



How does justice matter in achieving buyer–supplier relationship performance?

Yi Liu^{a,1}, Ying Huang^{b,2}, Yadong Luo^{c,d,*,3}, Yang Zhao^{e,4}

^a Antai College of Economics and Management, Shanghai Jiao Tong University, Shanghai, China

^b Manning School of Business, University of Massachusetts at Lowell, Lowell, MA 01854, United States

^c Sun Yat Sen University Business School, Guangzhou, China

^d School of Business Administration, University of Miami, Coral Gables, FL 33124-9145, United States

^e School of Management, Xi'an Jiaotong University, Xi'an, China

ARTICLE INFO

Article history:

Received 26 August 2010

Received in revised form 18 March 2012

Accepted 21 March 2012

Available online 30 March 2012

Keywords:

Buyer–supplier relationships

Justice

Loose coupling theory

Relationship performance

Supply chain management

ABSTRACT

This study presents an analysis exploring how four types of justice (distributive, procedural, interpersonal, and informational) influence dyadic relationship performance in the buyer–supplier context. Underpinned by loose coupling theory, we build a mediating framework in which we propose that a high level of justice (or fairness) as mutually perceived by both parties drives buyer–supplier relationship performance through bolstered coupling links in mutual knowledge sharing, continuous commitment, and relationship investment. Our survey of 216 paired manufacturers (suppliers) and distributors (buyers) in China generally supports this argument, leading to a conclusion that justice is not a direct determinant of buyer–supplier performance but a critical conduit that nourishes mid-range coupling behaviors, which in turn promotes a successful relationship. Based on findings from this study, firms are encouraged to endorse all four kinds of justice in managing supply chain relationships. However, when constrained by resources, the recommendation for managers is to focus on achieving a high level of perceptual convergence on procedural justice and informational justice with the exchange partner, because mutual perceptions of procedural and informational justice have the strongest effects on coupling behaviors and buyer–supplier relationship performance.

© 2012 Elsevier B.V. All rights reserved.

1. Introduction

Justice (or fairness), a concept that has long been studied in organizational research, is a foundation for all types of social and economic exchanges and relationships (Adams, 1965; Greenberg, 1993; Lind and Tyler, 1988; Thibaut and Walker, 1975). Beyond the organizational boundary, researchers have recently begun to examine justice in inter-organizational issues within the contexts of strategic alliances (Luo, 2005, 2007), distribution channels (Kumar et al., 1995), and supply chain relationships (Griffith et al., 2006). In these inter-organizational contexts, the need to remain competitive is increasingly causing firms to enter into long-term relationships (Cousins and Menguc, 2006; Morgan and Hunt, 1994). Fairness perceptions are of particular importance in long-term relationships because two parties need to collaborate to some extent in

order to leverage each other's capabilities and resources for achieving mutual goals. Failing to develop fairness perceptions may result in damage to or termination of the relationship. For example, in 2008, Walmart Canada made a decision to terminate its business with Lego Group, because Lego Group refused to reduce its prices in the Canadian market to align with its pricing structure in the U.S. market. Walmart Canada considered such rejection to be unjust and perceived that Lego Group was unwilling to share the benefits they reaped from the appreciation of the Canadian dollar (Georgiades, 2008). A similar relationship strain occurred between two Chinese firms – Gome (one of the top three home appliance retailers) and Gree (the leading air conditioner manufacturer in China) – in summer 2004. Gree felt that Gome's demand of additional summer promotion fees was unfair and decided to withdraw all of its products from Gome stores (AsiaInfo Services, 2004). The ultimate result of this breakdown in fairness perceptions was that Gree had to open its own exclusive stores to sell its product in order to make up the loss in market share due to the ended relationship with Gome.

Although the above anecdotes clearly illustrate the important role of justice in managing buyer–supplier relationships in supply chains, extant research on justice in this area has been scanty and incomplete. Indeed, a review of major management and marketing journals has revealed a limited number of studies on the topic (see Appendix A for a summary) and, among those, only one

* Corresponding author at: Sun Yat Sen University Business School, Guangzhou, 510275, PR China. Tel.: +86 20 84110376.

E-mail addresses: liuyi@mail.xjtu.edu.cn (Y. Liu), Ying_Huang1@uml.edu (Y. Huang), dr.yadong@gmail.com (Y. Luo), zhaoyang2694@stu.xjtu.edu.cn (Y. Zhao).

¹ Tel.: +86 21 62932539.

² Tel.: +1 978 934 2965.

³ Tel.: +86 20 84114229.

⁴ Tel.: +86 29 82673376.

study (i.e., Griffith et al., 2006) has examined the effect of justice on firm performance. Such a small number is rather astonishing, given that Frazier (1983) introduced the concept almost three decades ago and that several scholars suggest that justice be part of buyer–supplier relationship management (Anderson and Weitz, 1989; Dwyer et al., 1987; Frazier et al., 1988; Ireland and Webb, 2007; Narasimhan et al., 2009). Meanwhile, previous studies have typically approached justice from a one-sided view.⁵ Understanding one party's perception is important, yet in dyadic exchanges, understanding both parties' perceptions and their impact on both parties' performance is probably more important (Palmatier et al., 2007) because (1) justice serves as a foundation for a relationship only when both parties jointly perceive its existence (Luo, 2005); and (2) a relationship is usually more stable when both parties perform well, or in the alternative, the nonperforming party may either commit less or terminate the relationship (Johnson et al., 2002). It seems that previous justice studies have left the importance of dyadic justice perceptions largely unexplored. Two decades ago, Anderson and Weitz (1992) called for dyadic studies of buyer–supplier relationships, but today we still do not know much about the “perceptual convergence within the dyad” (Anderson and Weitz, 1992, p. 29).

Further, although justice researchers have confirmed the four-type structure of justice that consists of the structural dimensions (distributive and procedural) and the social dimensions (interpersonal and informational), prior studies have mainly focused on the structural dimensions of justice (e.g., Griffith et al., 2006; Kumar et al., 1995) and largely overlooked the importance of the social dimensions of justice. This is probably because (1) the concepts of interpersonal and informational justice were developed in the late 1980s and early 1990s, more than two decades after distributive and procedural justice were conceptualized, and (2) the four-dimension structure of justice has only recently been verified by Colquitt and his colleagues (see Colquitt, 2001; Colquitt et al., 2001). Nevertheless, we argue that the social facets complement the structural facets of justice, and that an examination of the social side of justice in buyer–supplier relationships is necessary given (1) the “explosive growth” of research on relationship marketing (Palmatier et al., 2006, p. 136) and (2) the significance of social and relational control in relationship management (Heide, 1994; Li et al., 2010; Liu et al., 2009; Uzzi, 1997). Indeed, buyer–supplier exchanges provide a meaningful frame of reference for identifying individuals that participate in the formation and execution of firm exchanges. Because these participants engage in social exchanges and derive complex perceptions (Dwyer et al., 1987), a complete examination of both structural and social facets of justice in buyer–supplier relationships is essential in generating additional insights on effective supply chain management.

In an effort to fill the above gaps in justice research in exchange relationships, this study seeks to explore the effects of the level of justice as mutually perceived by the buyer and the supplier on buyer–supplier relationship performance, using dyad (or relationship) as the unit of analysis. As such, this study concerns both magnitude (i.e., degree) and symmetry (i.e., agreement) of justice perceptions within dyad and performance across dyad. For the sake of simplicity, we use *mutual justice perceptions* or *mutual perceptions of justice* in referring the level of justice as mutually perceived by the buyer and the supplier and define the term as the degree of the perceptual convergence on justice within the buyer–supplier dyad (Anderson and Weitz, 1992; Luo, 2005). Similarly, we use *relationship performance* in referring buyer–supplier relationship performance and define the term as the relationship-specific

performance mutually achieved by the buyer and the supplier (i.e., both magnitude and symmetry of relationship performance) (Klein et al., 2007; Palmatier et al., 2007).

Borrowing loose coupling theory as the theoretical lens (Beekun and Glick, 2001; Orton and Weick, 1990; Weick, 1976), we propose that mutual justice perceptions promote their mutual coupling behaviors and, in turn, lead to improved relationship performance. Loose coupling theory, due to its simultaneous consideration of indeterminacy (looseness) and determinacy (coupling) in a relationship (Weick, 1976), is considered to be appropriate when being applied to buyer–supplier relationships because the buyer and the supplier are both independent (looseness) and interdependent (coupling) in supply chains (Beekun and Glick, 2001). In summary, this study seeks to answer two related research questions of (1) how mutual justice perceptions drive relationship performance through coupling links, and (2) which type of justice affects relationship performance more effectively.

2. Theoretical development and hypotheses

2.1. Justice and its dimensions

Justice, a concept for which the analysis can be traced to the time of Plato and Aristotle, has attracted a proliferated interest among organizational researchers. Although the concept entails different meanings in different contexts (Greenberg, 1993), in general, justice is considered to be subjectively perceived (Luo, 2007). Over the last few decades, the theoretical development of the justice construct has come to include four dimensions – distributive, procedural, interpersonal, and informational. The first dimension – *distributive justice* – was proposed by Homans (1961) and extended by Adams (1965). Homans (1961) argues that people are concerned about whether outcomes are fair rather than what the outcomes are. Subsequently, Adams (1965) defines distributive justice as equity, suggesting that distributive justice exists when a person, for his or her own situation, perceives that the ratio of outcomes to inputs are equal to the ratio of outcomes to inputs of others. The second justice dimension – *procedural justice* – introduced by Thibaut and Walker (1975), suggests that people are often concerned about fairness in the process, and will view procedures as fair if they perceive that they have control over the process. In other words, distributive justice refers to people's reaction to how resources or outcomes are allocated, whereas procedural justice focuses on people's reactions to the procedures used for resolving disputes and allocating outcomes. Because these two dimensions are shaped around concerns for formal procedures and equity distribution, they embody the structural aspect of justice (Tyler and Bies, 1990).

In contrast, the third and the fourth dimension (interpersonal justice and informational justice) represent the social side of justice because they both bear upon people's reactions during interpersonal and social interactions (Bies and Moag, 1986; Greenberg, 1993; Tyler and Bies, 1990). Bies and his colleagues contend that the interpersonal treatment and communication that people receive during interactions with others are important factors in the perception of justice. Therefore, they propose two social dimensions – *interpersonal justice*, which concentrates on fairness perceptions regarding interpersonal treatment, and on conduct during human interactions, and *informational justice*, which centers on fairness concerns regarding open communication of information (Bies and Moag, 1986; Tyler and Bies, 1990). More specifically, interpersonal justice refers to the degree to which people are treated with politeness, dignity, and respect by others involved in executing procedures or determining outcomes, whereas informational justice focuses on conveying information

⁵ Only Anderson and Weitz (1992) examine both buyers' and suppliers' reputation for fairness, using data collected from 5 manufacturers and their distributors.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات