partner treats our company with respects.						.787
	PF4	This partner is polite and well-mannered.						.756

Note: 1. Extraction Method: Principal Component Analysis

2. Rotation Method: Oblimin with Kaiser Normalization

3. Rotation converged in 7 iterations.

Construct reliability

All the 25 retained items were then tested for reliability in SPSS. Applying the criteria of coefficient α >.7, inter-item correlation >.5, and item-total correlation >.5, the values of coefficient α, inter-item correlation and item-total correlation are presented in table 5-12. There are two items in "irreplaceability" whose inter-item correlation was not achieved .5 (.468). However, the figures are not very low compared to the threshold. Besides, coefficient α and the item-total correlations are qualified, so the two items are retained.

Convergent, discriminant, and nomological validity

The validity of "irreplaceability," "trust in credibility", social bonds, compliance, distributive fairness judgment, and procedural fairness judgment was tested after the reliability test.

All the item factor loadings are significantly different from zero at the .001 level (two tailed). They also all achieve the minimum .7 except for the two items "Many companies would like to cooperate with us." (.564) from "irreplaceability" and "This partner seriously considers our company's objections to the partner's policies and programs." from "procedural fairness judgment" (.599). Since their factor loadings are above the acceptable .5, they are also retained.

As also shown in table 5-12, the values of construct reliability (>.7) and AVE (>.5) all meet the requirements. Therefore, the items converged on the constructs.

The discriminant validity was also examined. The inter-construct correlations are presented in AMOS, then the squared inter-construct correlation values are calculated and compared with the AVEs. The figures meet the usual criteria (Fornell & Larcker, 1982), discriminant validity is thus evidenced.

The nomological validity is tested by examining whether the correlations between the constructs in the measurement model make sense (Paswan, 2009). The correlations of the constructs therefore are checked in AMOS output. To demonstrate nomological validity in the model of this work, the constructs must be positively related based on the hypotheses. Since all correlations are positive and significant, adequate evidence of nomological validity is thus provided.

Table 5- 12 Construct validation results

Construct	Item name	Std. factor loading	Cronbach α	Item- to-total correlation	Lowest inter-item correlation	Construct Reliability	AVE	The highest squared inter -correlation
Dependence	Irrepla1	.789	.791	.704	.520	.817	.601	.195
	Irrepla2	.574		.538	.468			
	Irrepla3	.869		.660	.476			
Trust	Tcred1	.850	.887	.774	.671	.890	.730	.231
	Tcred2	.804		.751	.671			
	Tcred3	.906		.827	.743			
Social bonds	SocB1	.816	.910	.584	.771	.910	.673	.227
	SocB2	.892		.647	.826			
	SocB3	.740		.584	.712			
	SocB4	.885		.624	.832			
	SocB5	.755		.600	.725			
Compliance	Comp1	.894	.925	.852	.739	.926	.716	.225
	Comp2	.843		.801	.676			
	Comp3	.828		.783	.649			
	Comp4	.854		.818	.691			
	Comp5	.807		.771	.649			
Distributive Fairness Judgment	DF1	.816	.894	.759	.582	.895	.630	.279
	DF2	.832		.786	.639			
	DF3	.784		.730	.585			
	DF4	.748		.701	.582			
	DF5	.787		.725	.592			
Procedural Fairness Judgment	PF1	.587	.855	.588	.462	.858	.608	.279
	PF2	.735		.715	.575			
	PF3	.924		.790	.518			
	PF4	.833		.707	.462			

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Model fit

The standardized residuals between Irre2 and SocB4 is -3.275, whose absolute value is greater than 2.5 but less than 4. In spite of these problems, the author did not make any changes to the model because no other problems are associated with the items (Hair et al., 2010).

The model fit indices also show that the model fits the data well: χ^2 (d.f.) is 576.348 (260), χ^2/df is 2.217, CFI is .928, TLI is .917, SMRM is .060, and RMSEA is .068.

All in all, the measurement model passes the validity and model fit tests, and the work could proceed to assess the structural model and the corresponding hypothesized theoretical relationships in the final stage of SEM.

5.4.4.2 Assessment of the structural model

The author performed structural equation modeling with maximum likelihood estimation to test the hypothesized model because it is indicated to be more efficient and unbiased than the ordinary least squares (OLS) regression (Hair et al., 2008).

The model performed in Amos is in Figure 5-5 on next page.

Figure 5- 5 Structural Model

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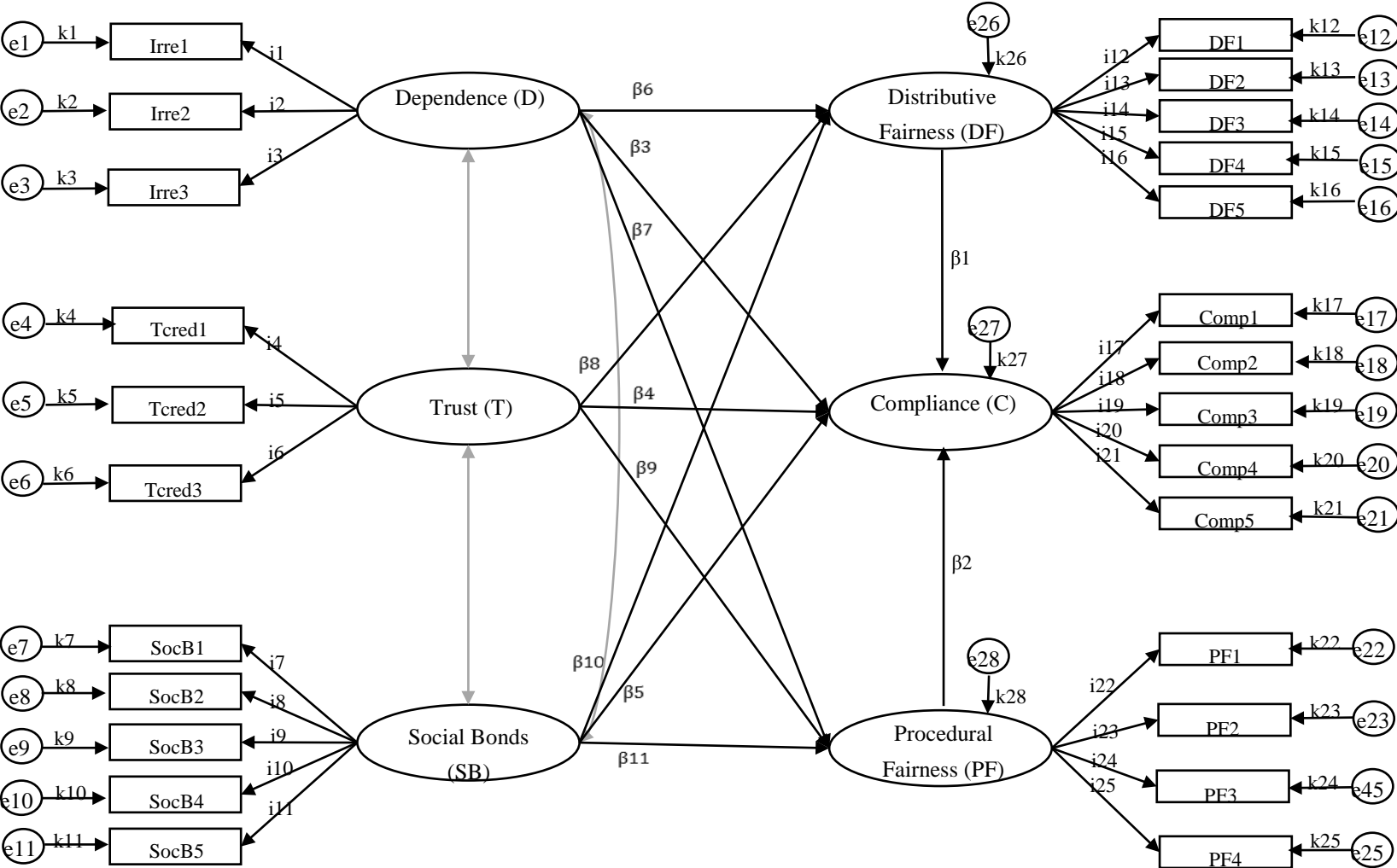
The model fit indices shows the model fits the data well: χ^2 (d.f.) is 602.611 (262), χ^2/df is 2.30, CFI is .923, TLI is .911, SMRM is .075, and RMSEA is .070.

The regression weights, standard regression weights, standard errors and t-value of the structural model are provided in table 5-13.

Table 5- 13 Hypothesized paths, standard errors and t-values

Paths	Regression weights (two-tailed)	Std. regression weights (two-tailed)	Std. errors	t-value
H1: DF + → C	.403***	.322***	.100	4.035
H2: PF + → C	-.112	-.069	.115	-.974
H3: D + → C	.192**	.214**	.062	3.084
H4: T + → C	-.046	-.046	.073	-.629
H5: SB + → C	.335***	.283***	.078	4.274
H6: D+ → DF	.199***	.278***	.048	4.116
H7: D + → PF	.065	.117	.039	1.656
H8: T + → DF	.266***	.336***	.054	4.960
H9: T + → PF	.247***	.406***	.047	5.238
H10: SB + → DF	.188**	.119**	.061	3.083
H11: SB + → PF	.090	.124	.049	1.840

Note: *** p<.001, **p<.01

5.4.4.3 Mediation analysis

This section tests the mediation effects of distributive fairness judgment on the relationships between the relational factors and compliance.

Figure 5-6 depicts a classical mediation model from Baron and Kenny (1986). According to them, mediation test should follow the four-step procedure. The first step tests the correlation between the independent and outcome variables (direct model, path c). The second step test the correlation between the independent variables and mediators as well as the correlation between the mediators and outcome variables (mediating model, path a). The third and the fourth steps confirm whether the mediation effect is complete or partial (hypothesized model,

path a, b and c). To be specific, full mediating effects only exist when the following conditions are met: (1) path c is first significant in direct model, (2) the significant effect of "c" reduced to nonsignificance after including the mediator (c=0), (3) paths a and b are significant. Partial mediation is indicated if the direct effect of "c" is reduced but still significant after the inclusion of mediators.

Figure 5- 6 Mediation model

(Source: Baron & Kenny, 1986)
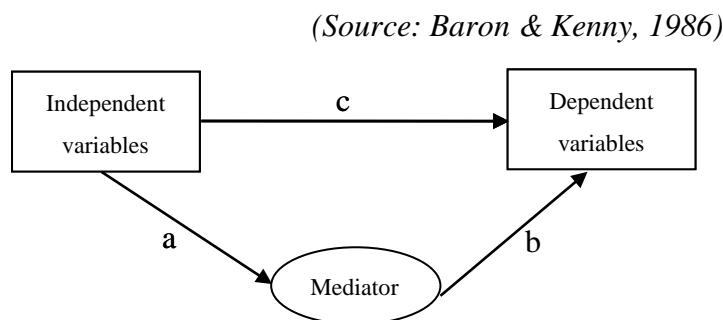
Due to the new theoretical development of mediation analysis, Baron and Kenny's procedure has received critiques that it is not effective to test mediation when there are both indirect effects and direct effects (e.g., Rucher et al., 2011; Shrout & Bolger, 2002; Zhao et al., 2010). Moreover, "the Baron and Kenny classification of full partial and no mediation is coarse and misleading due to the one-dimensional conception of mediation"(Zhao et al., 2010, p.200). This work therefore adopts the three patterns of mediation from Zhao and his colleagues´ typology of mediation (2010, p. 200) as follows, and shows their decision tree for understanding types of mediation and non-mediation on the next page in figure 5-7.

- *Complementary mediation*: Mediated effect (a × b) and direct effect (c) both exist and point at the same direction

- *Competitive mediation*: Mediated effect (a × b) and direct effect (c) both exist and point in opposite directions.

- *Indirect-only mediation*: Mediated effect (a × b) exists, but no direct effect.

Figure 5- 7 Decision tree for establishing and understanding types of mediation and non-mediation

Yes — Is a x b significant? — No

Yes — Is c significant? — No

Yes — Is c significant? — No

Is a x b x c positive?

Yes — No

Complementary (Mediation)	Competitive (Mediation)	Indirect-only (Mediation)	Direct- only	No-effect

Evidence for:

	Complementary	Competitive	Indirect-only	Direct-only	No-effect
Hypothesized Mediator	Yes	Yes	Yes	No	No
Omitted Mediator	Likely	Likely	Unlikely	Likely	Unlikely

Incomplete theoretical framework. Mediator identified consistent with hypothesized theoretical framework. But consider the likelihood of an omitted mediator in the		Mediator identified consistent with hypothesized theoretical framework	Problematic theoretical framework. Consider the likelihood of an omitted mediator.	Neither direct nor indirect effects are detected. Wrong theoretical framework.

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Bootstrap methodology is useful and powerful particularly in studying indirect effects in mediation models (e.g., Arbuckle, 1999; Bollen & Stine, 1990; Cheung & Lau, 2008; Shrout & Bolger, 2002). Besides, it is in general superior to the product-of coefficients strategy in a multiple-mediator context (e.g. Briggs, 2006; Preacher & Hayes, 2008).

When testing the mediation effects of distributive fairness judgment, the indirect effects of dependence, trust and social bonds on compliance are positive significant (the indirect Beta coefficients are respectively .086, .099 and .061) with a 95% confidence interval. The direct effects of dependence, social bonds and compliance are also significant (respectively, $p= .003$, and $p=.003$, two tailed) with the Beta coefficients of .212, and .281. Since their total effects are both positive and significant at .001 level with the p values of .001 and .001 (two tailed), it is easy to conclude that distributive fairness judgment is complementary mediating the effects of dependence and social bonds on compliance. However, the direct effect of trust on compliance is not significant, meaning that distributive fairness judgment is an indirect-only mediator of the relationship between trust and compliance.

When testing the mediation effects of dependence, trust and social bonds on compliance though procedural fairness judgment, no indirect effects are significant, so procedural fairness judgment is not a mediator of any of these relationships. However, the direct effects of dependence, social bonds on compliance are significant, showing that these two paths have the direct-only no mediation effects. On the other hand, the relationship between trust and compliance through procedural fairness judgment is no-effect no mediation.

The detailed results are provided in the table 5-14.

Table 5- 14 Mediation of the effects of dependence on compliance through distributive fairness judgment and procedural fairness judgment

Relationship	Indirect effect Coefficient (p- value, two tailed)	Direct effect Coefficient (p- value, two tailed)	Total effect Coefficient (p- value, two tailed)	Mediation type
D-DF-C	.086 (.001)	.212 (.004)	.298 (.001)	Complementary
T-DF-C	.099 (.001)	-.052 (.461)	.047 (.596)	Indirect-only
SB-DF-C	.061 (.003)	.281 (.003)	.342 (.001)	Complementary
D-PF-C	-.006 (.268)	.220 (.004)	.214 (.005)	No mediation (Direct-only)
T-PF-C	-.027 (.340)	-.036 (.605)	-.063 (.368)	No mediation (No-effect)
SB-PF-C	-.008 (.252)	.290 (.002)	.282 (.003)	No mediation (Direct-only)

Note: 1. 10,000 bootstrapping samples

2. Two tailed bias-corrected percentile method with 95% confidence intervals.

5.5   Results

In taking a close look at the hypothesized model, H1, which posits that a firm's distributive fairness judgment of the business relationship with a certain partner is positively related to its compliance with this partner is supported (β_1= .322, p < .001). At the same time, the procedural fairness judgment has no such effect on compliance (β_2 = -.069, p= -.974), so it is not supported. H3 and H5 are supported (β_3= .214, p < .01; β_5 = .283, p < .05), but H4 is not supported (β_4 = .046, p= -.629), meaning that irreplaceability (dependence) and social bonds positively influence a firm's compliance, but trust does not. On the other hand, dependence, trust and social bonds are all positively affecting distributive fairness judgment, so H6, H8 and H10 are supported (β_6= .278, p < .001; β_8 = .336, p < .001; β_{10} = .119, p < .01), and trust is also examined to be positively related to procedural fairness judgments, so H9 is also

supported (β_9= .406, p < .001). The other two hypotheses with procedural fairness judgment are not supported, they are, H7 and H11, meaning that neither irreplaceability (dependence) nor social bonds influence a firm's procedural fairness judgment (β_7 = .117, p = 1.656; β_{11} = .124, p= 1.840). The explained variances of compliance, distributive fairness judgment, and procedural fairness judgment are 34.7%, 37.0%, and 26.9%.

Figure 5-8 is the zoomed in model, and table 5-15 presents the result summary of the hypotheses.

Figure 5- 8 Zoomed in model
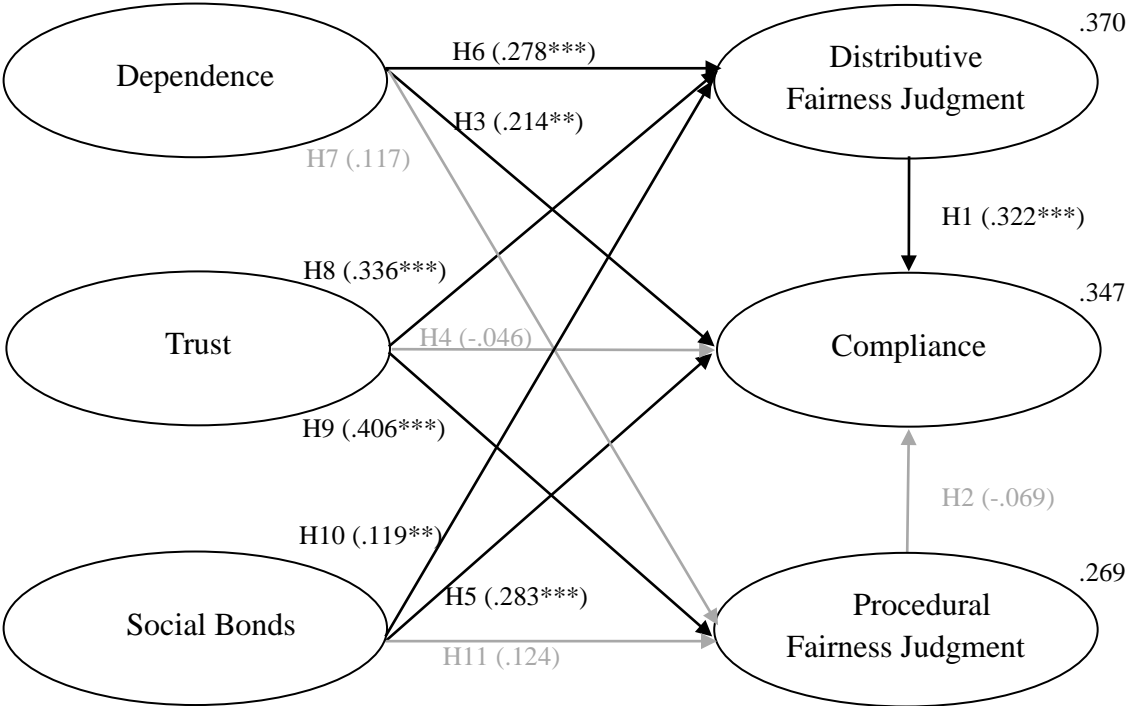
Note: *** p<.001, ** p<.01

Table 5- 15 Summary of the hypotheses testing

H1	As the distributive fairness judgment increases, a firm is more likely to comply with its partner's request.	Supported
H2	As the procedural fairness judgment increases, a firm is more likely to comply with its partner's request.	Not supported
H3	As dependence on a partner increases, a firm is more likely to comply with its partner's request.	Supported
H4	As the trust placed in a partner increases, a firm is more likely to comply with its partner's request.	Not supported
H5	As the social bonds with a partner increase, a firm is more likely to comply with its partner's request.	Supported
H6	As dependence upon a partner increases, a firm is more likely to make a fair judgment about the outcomes it receives from the business relationship.	Supported
H7	As dependence upon a partner increases, a firm is more likely to make a fair judgment about the procedures in the business relationship.	Not supported
H8	As trust in a partner increases, a firm is more likely to make a fair judgment about the outcomes it receives from the business relationship.	Supported
H9	As trust in a partner increases, a firm is more likely to make a fair judgment about the procedures in the business relationship.	Supported
H10	As the social bond with a partner increases, a firm is more likely to make a fair judgment about the outcomes it receives from the business relationship.	Supported
H11	As the social bonds with a partner increase, a firm is more likely to make a fair judgment about the procedures in the business relationship.	Not supported

6 Conclusion and discussion

6.1 Answers to research questions

Fairness heuristic theorists are committed to the idea that fairness judgment leads to compliance. Since it is regarded to be critical to achieve compliance and promote fairness judgment in business relationships, this work also focuses on the two constructs and attempts to answer the following three questions: 1. How does a company's fairness judgment regarding the business relationship affect its compliant behavior? 2. Which other factors influence a company's compliance? 3. How is a company's fairness judgment affected?

In order to answer the above research questions, the author reviewed the prior literature and interviewed eleven marketing professionals to gain sufficient knowledge on this topic. Afterwards, the author predicted eleven hypotheses. The first two hypotheses correspond to the first question, the third through the fifth hypotheses respond to the second question, and the rest are associated with the third question. A survey was conducted to test the hypotheses and the results were analyzed. The detailed findings are discussed next.

6.1.1 Answer to research question 1

This section is actually an extended application of organizational fairness heuristic theory to relationship marketing. Fairness heuristic theory suggests that employees are more likely to accept the directives of an authority when they have a fair judgment of the procedures (e.g., Lind et al., 1993; Van den Bos et al., 1998). In the business marketing context, Gu and Wang (2011) have demonstrated that fairness judgment of a program significantly impacts compliance with this program.

Compliance is not only a one-time behavioral response to a particular request, but instead depicts one's "general tendency or susceptibility" (Gudjonsson et al., 2008, p. 502) to react cooperatively overall. In other words, it is very likely that a firm will comply with its partner's general requests if the firm regards the business relationship as fair enough and does not necessarily make a fairness judgment of the specific request every time. The qualitative interviews in this research support the above assumption. Some marketing professionals stated that the general fairness impression of their partners guided them to comply. The quantitative phase of the research thus aims to test how distributive and procedural fairness judgment regarding the business relationship has a positive effect on compliance.

The results show that distributive fairness judgment has a significant positive effect on compliance, yet the effect of procedural fairness judgment on compliance is insignificant, meaning that H1 is supported while H2 is not. From these results, it is easy to see that the fairness of outcomes is a more important decision heuristic for firms to comply than the fairness of procedures is. On the one hand, economical results are the focal point of firms (e.g., Lind 2001), so they weigh much on a firm' compliance decision. On the other hand, procedures in the business-to-business context can be interpreted as formal contracts, industrial customs and business professional convention that firms generally agree with and act on. Therefore, a fair procedure is more likely to be taken for granted. This might be the reason that the procedural fairness judgment does not significantly affect compliance.

6.1.2   Answer to research question 2

According to compliance research in psychology, situational/realational sources play a key role in affecting compliance, such as good people turning to evil in extreme circumstances (Zimbardo, 2007), certain situations arousing a strong reversal of feelings (Dolinski, 2007), and personal vs. impersonal relationships (Curtis, 1979; Gudjonsson et al., 2008). Although

no research has yet been done on situational sources of compliance, in a business context researchers do have several comments and general discussions on this topic. For example, Scanzoni (1979) pointed out that a party with a dependent status tended to take the other party's individual interests as its own primary concerns. Choo (1964) found that trust could generate cooperative behavior in an experimental study.

In the qualitative interviews, the marketing professionals also mentioned that they considered relational factors such as dependence, trust, and social bonds when deciding whether or not to comply. The quantitative results of this study show that dependence and social bonds can positively affect inter-organizational compliance as hypothesized, this means that H3 and H5 are supported, showing that firms are more likely to comply because they have to (dependence) and they would love to (social bonds). However, H4 is not supported. But if taking a look at the results of mediation test, it is easy to find out that trust actually has a positive effect on compliance which is fully mediated by distributive fairness judgment. The reason that H4 is not supported is that trust has an indirect influence on compliance, while it may not directly affect compliance.

6.1.3   Answer to research question 3

Despite the lack of relevant empirical studies or even explicit arguments, marketing scholars generally believe that allocating/behaving in accordance with certain norms (equity and equality) can naturally lead to a fair judgment (e.g., Scheer et al., 2003). However, not all the equitable outcomes are judged as fair (Scheer, 2008) due to the complexity of the fairness judgment process. In fact, fairness judgment is seldom affected by a single influencing factor, but instead is influenced by multiple factors (for example, multiple norms might be used in the judgment process) or multiple factors with different kinds of sources (for example, an angry mood impacts the judgment process along with a counterfactual cognition) (e.g.,

Avermaet et al., 1978; Barsky et al., 2011). Colquitt and Rodell (2011) identified trust as a relational source of fairness judgment in organizational context. Since such research had not yet been conducted in the B2B context, during the qualitative research the author asked the interviewees which relational factors influenced their fairness judgment regarding the business relationship. Besides trust, dependence and social bonds were also mentioned. The quantitative research thus involved these three constructs. The results suggest that all the three relational factors, dependence, trust and social bonds are positively affecting distributive fairness judgment as predicted, and that only trust also has a positive influence on procedural fairness judgment. Hence, H6, H8, H9, and H10 are supported, while H7 and H11 are not supported. As commented in the section 6.1.1, procedures are normally set previously according to the formal agreement and business convention, so the fairness judgment on them might not be easily influenced. Furthermore, dependence and social bonds might activate a firm's prejudice/impression that its business partner might use them as advantages to shape some formal rules, standards, and procedures. Trust, on the other hand, strengthens the belief that its partner will construct and conduct the procedures in a fair way. This might be the reason that only trust has a positive effect on the procedural fairness judgment, while dependence and social bonds don't.

6.2   Significant findings and theoretical contributions

6.2.1   Compliance

This work differs from most compliance research in the B2B context in the following two ways. First, the research target is the complying firm rather than the influencing firm. Despite the fact that the research goal is to explore how to influence to achieve compliance from other firms, the focal point is not "influence." Instead, the work takes the perspective of the complying party to understand the other side. The rationale behind this is to provide information for the compliance gainers about the key concerns of their counterparts in the compliance decision-making process. Second, the work researches the sources of compliance

in a relational context rather than the influence tactics, which was the focus of virtually all B2B compliance research over the past 30 years. The study on the contextual sources originated in the field of psychology and developed in the organizational context, though it is still very limited in business marketing. For this reason, the first task of this work is to identify the relational antecedents of compliance.

6.2.1.1 Fairness judgment as a source of compliance

Fairness judgment is used as a decision heuristic or cognitive shortcut to guide people's compliant behavior (e.g. Lind, 2001). Although recent fairness heuristic theory tends to research fairness as a general impression/perception, procedural fairness judgment is mainly found to be the source of compliance because it is relatively more important in an organizational context than in a business context (Lind et al., 2001). It can even be substituted for distributive fairness judgment when outcome information is not available (e.g., Van den Bos et al., 1997). Gu and Wang (2010) first applied the theory to the B2B context and their empirical study revealed that a general fairness judgment of a certain project could positively lead to inter-organization compliance.

This work takes the investigation further and the results imply that it is not necessary for a fairness judgment to be made for each specific request; an overall fair judgment of the relationship tends to be sufficient enough for business partners to comply. Furthermore, the results also show that not all types of fairness can influence compliance. Only the effect of distributive fairness judgment is significant. This again proves that when economic results are the focal point for firms the process is overwhelmed and that distributive fairness is the overriding fairness criterion for business relationships (Brown et al., 2006).

6.2.1.2 Dependence (irreplaceability) as a source of compliance

Dependence can result from the relationship benefits, termination costs, and the availability of alternative trading partners (irreplaceability). The first two measurements were used in Morgan and Hunt's classical work (1994) to test inter-organizational acquiescence and cooperation, and found that dependence in value and cost positively influenced the above two variables. Despite the inherent differences between compliance, acquiescence, and cooperation, they all convey a sense of acceptance of a business partner. Therefore, a sensible assumption is that irreplaceability, which is widely acknowledged as the global measurement of dependence and constructed directly from the definition of power-dependence (Cook and Emerson, 1978), has a positive impact on compliance. The results from the data analysis support the hypothesis and directly support the notion that a firm is more likely to comply with its partner when it is hard to replace it.

6.2.1.3 Trust (credibility) as a source of compliance

Trust is demonstrated to be a key variable in relationship marketing, and several studies have already found that firms are more likely to make changes and adjustments for the partners they trust (e.g., Dwyer et al., 1987; Hewett & Bearden, 2001). Therefore, a positive relationship between trust and compliance is predicted. However, the data fail to prove this relationship, which first surprised the author. After checking the description of the data, the author finds that Chinese firms have a relatively lower mean trust score, but a very high compliance score. The reason for this is deeply rooted in its unique culture and history. China is a low trust society (e.g., Atuahen-Gima, & Li, 2002; Fukuyama, 1995), and the trust deficit situation is even more severe in a business context, while inter-organizational compliance is prevalent phenomenon due to increasingly intense competition and the similarity in terms of the quality and technologies of products and services (e.g., Zhang, 2013). This might be the reason why the direct effect of trust on compliance is not statistically significant. However, the result also shows that trust affects compliance indirectly through distributive fairness

judgment, meaning that trust still has an effect on compliance. When firms trust their partners, and form fair judgment on the outcomes between them, they are more likely to comply.

6.2.1.4 Social bonds as a source of compliance

Personal relationships have a significant impact on individuals' compliance compared to impersonal relationship (Gudjonsson et al., 2008). The underlying reasons are argued to be that people are eager to please, try to avoid conflicts, and are afraid of emotional rejection. Obviously personal relationships do not just exist in private life, but also influence business decisions. When firms are socially bonded, they tend to be concerned about harmony and long-term orientation in relationships. For this reason, a negative response to a request might hurt the relationships and is not likely to be the best option. Besides, in a socially connected relationship, firms are more likely to consider compliance as a favor for their partners or as a gesture to show support by standing by their partners' sides when they need help. Finally, social bonds allow firms to have better expectations of gaining even more benefits (payback) from their exchange partners later on because of reciprocal social rules.

In sum, distributive fairness judgment, dependence and social bonds are significantly affecting compliance. This means, under such relational situations, firms are more likely to comply with their business partners voluntarily, and no influence strategies are needed to exert on them.

6.2.2 Fairness judgment

A range of fairness judgment outcomes have been identified in business marketing, yet the research rarely explores the antecedents of fairness judgment. This work is the first to focus on its sources.

6.2.2.1 Dependence as a source of fairness judgment

Social psychologists have demonstrated that people's rankings of different dimensions of status tend to be considered when making a fairness judgment (e.g., Berger et al., 1972; Homans, 1974; Leventhal, 1982; Tyler, 1994). In particular, it is perceived to be fair when people of a high social ranking receive higher outcomes or when the procedures favor them over the others. This work thus assumes that such effects also exist in exchange relationships between relatively powerful and dependent firms. The empirical results find strong evidence that dependence positively influences distributive fairness judgment but no evidence on procedural fairness judgment. The potential reason that procedural fairness judgment is not affected is that the effects are mixed. On the one hand, the recognition of power distance in business relationships could lead dependent firms to be prejudiced, and thus lower the procedural fairness consciously or unconsciously. On the other hand, in some business relationships, especially the on-going ones, the industrial policies, business rules and standards are regarded as presets, and most of which are agreed by the firms. Thus, the fairness judgment on them stays uninfluenced. Therefore, the effects of dependence on fairness judgments are not uniform. It influences distributive fairness judgment positively, but has no significant influence on procedural fairness judgment.

6.2.2.2 Trust as a source of distributive fairness judgment

Everyone acknowledges that trust is an outcome of fairness judgment, especially procedural fairness judgment (e.g., Hofer et al., 2012; Shepherd & Zacharakis, 2001; Lind et al., 2001). Yet a recent organizational study showed that the relationship between fairness and trust is reciprocal in inter-personal relationships (Colquitt & Rodell, 2011), particularly that trust in integrity guides all types of fairness judgment. Despite the fact that no prior B2B theory has investigated the effect of trust on fairness judgment, it might also be possible that a trusted firm could generate its partner's selective perception, which causes its partner to assess fairness positively (Dirks & Ferrin, 2001). Therefore, this work tests the effects of trust on both types of fairness judgment. The results reveal that trust impacts both distributive and procedural fairness judgment positively. The findings once again underscore the key role of

trust in business relationships by identifying its effect on fairness judgment for the first time in the B2B context.

6.2.2.3 Social bonds as a source of fairness judgment

Psychological findings indicate that there is a positive relationship between closeness and fairness judgment. On one hand, people tend to think positively of people they are close to (lovers, relatives, and friends) as opposed to strangers. Fairness as "the first virtue" (Rawls, 1971, p.3) would more likely be perceived from a closely bonded person then from a stranger. On the other hand, people tend to behave more fairly with friends than with strangers (Austin, 1980). When sharing outcomes with strangers, they choose the self-interested norm (equality over merit) if they have low performance, but with their friends, the fairer norm (equality) would be chosen even though they have high performance. Since close and intimate relationships/bonds influence a person's fairness judgment and fairness-relevant behavior so much in an inter-personal context, this work aims to test the effect of social bonds on fairness judgment in an inter-organizational context. The result shows that social bonds significantly affect distributive fairness judgment, but the hypothesized relationship between social bonds and procedural fairness judgment is not supported, meaning that in business relationships the "pro-social" effect might already be strong enough to overwhelm the "exchange" effect in outcome allocation, but not yet to change or undermine the formal procedurals and processes. There is one potential explanation for the insignificant effect of social bonds on procedural fairness: Some firms might be concerned that special changes or exceptions are more likely to be made when a social bond between the two firms are strong. Therefore, they might assume that the standards and formal procedures would not be followed or even be undermined, which contradicts the hypothesis.

Lerner (1982) has demonstrated that people are more concerned with issues of profit and loss when they are acting as business representatives than when they are acting as private

individuals, indicating that it is quite difficult to promote a business individual's distributive fairness judgment, let alone a group of business individuals' (the organizational level). Some significant findings of this work for the first time suggest that firms can improve their business partners' distributive fairness judgment by increasing their dependence, trust, and social bonds. Particularly, the author underscores the importance of trust, since it can also positively influence procedural fairness judgment, meaning that it is the only relational factor involved in this work that has effects on both types of fairness judgments.

6.3   Managerial implications

The second strongest influence strategy of the "Request" (Frazier & Summers, 1984; Payan & McFarland, 2005) is actually a non-strategy strategy. It is defined in that firms simply state the actions they would like their partners to take. Since this kind of influence strategy (request) is not the reason that makes firms comply, further research should be conducted to explore the logical rationale behind it (Payan & McFarland, 2005). This study demonstrates that inter-organizational compliance could be achieved without using a strategy and causing conflicts, dissatisfaction, or reciprocal actions (revenge) as long as the counterparts have a positive distributive fairness judgment of the relationships. On the other hand, the impact of relational factors, the other party's dependence, and social bonds could also add weight to persuasion. This study thus suggests that, all else being equal, a firm seeking to achieve compliance should promote its partner's fairness judgment, increase its dependence, and strengthen the social bonds, which is better than manipulating the partner. Influencing the partners solely by using strategies is one-sided behavior, and firms should always keep in mind that compliance is ultimately decided by the partners. Their concerns, distributive fairness, dependence, and social bonds, if noted, will thus have direct effects on compliance.

This work also provides firms with information on how to promote their partners' fairness judgment regarding the business relationship. A firm's fairness judgment regarding the business relationship is normally hidden and implicit, which is not easy for the other party to find out. It is however very crucial to know, because a fair judgment increases relationship quality, satisfaction and performance (Brown et al. 2006; Griffith et al. 2006; Jap, 2001; Kumar et al. 1995), while an unfair one aggravates conflict, opportunism and hostility (Kaufmann & Stern 1998; Samaha et al. 2010; Scheer et al. 2003). This study helps firms improve their business partners' distributive and procedural fairness judgments if all the outcomes and procedures in the business relationship being equal, that is, to improve fairness judgments on outcomes and procedures from relational point of view. It would be very useful for firms to improve their business partners' dependence, trust and social bond to promote their distributive fairness judgment. Moreover, the other party's procedural fairness judgment can also be improved when its trust increases.

Marketing scholars (e.g., Frazier et al., 1989; Kumar et al., 1995) have stated that focusing on the areas of similarities among cultures is just as useful as comparing the areas of uniqueness. This work thus focuses on the common values and concerns of firms from both cultures in the compliance decision-making process and the fairness judgment process in the context of B2B marketing. On the one hand, some results find that Germanic countries and China do share some similarities even at the dimensions that they are supposed to be significantly distinct from each other in nearly all cultural comparison models (e.g., Hoferstede, 2001; House, 2006; Schwartz & Sagiv, 1995). For example, power distance is a major dimension suggesting Germanic people and organizations are much less likely to respect the role of power in the compliance decision-making and fairness judgmental processes than their Chinese counterparts. However, the results that dependence affects compliance and distributive fairness judgment show strong supports that power/dependence is also involved in the important issues in Germanic countries. On the other hand, it is also evidenced that the business cultural distance between Germanic and Chinese firms is narrowing down. For instance, the important role of social bonds in deciding critical marketing issues like

compliance, and distributive fairness judgment in Germanic countries echo Lovett et al.'s (1999) prediction that Western business practices would increasingly move in the direction of *guanxi*-type systems over the course of the 21st century. Despite the fact that the results could not be simply generalized for other Western cultures or other relationship marketing issues, it is still meaningful to find that the business cultural differences between Germanic countries and China are not as large as previously expected in academia and practice in the business context.

6.4   Limitations

6.4.1   Limitations

There are a few limitations to consider in this work, mostly with regard to the aspects of conceptualization, methodology, and data collection.

1. Limitations of conceptualization. This work chooses dependence, trust, and social bonds as the antecedents of compliance and fairness judgment, though other factors that have already been discovered in other disciplines could also affect them in business relationships. Moreover, although some important relational factors in relationship marketing such as commitment and satisfaction have not been identified to be related to the two variables in other areas, they play an important role in business relationships and could also influence compliance decisions and fairness judgment.

2. Limitations of the methodological approach. The primary task of this work is to investigate the causal relationships between relational factors (dependence, trust, and bonds) and compliance/fairness judgment, and the work uses both qualitative and quantitative methods to

test the hypothesized relations. However, Churchill (1994, p. 197) stated that "an experiment is capable of providing more convincing evidence of causal relationships than are exploratory or descriptive designs," in which the desired conditions are controlled and certain variables could also be manipulated. However, it is not chosen as the methodological approach for this doctoral dissertation due to constraints of funding and time, as also commented by Gibson: "It costs a mint, tells the competition what you're doing, takes forever, and is not always accurate ..." (cited in Churchill, 1994, p. 226).

3. Limitations of data. The survey sample is neither big enough for running a group comparison nor dyadic. Data collection in the B2B context is difficult. Moreover, secondary data sources are not available for this work. The potential cultural differences were not analyzed as planed because of the small size of the sample in each country. On the other hand, it would be good to see their opinions of each other and of the common relationships since both compliance and fairness judgment are involved in the reactions and interactions between business partners. Anderson et al., (1994, p. 1) noted that understanding dyadic relationships is of great importance and "greater attention must be directed to the embedded context within which dyadic business relationships take place." However, due to the same reasons, the research attempted on dyadic relationships also did not work.

6.4.2   Future research directions

Apart from the above limitations that could be worked on in the future, there are still other aspects of inter-organizational research on this topic that are not fully understood.

One aspect that is not included in this work is the effects of influence strategies on compliance. The decision-making process is complex, particularly in business practice. A firm's compliance should always be triggered by multiple sources. For example, if a firm complies with its partner this could be because it has a close social bond with its partner and the partner promises a reward for the cooperation. However, the different roles and effects of

various kinds of sources are not explicitly investigated. Moreover, it would be interesting to test the effectiveness of using these sources individually and in combination. Finally, the effectiveness of sources might vary systematically over the life-cycle (constellation) of relationships. It is thus also worth examining in which stage of the relationship certain kind(s) of sources or source combinations is (are) more effective at achieving compliance.

The research on firms' formation of fairness judgment is still very limited. On the one hand, group perceptions are different from and more complicated than individual perceptions (e.g., Iandoli & Zollo, 2008). This thus raises a series of questions: Is the fairness judgment of a marketing professional different from the whole firm's, and how does the individual judgment influence the judgment of the whole organization/marketing department? Is the fairness judgment of a sales/purchasing representative also influenced by the manager's, as found in organizational research (Lamertz, 2002)? On the other hand, the norms of fairness, equity, and equality are still the benchmarks for judging fairness (e.g., Jap, 2001; Scheer et al., 2003). Further research thus might investigate what happens when situational/relational antecedents conflict with norms after they are aroused? More specifically, to what extent do relational antecedents affect the equitable/equal outcomes and procedures? Would the relational factors be so overwhelming that they could reverse the effect of inequity, especially the negative inequity, on fairness judgment? Such possibilities are worth exploring.

Finally, further study could also be conducted to test firms' post hoc fairness judgment of compliance. In exchange relationships, compliance is expected to be reciprocal, which means that a firm that complies with its partner this time might ask for payback to achieve balance again (McClintock & Charles, 1982). Since the current work is not longitudinal, it is still unclear whether a fair judgment would remain the same after achieving compliance? If not, how would the new judgment influence the compliance decision next time?

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