

# A Study of Affective Relationship Commitment and the Psychological Contract

Mikael Lövblad  
*Faculty of Forestry*  
*Department of Forest Products*  
*Uppsala*

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# A Study of Affective Relationship Commitment and the Psychological Contract

## Abstract

Commitment is widely recognized as a crucial component for reaching long term, profitable relationships between firms. This study focuses on one specific dimension of the commitment construct, that of affective relationship commitment, since previous literature has indicated its centrality in achieving positive relationship outcomes. The thesis also explores the psychological contract, a construct derived from the field of organizational psychology, and investigate the content and consequences of the construct in relationships between customers and suppliers on the market for industrial supplies.

In this thesis, the conceptual scope of the affective commitment construct is further developed, and it is argued that affective relationship commitment can only occur at the individual level. In order to understand its formation there is a need to incorporate relevant psychological aspects into the theory. By the use of qualitative and quantitative methods, the psychological contracts of individuals involved in customer-supplier relationships on the market for industrial supplies are investigated. Case studies were performed in Sweden and the USA, and a quantitative survey was conducted in Sweden, the United Kingdom and Spain. Findings show that the psychological contract does have value in describing and understanding perceived promises and obligations in the context of customer-supplier relationships, thus complementing established constructs such as relationship norms in the analysis of this type of relationships. It is indicated in the empirical findings that the relational orientation of the psychological contract, as well as the evaluation of it, has influence on the building of affective commitment. The study confirms the central role of trust in predicting the occurrence of affective commitment. It is also indicated that affective commitment, as an individual level construct, does have influence on the organizational level construct of behavioral commitment.

*Keywords:* Social exchange, trust, interpersonal, business-to-business, interorganizational.

*Author's address:* Mikael Lövblad, University of Gävle, Department of Business and Economic Studies, 801 76 Gävle, Sweden

*E-mail:* mikael.lovblad@hig.se

# Dedication

To my wife, Mia, and our daughters Saga and Alva for providing support and inspiration throughout the work with this thesis.

*The language of friendship is not words but meanings.*

Henry David Thoreau

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## List of Publications

This thesis is based on the work contained in the following papers, referred to by Roman numerals in the text:

- I Lövblad, M. A., Hyder, A. S. & Lönnstedt, L. (in review). Affective commitment in industrial customer-supplier relations: A psychological contract approach. *Journal of Business and Industrial Marketing*
- II Lövblad, M. (in review). Psychological contracts in industrial customer-supplier relations. *Journal of Global Marketing*
- III Lövblad, M. & Bantekas, A. (2010). What Do You Expect? The Effect of Psychological Contracts on Affective Commitment in Industrial Marketing Relationships. *Journal of Relationship Marketing* 9(3), 161-178.
- IV Lövblad, M. (in review). The impact of psychological contracts and trust on affective relationship commitment – A three country study. *Journal of Business Market Management*

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The contribution of Mikael Lövblad to the papers included in this thesis was as follows:

I Lövblad conducted the literature review and most of the writing. Hyder and Lönnstedt reviewed several versions of the manuscript and provided valuable comments and suggestions on the text.

II Lövblad is the sole author of this paper.

III Lövblad conducted the survey and performed most of the analysis.

Bantekas supported the statistical analysis and reviewed it at several times.

The writing was performed by Lövblad.

IV Lövblad is the sole author of this paper.



# Abbreviations

SET	Social Exchange Theory
IMP	Industrial Marketing and Purchasing
KMV	Key Mediating Variable

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# 1 Background and purpose of the study

## 1.1 The practical background

“What do you think about me doing a PhD project” I bravely asked my manager one day in 2003. “Absolutely, why not” was his somewhat surprising response. And to my great surprise, the idea even found support at the Director of Marketing. After some discussions during the next few weeks it was all cleared, I was going to do a PhD project and the Firm was going to support it financially.

Next question; what was the topic going to be? I had some ideas about green marketing, but it was (rightly) decided that this was of less interest for the Firm. A couple of rounds of discussions and numerous ideas later, we realized that a topic area which was likely to provide value for the Firm in a PhD project was “commitment”. We (me and the managers with whom I was discussing) could not really define it any better since we did not know too much about what the concept really meant. The word “commitment” did however have some meaning within the Firm since a marketing research firm had done a number of studies for us, measuring the level of “customer commitment”. But what was it, really? Since our perspective was from us as a supplier towards our customers, the main questions were; when is a customer “committed” to us as a supplier and what can we do to get more “committed” customers? But we decided to leave it there; I got the freedom to find my own way into the topic, define my research question and how I was going to research it.

Even though I did not know too much about the topic at the time, I found that it suited me fine. My academic background had a focus on marketing, and during my time of employment with the Firm, I had worked with various aspects of the marketing process. This had led me to

understand that the concept of commitment in relationships between customers and suppliers was actually something quite central.

“The Firm”, as I have referred to it above, is a Swedish industry group producing and marketing industrial supplies. For the sake of confidentiality, I have chosen not to disclose the name of the company, and their products will not be described in much more detail than as “industrial supplies”. The Firm has been my employer for an excess of ten years at the time of writing this text, and I have remained an employee of the Firm throughout the PhD project. They have also been the major funding source for the project.

The Firm is the market leader within its field, which is consumable products going in to the production processes of their customers. The marketing of the products uses customer value and productivity as the main arguments. There is an important service element involved in the delivering of the value to the customer, but it is not separately charged for. Instead, the service element along with continuous research and development of new products are used to justify the price premium of the Firm’s products. However, at the time of our discussions regarding my PhD project, a concern within the organization was the risk of “commoditization” of our products. This means that the Firm wanted to avoid being experienced as interchangeable with other companies supplying the same type of products and being exposed to increased price pressure. An increased understanding of how the relationships between customers and suppliers worked and how commitment in the relationships could be increased was felt as an urgent need.

## 1.2 The purpose of this study

Manufacturers on the market for industrial supplies have for several years experienced the same general changes as many other firms. Well known change processes such as globalization (Amiti and Wei, 2009), the entry of the Internet in the business life (Claycomb et al., 2005) and the shifting of purchasing decisions to centralized functions (Munson and Hu, 2010), have to a large extent changed the dynamics on the market and presented supplying firms with new challenges. In many ways, these new challenges relate to the ability to influence the purchasing decision. The Firm can be taken as an example. In supplying indirect material (i.e. material which is not part of the customers’ final product) into the customers production processes, their main contact persons are individuals working within these processes, typically machine operators, production technicians and production managers. Traditionally, these individuals have also been the

ones making the purchasing decisions. However, with the centralization of purchasing decisions to specialized purchasing functions, at times located in different cities or even countries than the production facilities, the supplier experiences a loss in influence on the decisions. An example thereof can be seen in one of the relationships studied in the qualitative part of this study. The interviews conducted with the customer representatives are done at the head office of the firm, located separately from the production facilities.

Another example is the entry of a new type of actors on the market, called commodity management companies. Not least within the automotive industry, these have been an increasingly common phenomenon. Commodity management companies deliver value to their customers by taking the responsibility for all purchasing and handling of commodities going in to the customers' production process. For a supplier such as the Firm, the entry of this type of intermediaries means that they do not deal directly with the end user of their products, but with a separate actor making the purchasing decisions on behalf of the end user (which is also what separates this type of actor from a "normal" distributor).

With these change processes distancing the supplier from the purchasing decision, strategies to regain influence are sought for by many suppliers. The Firm has taken several measures to adapt to the new circumstances. During the past couple of years, the Firm has increased the content and visibility of the service part of their offer in order to clarify the value of the interaction with the Firm to the customer. They have also more consciously diversified their contacts with the customer firms to include top management and central purchasing functions to a greater extent than before.

For suppliers such as the Firm, an increased understanding of the dynamics of relationships between customers and suppliers can help in this search for strategies to cope with the new circumstances. As will be discussed in the papers included in the thesis, the organizational level aspects of inter-firm relationships have received a lot of attention in extant literature, not least related to relationship commitment. The individual level aspects however, have received much less attention. Even so, these aspects have a great impact on the performance of the relationships. The below quote from one of my early interviews with a sales representative of the Firm well illustrates this matter (translated from Swedish):

I(nterviewer) – What is your thoughts regarding trust related to this customer? Is it more towards the individuals you are working with, or is it more towards the company as such? It is a bit different...

R(espondent) – It is mostly on the individual level.

I – Is it?

R – They are the ones you are working with so to speak, and there are differences also between departments at times. Say there are three, four people in one department, it can vary greatly between them, but it is of tremendous importance in order to get ahead.

I – Right

R – In order to reach certain projects and to get in to the company. It is really important.

I – Right, them trusting you?

R – Yes, their trust in me, exactly.

In this passage of the interview, the sales representative describe how the level of trust towards him varies between individuals, even within the same department, as well as the importance of gaining the trust of each of the key individuals in order to successfully conduct business with this customer firm. In the early stages of this project, I conducted a pilot study (presented in the Method section of the thesis) on a business relationship between the Firm and one of their larger customers. Several people from both firms were involved in the relationship, and in the analysis of the material I had gathered it became evident that they expected quite different things from the relationship. It was also clear that during the course of the relationship, which is an old one, the Firm had had difficulties in understanding and living up to the expectations of the people involved. This related both to the firm level, e.g. when it came to differences in procedures between the companies which created problems, and to the individual level when it came to understanding and handling different expectations from different individuals. This practical insight, along with the noted need for research on the individual level aspects of business-to-business relationships led to the formulation of the purpose of the study as:

To investigate the individual level aspects of customer-supplier relationships on industrial markets, with the aim of understanding crucial factors for building commitment in these relationships.

In the following sections of the thesis, this purpose will be put into a theoretical framework, leading up to the research questions.

## 2 Theory

In this section of the thesis, I will elaborate on theories related to the four papers included. The purpose of this section is to put the results of the thesis work into a broader, theoretical context and to serve as an introduction to the specific topic of this volume. The section also takes the practical purpose of the thesis into a theoretical problem, leading up to the research questions.

### 2.1 The Study of Marketing and Social Exchange Theory (SET)

Marketing as a practice can well be said to be as old as trading between men, which is described in one meaning of the word as “the action of buying or selling, esp. in a market” (Simpson, 2010). Marketing as a profession and as an area of academic inquiry is however of much later date, usually set to around the beginning of the 20<sup>th</sup> century (Seth et al., 1988). In the study of marketing, several theoretical approaches have been used. One central, and natural, focus however, has been the act of exchange between the involved parties (Alderson, 1965; Kotler, 1972; Lambe et al., 2001). While traditional economic exchange theory take only the exchange of goods and services from an actor point of view into account (Bagozzi, 1975), SET takes a wider approach to the exchange between individuals and/or organizations by realizing that the outcome of the exchange can be material as well as social gains (Blau, 1964), and by focusing on the dyadic relationship instead of the actor (Emerson, 1976). SET is mainly focused on repeated, voluntary exchange of valued goods (economic or social) between actors<sup>1</sup>. Spot

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<sup>1</sup> Several basic definitions of exchange exist within the field. Blau (1964) define it as “actions that are contingent on rewarding reactions from others” (p.6). Emerson (1972) present the definition “interactive relations between two parties based upon reciprocal reinforcement” (p. 3) and Cook (1977) define it as “An exchange relation (e.g., A<sub>x</sub>; B<sub>y</sub>) consists of voluntary

transactions and coercive relationships thus falls outside the scope of the theory. In the continuous interactions between the parties, the outcome of the relationship is compared to what is expected and what can be obtained from alternative relationships. This is generally referred to as the comparison level (CL) and the comparison level of alternatives ( $CL_{Alt}$ ) (Kelley and Thibaut, 1978). If the outcome of the interactions is satisfactory, the actors will continue with new interactions and over time the parties agree on norms for the relationship and gain trust and commitment towards each other.

The origins of SET has been said to date all the way back to Aristotele's Nicomachean Ethics where a distinction is made between economic and social exchange (Blau, 1968; Lambe, 2001). More recent origins has been traced back to the 1920s with the works of Malinowski (1922) and Mauss (1925) (Cropanzano and Mitchell, 2005), and during the 1950s and 60s, sociologists and social psychologists made a more conscious effort to develop the earlier scattered thoughts into a theory (Emerson, 1976).

However, over the years, what has been referred to as SET has grown quite extensively into a theoretical field with various meaning. In later reviews of SET (Lambe et al., 2001; Cropanzano and Mitchell, 2005) it has been noticed that the theory is in lack of clear delineations and fundamental premises. In response to this, Lambe et al. (2001) draw on the various fundamental works (e.g. Homans, 1958; Blau, 1960, 1964; Emerson, 1962; Kelley and Thibaut, 1978) in formulating the following premises for SET:

“SET postulates that exchange interactions involve economic and /or social outcomes. Over time, each party in the exchange relationship compares the social and economic outcomes from these interactions to those that are available from exchange alternatives which determine their dependence on the exchange relationship. Positive economic and social outcomes over time increase the partners' trust of each other and commitment to maintaining the exchange relationship. Positive exchange interactions over time also produce relational exchange norms that govern the exchange partners' interactions.” (Lambe et al. 2001, p. 5-6)

From these basic premises, the central themes in SET related to business to business exchange are drawn. These are according to the authors' dependence, trust, commitment, cooperation, relational norms and satisfaction. Lacking in this operationalization is power, which e.g. plays a key role in the works of Blau (1964), even if power can be said to implicitly

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transactions involving the transfer of resources (x, y, ...) between two or more actors (A, B, ...) for mutual benefit.” (p. 64)



reside in the dependence between the parties involved (Emerson, 1962, Cook, 1977).

Though SET in its “original” form focuses on the dyadic relationship between two actors, the theory has also been used related to interorganizational networks (Cook, 1977). Influenced by the open systems approach (Buckley, 1967) and several others, an exchange network is defined as “a set of three or more actors each of whom provides opportunities for transactions with at least one other actor in the set.” (Cook, 1977, p. 68) The network is seen as a relevant unit of analysis since it describes the flow of resources, affecting the organization’s ability to secure the resources needed (ibid).

Within marketing, SET has been used extensively as a theoretical foundation. Two main streams of research which have built on SET have influenced the work with this thesis. One is the Relationship Marketing school of thought, which among other things have used the trust-commitment theory as a theoretical foundation. The other is the markets-as-networks approach, as developed by researchers related to the IMP group (Industrial Marketing and Purchasing). These two streams of research are not clearly delineated from each other and are not always easily separated, but for clarity I will treat them as separated in this text. The two streams occurred at about the same time (late 1980-ies and early 1990-ies) and focused on roughly the same phenomenon (cooperative relationships between suppliers and customers), but with different empirical settings. While the Relationship Marketing approach grew out of research regarding service marketing, the IMP approach looked at industrial relationships. (Aijo, 1996) Though both research streams have recognized the importance of network for understanding business relationships, the development of the two traditions have led the IMP related research to pay more attention to the network and the Relationship Marketing tradition to focus more extensively on the dyadic relationship. Since the prime focus of this thesis is the dyadic relationship, the theoretical focus will be on the Relationship Marketing approach.

### 2.1.1 Trust and Commitment in Relationship Marketing

When my mother was young, my grandparents were the owners of a local butcher's shop. As most shop owners at that time, they knew the customers personally, their tastes and preferences. Times changed, and being a local butcher was no longer profitable since the industry had become industrialized and the local, specialized stores been replaced by superstores. My grandparents continued their careers in the sales organization of a food

industry. They no longer had the personal connection with the end user of their products, but with a few representatives of superstores.

The short anecdote about my grandparents not only describe my personal heritage, but also illustrates the development of marketing practice in general during the late industrial era. At the beginning of the 20<sup>th</sup> century, what we today refer to as relationship marketing was regular business practice. But as distribution channels became increasingly centralized and efficient, customers and suppliers became distanced from each other. However, with the emerging technologies entering the business life in early 1990-ies, customers and suppliers had the possibilities interact more closely than had been the case during the industrial era (Sheth and Parvatiyar, 1995). This also created a reaction within research about marketing, from the traditional transaction-oriented approach towards a relationship-oriented (ibid) and gave birth to what was often referred to as a paradigm shift in marketing (Kotler, 1991), where relationship marketing is one of the approaches. According to the relationship marketing approach, customers are seen as integrated in the marketing process (Aijo, 1996) instead of passive responders to marketing strategies. But relationship marketing not only relates to customers, as is described in the definition of it stated by Morgan and Hunt (1994, p. 22): “Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges.” Accordingly, competition is not primarily between companies, but between networks of firms (ibid).

Morgan and Hunt (1994) drew heavily on SET when formulating their KMV (Key Mediating Variable) model of relationship marketing, work which has been seminal within relationship marketing research (Kelly, 2004). In the KMV model (described in Figure 1), trust and commitment are seen as the two key constructs for achieving positive relationship outcomes. The KMV model posits that by taking measures to increase trust and commitment in a relationship, positive relationship outcomes will be achieved. Morgan and Hunt state that:

“Commitment and trust are “key” because they encourage marketers to (1) work at preserving relationship investments by cooperating with exchange partners, (2) resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partners, and (3) view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically.”

(Morgan & Hunt, 1994, p.22)

When comparing the KMV model with the central themes of SET described by Lambe et al. (2001), it is possible to identify dependence (and

thus also power) as an antecedent factor to commitment in the “Relationship Termination Costs” and “Relationship benefits” in the model, since they describe the net resources which can be gained from the relationship and the cost of leaving it. Morgan and Hunt describe “shared values” as similar to the relationship norms, while “Communication” and “Opportunistic behavior” can be related to cooperation. The conclusion is that the K MV model by Morgan and Hunt well describes the exchange in a dyadic relationship from an SET perspective. Out of the central themes of SET described by Lambe et al. (2001), it is only satisfaction that is not included in the model. Another aspect that is not present in the model is the context of the relationship. Relating back to Kelley and Thibaut (1978), one could say that  $CL_{Alt}$  is missing, along with the resource flow of the network as described by Cook (1977). None the less, the model spurred a lot of interest within the relationship marketing field and has served as a foundation for much academic inquiry since.

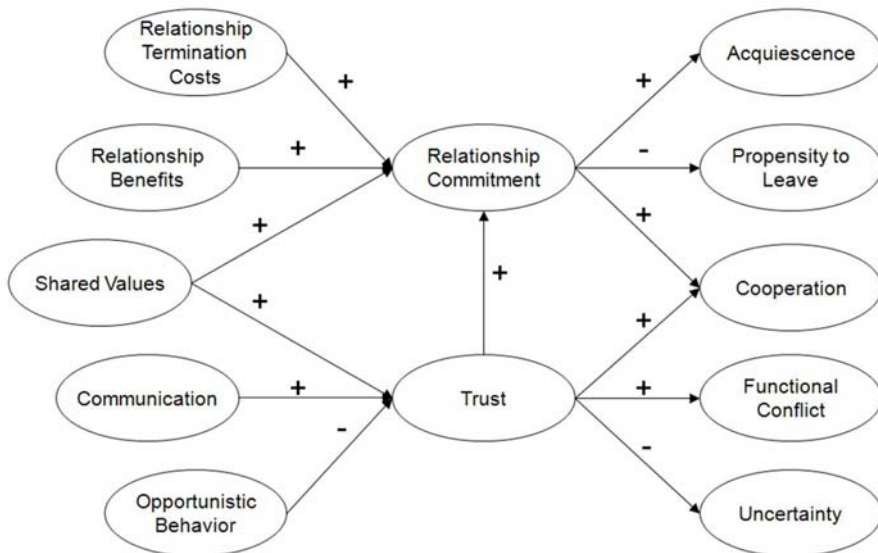


Figure 1. The K MV model of relationship marketing. Source: Morgan & Hunt, 1994, p. 22.

### Trust

Trust was introduced as a key construct in business-to-business relationships already in the 1980-ies (Dwyer et al. 1987), and has been confirmed as such in many studies. (Kingshott 2006; Doney & Cannon 1997; Morgan & Hunt 1994; Achrol 1991) Trust has been defined as “the extent to which a firm believes that its exchange partner is honest and/or

benevolent” (Geyskens et al. 1998, p. 225) and as “a willingness to rely on an exchange partner with whom one has confidence” (Garbarino and Johnson, 1999, p. 7) along with several other definitions (Young, 2006). The construct has been researched both as a uni-dimensional and as one incorporating multiple dimensions. It has been split up into benevolence and honesty<sup>2</sup> trust (Wetzels et al. 1998) as well as cognitive and affective trust (McAllister, 1995). It has also been divided into different levels of trust, being interorganizational and interpersonal trust (Zaheer et al. 1998). The difference in levels of trust is also discussed in paper I. Related to commitment, trust is a often mentioned antecedent (De Ruyter et al., 2001; Goodman and Dion, 2001; Ganesan, 1994; Moorman et al., 1992). While most studies have identified it as a central, mediating factor, others have questioned the role played (Coote et al., 2003). Trust is however generally seen as a prerequisite for commitment, since committing to a relationship entails an element of vulnerability (Morgan and Hunt, 1994).

### *Relationship Commitment*

A vast amount of studies have used relationship commitment and tested it in various settings, usually confirming its value for predicting positive relationship outcomes. In early studies on business-to-business relationships, commitment was used as a single construct, as exemplified in Morgan and Hunt’s (1994, p. 23) description of the construct as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely.” But eventually influences from organizational research, such as Meyer and Allen (1991), have pointed to a more diverse view of the construct, and several dimensions of the construct have been identified in extant literature. Sharma et al. (2006) identified six different dimensions, and several other authors have suggested different dimensionalizations (e.g. Gundlach et al., 1995; Kim and Frazier, 1997a; Mavondo and Rodrigo, 2001; Kelly, 2004). All in all, I have encountered no less than 14 different names for various aspects of relationship commitment in the literature studies for this thesis, and even more descriptions and definitions about what these aspects really describes. These are described in Table 1.

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<sup>2</sup> This dimension of trust has also been referred to as “credibility trust” (e.g. Doney et al. 2007)

Table 1. *Dimensions of commitment in business-to-business relationships described in literature.*

Dimension	Typical description	Examples of studies
Attitudinal commitment	"a party's desire to maintain a valued relationship." (Andaleeb, 1996, p. 81)	Brown et al., 1995; Gilliland and Bello, 2002
Affective commitment	"the extent to which channel members like to maintain their relationship with specific partners" (Geyskens et al., 1996, p. 303)	Kim and Frazier, 1997a; De Ruyter et al., 2001; Coote et al. 2003
Calculative commitment	"an anticipation of high termination or switching costs associated with leaving from the relationship" (Gounaris, 2005, p. 128)	Wetzels et al., 1998; Perry et al., 2002
Instrumental commitment	"relationships which are based solely on economic or extrinsic needs, and where parties provide input so as to create a self-interest stake in the relationship" (Mavondo and Rodrigo, 2001, p.112)	Kelly, 2004
Continuance commitment	"a distributor's need and desire to maintain a channel relationship." (Kim and Frazier, 1997b, p. 141)	
Cognitive commitment	"balancing the rewards and costs of continuing a relationship" (Sharma et al., 2006, p. 69)	
Locked-in commitment	"when the costs and penalties associated with switching partners are viewed as prohibitive" (Sharma et al., 2006, p. 69)	Cater and Cater, 2010
Value-based commitment	"the value arising from the various types of direct and indirect functions that business relationships can provide" (Sharma et al., 2006, p. 70)	
Behavioral commitment	"the extent the importer provides special help to its overseas supplier in times of need" (Skarmear et al., 2002, p.760)	Kim and Frazier, 1997b
Normative commitment	"the firm's responsibility to	Kelly, 2004

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	continue based on its understanding of duty and felt obligation to reciprocate with its trading partner" (Lothia et al., p. 1010)	
Temporal commitment	"Temporal commitment exists when the parties form expectations of relationship continuity." (Coote et al. 2003, p. 596)	Gundlach et al. 1995
Loyalty commitment	"the state of attachment to a partner experienced as a feeling of allegiance and faithfulness" (Gilliland and Bello, 2002, p. 28)	Doney et al. 2007
Moral commitment	"the totality of normative pressures to act in a way which meets organizational goals and interests" (Kumar et al., 1994, p. 3-4)	
Obligation commitment	"a sense of moral duty and responsibility toward a relationship partner" (Sharma et al., 2006, p.70)	

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However, these 14 different aspects can be sorted into five more general dimensions of relationship commitment. First, there is the calculus of gains and losses from the relationship which can be referred to as "calculative commitment" (also called cognitive, continuance<sup>3</sup> or instrumental commitment). This dimension has also been divided into a "positive" aspect called value-based commitment, describing the calculation of the gains from remaining in the relationship, and a "negative" aspect called locked-in commitment where the relationship is endured due to costs associated with discontinuing it or relationship-specific investments. (Sharma et al., 2006).

The second dimension of commitment is the attitudinal aspect of the construct. This dimension includes the construct named attitudinal commitment in literature (e.g. Tellefsen and Thomas, 2005) as well as affective commitment (Gounaris, 2005). Though the definitions differ, this

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<sup>3</sup> Continuance commitment can be assigned to calculative as well as attitudinal commitment in the definition by Kim and Frazier (1997b). Various authors have also stressed different aspects of continuance commitment. Skarmenas et al. (2002) stress the *desire* to remain in the relationship, while Kumar et al. (1994) stresses the *need* to do so. The conceptual scope of this dimension is thus unclear in literature.

dimension of commitment describes how positive feelings towards another party make an actor maintain the relationship. It has been described as "a generalized sense of positive regard for and attachment to the other party" (ibid, p. 128), "the strength of an individual's identification with and involvement in a particular organization" (Kumar et al., 1994, p. 3) along with several other definitions. Differences in definitions related to this aspect of commitment are also discussed in paper I. In this dimension I would also sort "Interpersonal commitment", as described by Mavondo and Rodrigo (2005), as well as "Loyalty commitment" (Gilliland and Bello, 2002) since the definitions of these two come close to the ones commonly used for attitudinal and affective commitment.

A third dimension of commitment can be found in the type of commitment which arises from some sort of personal or social pressure. This is referred to as normative, moral or obligation commitment and describes the intent to remain in a relationship because it is the "right thing" to do and choosing alternative courses of action would be against personal and/or societal values.

Fourthly, there is the behavioral dimension of commitment. While the above three dimensions have described various reasons for being committed to a relationship, this dimension describes a "commitment in action". Kim and Frazier (1997b) discuss the problem of defining what type of behavior really is to be considered as behavioral commitment. Following Narus and Anderson (1989), they use the intention to help a business counterpart in times of need as a proxy for measuring the construct. It follows from the definition presented in Table 1 that this dimension is more to be regarded as an expression of commitment to the relationship, rather than a cause for being committed as is the case with calculative, affective and normative commitment.

Finally, there is temporal commitment, which has been described as the very essence of relationship commitment (Mavondo and Rodrigo, 2005) since it describes the intent to remain in the relationship. Like behavioral commitment, this dimension does not describe a cause for being committed to a relationship, but rather an outcome of these causes.

As can be seen, commitment as a theoretical construct has developed quite extensively over the years, and has now grown to include the *intent* to remain in the relationship as well as the *causes* for remaining in it and the *behavior* it results in. The various aspects of commitment have also been linked to different positive relationship outcomes, such as acquiescence, cooperation and decreased propensity to leave the relationship (Morgan and Hunt, 1994), loyalty (Fullerton, 2003) and relationship performance

(Skarmeas et al., 2002). What is interesting when reviewing the studies reported in literature is that several studies have identified the affective dimension of commitment as central for achieving relationship outcomes. Since this is discussed in paper I, III and IV, I will not repeat the discussion here, but just state that this conclusion led me to focus on affective commitment in this thesis. What is also discussed in these papers is the importance of researching affective commitment on the individual rather than the organizational level, since affective commitment is a psychological state held by individuals. Accordingly, it is of importance to include relevant psychological processes when researching antecedents to the construct. This is where psychological contracts come in to the picture, a matter also discussed in paper I, III and IV.

### 2.1.2 The individual and organizational levels of analysis

Consistently through the papers presented in this thesis, focus of the discussion and analysis is on the individual level aspects of the relationships, rather than on the organizational or group level. The reason therefore has been touched upon in section 1.2, but will be dealt with more in depth here.

In reviewing literature regarding commitment in business-to-business relationships, it is evident that the two levels of analysis are rarely discussed, and that the operationalization used in research instruments generally investigate the constructs at the group or organizational level. Table 1 in paper I describe exceptions to that rule and present results from studies which has incorporated both the individual and the group/organizational levels of analysis. Thus far, to the best of my knowledge, studies of relationship commitment using these two levels of analysis have done so applying commitment as a uni-dimensional construct. But by combining the discussion related to the different dimensions of relationship commitment with the different levels of analysis, we can see that the dimensions occur at different levels of aggregation. As is discussed in paper I, affective commitment does not occur at the group or organizational level, but within individuals. It is individuals, not organizations, which can hold feelings. However, these feelings can be shared within an organization and be aggregated to an organizational level of affective commitment. This conceptual logic follows the ideas about the individual and organizational levels of trust forwarded by Zaheer et al. (1998). Also the moral (or normative) aspect of commitment occurs at the individual level, especially according to the description by Sharma et al. (2006), since it is the result of the combination of outside pressure and personal traits.



Other dimensions of the commitment construct, such as calculative commitment, occur at the organizational level. Since calculative commitment refers to the functional side of the relationship, i.e. the net resources gained from the association or the cost of leaving it, it is a matter which deals with the organization rather than the individual. The same applies for behavioral commitment, since it is the organization which in the end provides resources into the relationship.

These different dimensions of commitment, at the different levels of the relationship, do affect and influence each other. While I in this thesis have chosen to focus on the individual aspects due to an identified gap in literature, this should not be seen as an indication that the organizational level aspects are unimportant. The individual level aspects influence the organizational and vice versa, and are intimately connected to each other. However, based on the identified need for research investigating the individual level aspects, my choice for this thesis is to focus on them.

### 2.1.3 Psychological contracts

Reasons for incorporating the psychological contract as a theoretical construct into research regarding business-to-business relationships, and how it can increase our understanding of these, is discussed in paper I. In this section I will focus on the theoretical foundation of psychological contracts and how they fit into the framework of SET.

The psychological contract is a construct (Rousseau, 1998) derived from organizational theory, and was first introduced by Argyris (1962) and Levinson (1962) in studies regarding the relationship between employees and the organization. After the introduction in the early 1960-ies, the construct was virtually forgotten until Dr. Denise Rousseau re-introduced it in 1989 (Rousseau, 1989). Since then, it has been extensively used within organizational theory to understand employer-employee relationships. (Conway and Briner, 2005) The foundations for the psychological contract are found within cognitive psychology since it describes a mental model, a schema, of the promises and obligations relevant for a relationship (Rousseau, 2001). It has been described as “an individual’s belief in mutual obligations between that person and another party such as an employer” (Rousseau and Tijoriwala, 1998, p. 679). Like other schemas, the psychological contract is dynamic and changes with our experiences. At its formation, the psychological contract is usually quite open to changes, but the more the content of the contract is confirmed through experiences from the relationship, the more stable it will get. An experience which seriously challenges the schema leads to an evaluation of it, and eventually to a change

of the schema (Rousseau, 2001). To exemplify the development of a schema I will use that of a birthday party (by inspiration from Rousseau, 2001). When my oldest daughter was first invited to a birthday party at a friend, she was excited but knew very little about what was going to happen. She only knew it was something fun and that you were supposed to bring a gift. To her, just about anything that could have happened during this party would have been fun, almost regardless of what it was. At the time of writing this text, my daughter is seven years old and has attended a vast number of parties. She knows exactly what will happen during such an occasion and in which order, and deviations from that order would likely render a reaction, positive or negative. In other words, she has gone from a loosely structured schema regarding the phenomenon “birthday party” to having a very firm one<sup>4</sup>. In a similar manner, employees develop their schemas regarding the promises and obligations related to their employers, and as I argue in this thesis, individuals involved in business relationships develop similar schemas related to the relationship with a business partner.

The psychological contract is related to some established contracts within marketing. One of these is sense-making (Weick 1969), and especially the cognitivist approach of sense-making (Hopkinson, 2001). Sense-making research focus on how people “construct what they construct, why, and with what effects” (Weick, 2004, p. 535) with the objective of exploring the frames for sense-making or the system of categorization within a community (Hopkinson, 2001). Like psychological contract research, the mental schema of involved individuals is an important element, since these provide the frames of reference for the individuals in understanding occurring events. Psychological contract formation is often referred to as a sense-making process (e.g. Shore and Coyle-Shapiro, 2003), but from a research point of view the significant difference between sense-making and psychological contract research lies in the scope. While sense-making has a broader scope, the psychological contract research focuses specifically on the perceived promises and obligations relevant for a relationship.

The fact that the psychological contract builds on promises separates it from another concept which has conceptual similarities with the psychological contract, being ‘expectations’, which plays an important role in research regarding services marketing (Voss et al. 1998). Rousseau (1990) notes that “psychological contracts differ from the more general concept of expectations in that contracts are *promissory* and *reciprocal* (p.390, emphasis in

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<sup>4</sup> For an in depth discussion regarding the cognitive psychology aspects of the psychological contract, see Rousseau, 2001.

original). The psychological contract thus relates to a specific ‘stronger’ form of expectations.

		Level	
		Individual	Group
Perspective	Within	<b>Psychological</b> Beliefs that individuals hold regarding promises made, accepted, and relied on between themselves and another (employee, client, manager, organization)	<b>Normative</b> The shared psychological contracts that emerges when members of a social group (e.g. church group), organization (e.g. US Army, Xerox, United Way) or work unit (e.g. the trauma team at a community hospital) hold common beliefs
	Outside	<b>Implied</b> Interpretations that third parties (e.g. Witnesses, jurists, potential employees) make regarding contractual terms	<b>Social</b> Broad beliefs in obligations associated with a society’s culture (e.g. reliance on handshake)

Figure 2. Types of contracts, adopted from Rousseau, 1995, p. 9.

One of the criticisms which have been raised against psychological contract theory is that it is wrong to call it a ‘contract’ (Guest, 1998). While one of the basic features of a normal contract is that it voluntarily entered into by all parties, the psychological contract refers only one individual at a time. It is the *perception* of agreement which is in focus, not the agreement as such.

The psychological contract has been categorized as a form of ‘soft’ contract, i.e. a contract which is not explicit (Lusch and Brown, 1996). Rousseau (1995) distinguishes four different types of soft contracts, presented schematically in Figure 2. These different forms of contracts are also discussed in paper III. It is important to notice that the different type of contracts are not mutually exclusive, but can occur at the same time. E.g. a psychological contract can be regarded also as a normative contract if the members of a group share the same psychological contract. A psychological contract can also contain items which are part of an explicit contract.

Relating back to the discussion regarding SET, relationship norms take the form of relational contracts (Lusch and Brown, 1996), describing mental representations which are shared within a group, regarding perceived promises and obligations in a relationship. While the normative contract has been used in previous research on business-to-business relationships (Ibid), the psychological contract adds an important dimension to the normative contract, since it opens up to identifying also the items which are not shared within the group, but might occur in one or a few members of the group. This is one of the reasons for assuming that the psychological contract has the potential to increase our understanding of business-to-business relationships, as discussed in paper III. Another indication of the potential value of the construct is the identified links between psychological contracts and commitment in organizational research, as well as the fact that recent studies (Kingshott, 2006; Kingshott and Pecotich, 2007) have applied it in business-to-business settings and indicated its value in predicting relationship outcomes.

## 2.2 Trust, affective commitment and the psychological contract

There are several, quite closely related constructs which are being dealt with in this thesis, and spending a section sorting out the differences between them might be valuable. We have already noticed that all three are individual level constructs, but how do they relate to each other? Paper I describes a model and hypotheses regarding their internal relations, but it might also be a bit more to the story. Starting out with the psychological contract, it was described in the section above that it is a cognitive schema related to a relationship. As such, the psychological contract helps us to make sense of the experiences in the relationship. A late shipment from a supplier might be experienced as “normal” or as a serious negative incident in the relationship depending on what I expect from the supplier. Accordingly, it is reasonable to assume that the psychological contract influences the building of trust and affective commitment, and in paper I the propositions state a direct effect on both of them. That trust influences commitment, rather than the other way around, is widely recognized in business-to-business literature (Kingshott, 2006), and builds on one of the central propositions in SET. Some authors even state that trust is a prerequisite for commitment, since commitment entails an element of vulnerability (Morgan and Hunt, 1994).

In their conceptual definitions, trust and psychological contracts might appear as quite similar, but there are distinct differences between them. Trust, while defined somewhat differently between authors, essentially describe the belief in the other party's good intentions and the willingness to expose oneself to risks. The psychological contract on the other hand, describes the mutual promises and obligations as perceived by one individual involved in the relationship. Accordingly, the psychological contract is more specific in its scope, and also entails an element of mutuality which is not explicitly included in the trust construct. It also lacks the element of risk which is included in trust.

### 2.3 Research questions

To the best of my knowledge, the construct of psychological contracts has so far not been thoroughly explored in a business-to-business context. When Kingshott and Pecotich (Kingshott, 2006; Kingshott and Pecotich, 2007) conducted their survey among dealers of motorized vehicles in Australia, they used a semantically adopted version of the four-factor scales developed by Rousseau (1996). As is discussed in paper II and III, this may create problems related to content validity since the business-to-business context to a great extent differs from the intra-organizational. This opens for a theoretical contribution to extant literature in exploring how the psychological contract can be researched and described in this new setting. The psychological contract is not context free, which can be described with a hypothetical example. One can assume that it is possible to research romantic relationships from the perspective of psychological contracts ("I expect my wife to ....., and I should ... in return"). But trying to research such a relationship with a research instrument developed for employment relationships will likely produce irrelevant results. In a similar manner, I argue that a relationship with a supplier differs in centrality and scope for an individual, when compared to the relationship with the employer. Developing research instruments for this context is thus of value.

Another possibility for theoretical and practical contribution is to explore the possible link between the psychological contract and affective relationship commitment. Though research has identified commitment as a multi-dimensional construct, the psychological contract has so far only been tested towards commitment as a uniform construct. The psychological contract is likely to impact stronger on the affective dimension of commitment than to the other dimensions of the construct, since both of

them are individual level constructs and relate to psychological processes. It is argued in paper I that there is a need to include relevant psychological processes into theory in order to better understand the development of affective commitment. The psychological contract, being a cognitive schema, is likely to play an important role in that task.

From a practical point of view, a focus on the individual level aspects of the inter-firm relationships is likely to provide value. Relating back to the discussion regarding the strategies the Firm has applied to cope with changing market conditions, an understanding of the individual level aspects will be of importance when dealing with people in position which differs from the traditional contacts.

In section 1.2, the purpose of this study was presented as “to investigate the individual level aspects of customer-supplier relationships on industrial markets, with the aim of understanding crucial factors for building commitment in these relationships“. I have in section 2.1 aimed to put this purpose into a theoretical framework, and to describe the reasons for focusing on affective relationship commitment and psychological contracts. It is at this point possible to turn this overall purpose into a more specifically stated purpose of this study as to *describe the nature and development of the psychological contract in supplier-customer relations, as well as the impact of the psychological contract on the actors' affective commitment to the relationship.*

This purpose resulted in three specific research questions which have been dealt with in the four papers of the thesis. These are:

- (1) What role can the psychological contract have relative to affective commitment in relationships between customers and suppliers?  
(Paper I)
- (2) How can the psychological contract be described and dimensionalized in the context of business-to-business relationships? (Paper II)
- (3) Does the psychological contract influence the building of affective commitment in business-to-business relationships?  
(Paper III and IV)

### 3 Data collection and analysis

The empirical studies for this thesis were conducted in three main steps, and included qualitative as well as quantitative methods. The general outline of the thesis work was according to the following. After literature studies and setting of the research objectives, a qualitative pilot study was performed in order to gain experience regarding how to perform interviews which could give me data on psychological contracts related to customer-supplier relationships. The findings from the pilot study were used in designing a questionnaire which served as an interview guide during the semi-structured interviews used in the qualitative part of the main study. In this part of the study, the main focus was on exploring the content of the psychological contracts of the individuals interviewed. The analysis of the qualitative data was used to create survey items to quantitatively measure various aspects of the psychological contract in an internet survey. This survey also included items retrieved from literature for measuring trust, affective and behavioral commitment.

The qualitative part of the study is presented in paper II, while the quantitative part is presented in the papers III and IV. In this section of the thesis, I will present the methodological considerations made, along with the challenges met during the research process. As an introductory note on the data collection it should be mentioned that throughout the research process I have utilized my access to resources and connections at the Firm (see section 1). In the qualitative as well as the quantitative studies, the individuals I have talked or sent surveys to have all had some sort of connection to the Firm, either as employees or as customers. Their roles as respondents will be discussed in greater detail in the sections below, and the potential effects of the sampling procedure on the research results will be expanded on in the discussion section.

### 3.1 The qualitative part of the study

The objective of the qualitative part of the study, mainly reported in paper II, was to explore if psychological contracts as a theoretical construct could be applied to business-to-business relationships, and if so, how they could be researched and analyzed. For this purpose, an explorative case study design was chosen. In spite of the fact that this part of the study builds on an established stream of research, that of psychological contracts, I view the study as explorative. To the best of my knowledge, there are no previous studies which aim to describe psychological contracts in a business-to-business setting. This is why an explorative approach is needed as a first step in order to research relationships to other constructs in the later, quantitative phase of the project. In exploratory research, the case study is an often used approach (Yin, 2006). The approach can be used for several purposes; to provide description, test theory or to generate theory (Eisenhardt, 1989). In the qualitative part of this study, the objective is to provide a description of the psychological contracts of the individuals involved in business-to-business relationships. I decided to perform it in two steps, with a pilot study followed by a main study.

#### 3.1.1 The pilot study

Since psychological contracts only to a limited extent have been researched outside intraorganizational settings, I found it useful to conduct a pilot study in order to explore how to gather information regarding psychological contracts from people involved in customer-supplier relationships. According to Wigblad (1997) a pilot study is often used to identify possible mistakes early and correct these before the main study. This strategy can greatly improve the quality of the main study and reduce the costs (*ibid*).

My basic research question during the pilot study was “what promises and obligations do people involved in this relationship see as relevant”? I decided to seek out a relevant case among the relationships the Firm has with their Swedish customers. I approached the vice president of the Swedish sales organization and discussed the possibility to get access to a relevant relationship for the pilot study. My criteria for selecting a relationship for the case study was that it should involve several people from the supplying as well as the purchasing organization and that the personal interaction between the organizations should be fairly frequent. A suitable relationship was identified, and I got the permission from the relevant managers on both sides of the relationship to perform my study. Next, I contacted the sales representative responsible for this particular account and



got from him the complete list of individuals involved in the relationship. After identifying the key individuals (named by the sales representative), I also took a random sample of people from the list and booked interviews with them. All in all, 11 interviews were performed during the pilot study, each lasting for about one hour. Two interviews were with people in the sales organization of the Firm (a key account manager and the sales representative) and the remaining nine with people from the purchasing firm. These held positions within purchasing (n=2) and production (n=7). All interviews (except one due to noise) were recorded with an MP3-recorder and transcribed word-by-word. Documents (employee magazines from the purchasing firm as well as the written contract between the organizations) were studied. The pilot study also included observations of a meeting between the two organizations where the performance of the relationship was discussed.

#### *Analysis of the pilot study*

In the analysis of the pilot study, I used a grounded theory approach, as described by Strauss and Corbin (1998) in order to sort out the content of the psychological contracts of the individuals included. Though this study does not make any claims to produce a grounded theory, the technique described by Strauss and Corbin (1998) is quite useful for coding data into concepts. Their approach give an opportunity to be open in the coding of the data, as opposed to a more structured approach with preliminary codes decided upon a priori (e.g. Miles and Huberman, 1994).

More specifically, I used the open coding technique (Strauss and Corbin, 1998) in order to label the data. To focus the analytical work, I used the research question “what promises and obligations do these individuals experience as relevant for this relationship?” I went through the material line-by-line, and labeled the data based on the research question. I also wrote a summary of each interview and from the observed meeting, in order to summarize my impressions. In the end, I had a number of concepts derived from my data. These were:

- Being present (the supplier should be present at the customer site)
- Understanding (the supplier should have an understanding of the circumstances of the customer, technical and regarding business)
- Being keen (act upon the circumstances of the customer, adopt to them)
- Handling of risk (being willing to share and/or handle mutual risk)
- Problem solving and technical support (provide it)
- Social competence (the importance of the personal relationship)

- Trust (the need for feeling trust for the supplier)
- General expectations (such as keeping delivery times, proactively suggest improvements etc.)

These categories were thereafter used as a basis for the design of the qualitative part of the main study.

### 3.1.2 The qualitative part of the main study

In the main part of the study, I decided to use theoretical replication (Yin, 2006) for identifying my cases. By the use of theoretical replication, the aim is to find cases which deviate from each other, but for foreseeable reasons (ibid). The sampling process, along with the process of identifying my cases, is described in paper II. Since my focus was on gathering data on psychological contracts, I used the individuals involved in the relationships as my cases. The psychological contract is, as discussed previously, held by individuals and can thus be research only on that level of analysis.

Some experiences from the pilot was that (1) it was often hard to get people to spend more than maximum one hour with me for an interview<sup>5</sup>, (2) that the majority of my interviewees were to be found within the production (such as production technicians, NC programmers and production managers), and (3) that discussing the relationship with a supplier was not very natural to them. In order to get the most out of each interview, I found it necessary to prepare may interview candidates in advance and “set the scene” for them. I wanted them to start thinking about the relationship with the Firm (since most of them was part of firms buying products from the Firm) even before we started the interview. The solution was a bit unorthodox for qualitative research. I designed a questionnaire, based on the material I had gathered from the pilot study and from literature, and sent it to each interviewee after we had agreed to meet. I instructed them to fill out the questionnaire and bring it to the interview. As it turned out, every one of them had done so. The questionnaire is found in Appendix 1. During the interview, we used the questionnaire as a structure for our conversation. I often commented on their responses in the questionnaire and asked them to describe why he/she had rated the question the way he/she had. These questions often spurred discussions related to the promises and obligations the respondents found relevant for the relationship.

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<sup>5</sup> An anecdote from one of the US interviews describes this quite clearly. One of the interviewees told me that: “We never have longer meetings than one hour. If you have longer meetings you are not being efficient.”

### *Analysis of the data*

Like in the analysis of the pilot study, the data retrieved here were analyzed using a grounded theory approach. The first step of the analysis included open coding of the material. The research question was the same as in the pilot study, thus having a descriptive focus. I went through each interview one by one, coding within each case. Practically, the coding was conducted by noting the concepts in the margin of the print-outs of the transcriptions. Parallel to this, I also kept a log in an MS Excel-file where every concept was noted chronologically along with my comments or thoughts around the concept and references to where it came from in the text. In total, the first stage of the coding process resulted in 495 concepts. Since I worked alone on this part of the project, I had no possibility to let another researcher do a parallel coding of the material, which is an often used approach to increase the inter-coder reliability of the analysis (Bryman, 2004). Instead, I performed a re-coding myself, an approach which increases the intra-coder reliability. The process generated a number of different codes of the same data, even though the bulk of the analysis was consistent between the two occasions. In the cases where there were differences in codes, the two alternatives were compared and a decision on the code to use was taken.

Secondly, I went through the material and sorted out which of the concepts could actually be referred to a psychological contract from those describing other aspects of the relationship. 86% of the concepts were kept to the next stage of the analysis, which was to group the concepts into categories (Strauss and Corbin, 1998). During this process, I used Guzzo et al. (1994) as a source of inspiration, with their approach to group the items included in the psychological contracts into more general areas. During this step, the concepts identified during the open coding was compared and grouped together into categories. During this part of the process, I lifted the level of analysis to the relationship in which the individuals were a part of, thus utilizing the embeddedness of my cases (Eisenhardt, 1989). This is also how the analysis is presented in paper II. I combined the coded material and compared across the different relationships. The process was everything but straight forward, and several regroupings and combinations were done before reaching the final result. As a tool for performing the analysis, I used mind-maps in MS PowerPoint. The software allowed for easy resorting of the concepts and graphical overview of how different concepts related to each other, as well as how they could be grouped into categories. An example of such a mind-map is presented in Figure 3. By relating concepts to each other in this manner, it was also possible to see the different dimensions of each category, as is done in axial coding (Strauss and Corbin,

1998). When this process was ended, I had reached my objective with this part of the project, which was to describe psychological contracts in business-to-business relationships. In a full scale grounded theory project, the analytical process would have continued until a core category had been reached, but that is beyond the scope of this thesis.

Figure 3. Example of mind-map during selective coding (in Swedish).



The result of the analysis is presented in paper II. The analysis in this step was also used as input to the quantitative survey described below.

### 3.2 The quantitative part of the main study

To be able to research the possible link between psychological contracts and affective relationship commitment, a quantitative survey was chosen. In order to complete the survey within the time frame and budget for the project, it was decided to use a web based survey. Web based surveys produce faster feedback and less cost than mail surveys (Deutschens, 2006). The two methods for surveying have also shown to produce similar results in comparative studies (ibid, Cobanoglu et al. 2001). Web surveys are also much less costly and time consuming than a phone survey (Braunsberger et

al., 2007), not least when performed in three languages as in the present case, and are seen to produce as reliable results (ibid).

Sampling frame and procedure is presented in the papers III and IV, as is the background of the questionnaire design. In sampling the respondents, we made the choice to send the survey to all respondent which met the basic criteria that they should belong to an organization that had made at least one purchase from the Firm during the past year, and that they should have an email address recorded. The benefits and drawbacks of this sampling procedure are discussed in section 5.4. The reason for choosing to send the survey to the whole sampling frame was based on the fact that the marginal cost of sending the survey to an extended number of respondents was minimal due to the survey technique chosen. We also assumed that we would need to use the whole sampling frame in order to receive enough responses back, which made us choose this procedure rather than a random sampling procedure.

What is not presented in the papers III and IV is the change in research process which came about. The initial plan was to perform the survey in the USA instead of the UK, but since the US organization of the Firm had recently performed a large scale survey among their customers, it was decided to alter the plans and perform it in the UK instead. The reason for selecting these three countries for the study was to be able to see similarities and differences between significantly different countries in the psychological contract dimensions and commitment. Table 2 describes an interpretation of the Hofstede (1997) indexes for power distance, individualism, masculinity and uncertainty avoidance. As can be seen, Sweden and the UK follow each other quite well in all indexes except for masculinity where there is a larger difference. Spain differs from the other two in all four indexes. In translating the surveys, two professional translation agencies were used. To secure the cross-language reliability of the research instrument, back translation was used (Brislin 1980).

Table 2. *Interpretation of the Hofstede (1997) indexes for Sweden, UK and Spain.*

Index	Sweden	UK	Spain
Power distance	Low	Low	Medium
Individualism	High	High	Medium
Masculinity	Low	High	Medium
Uncertainty avoidance	Low	Low	High

To increase the likelihood of covering relevant topics for this thesis, the survey was quite broad in its scope. The constructs included and their background is presented in Table 3.

Table 3. *Structure of the survey instrument.*

Construct/topic	No of items	Derived from
Relational orientation of the psychological contract	5	The qualitative study and literature
Perceived balance of obligations	3	The qualitative study and literature
Fulfillment or breach of the psychological contract	4	The qualitative study and literature
Affective relationship commitment	4	Sharma et al. 2006
Behavioral relationship commitment	3	Sharma et al. 2006
Asset specificity	1	
Trust	7	Morgan and Hunt, 1994

Before sending out the questionnaire, the design and research strategy was discussed with colleagues having experience from similar projects within academia, the Firm as well as with representatives from the marketing research firm 3S who performed the survey for us. After some changes in the design, a pilot study of the survey instrument was conducted among the individuals I had interviewed in Sweden for the case studies. This caused some minor changes in the instrument. As a final step in the process, the back translation mentioned above was performed. Also this step caused some changes in the survey form, since differences in semantic content between the languages were identified.

When sending out the survey, each respondent received an e-mail with a link to the survey website along with an introductory text to the survey. The e-mail came from my address (mld@hig.se) and was signed by myself, my supervisors (Akmal Hyder and Lars Lönnstedt) and Apostolos Bantekas (Associate Professor, University of Gävle). In the text, it was explained that this was a joint project between the University of Gävle, the Swedish University of Agricultural Sciences and the Firm, and that the respondent had received this e-mail since he/she was listed with an e-mail address in the customer records of the Firm. Once at the survey website, the respondent was presented with a longer introductory text, along with information on how to reach me in case of questions and general instructions regarding how to complete the survey. One important part of the instructions was that

should think of the relationship they had with their *main* supplier of this specific product category. It was thus not their relationship with the Firm specifically that was in focus in the survey, even though the Firm very well could be the main supplier. The respondents were not asked to name the supplier they referred to when answering the questions.

After two days, a new email was sent out as a reminder to those who had not completed the survey, followed by a second reminder one week after the original e-mail. The results of the survey were collected after three weeks, when the survey was closed.

### *Analysis of the quantitative study*

In designing the scales for psychological contracts, it was important to note that the psychological contract is a construct (Rousseau, 1998), meaning that it is an unobservable concept which can be conceptualized but not directly measured (Hair et al. 2006). Since the construct cannot be directly measured, several survey items are used to indicate each dimension of it (DeVellis, 2003). These individual items are then grouped into summarized scales which are meant to represent the construct. When analyzing scales which have not been used before, there are several issues which need to be taken into consideration. Each scale should conform to its conceptual definition, be unidimensional, reliable and valid (Hair et al, 2006) in order to be useful for analysis.

How a scale meets its conceptual definition is also called face validity (ibid), and is discussed briefly in paper III. In this study, I have used literature regarding the different dimensions of the psychological contract (e.g. Rousseau, 2000; Shore and Barksdale, 1998; Rousseau and Tijoriwala, 1998) as a theoretical basis. In order to create items which are suited for the research context, I used the analysis of the case studies. In combination, this creates a good basis for claiming acceptable face validity.

The unidimensionality of the scales used can be tested by the use of exploratory factor analysis, as is reported in paper III. Unidimensionality is important when there are several constructs being tested at the same time in a study (Hair et al., 2006). For the demand of unidimensionality to be met, each item should load significantly to only one scale (ibid). As can be seen in Table 4 of paper III, this was an issue for some of the items and they were therefore dropped in the continued analysis. There were also two cases where items were kept even though there were issues with cross loadings, and this is discussed in paper III.

The reliability of a scale refers to “the proportion of variance attributable to the true score of the latent variable” (DeVellis, 2003, p. 27). Most commonly, the reliability of a scale refers to the internal consistency of the items included (Hair et al., 2006). This is often tested by use of the Cronbach alpha, as is also reported in paper III. To further ensure the reliability of the scales, inter-item correlations and item-to-total correlations were also calculated with satisfactory outcome for the selected solutions for the scales.

After identifying the items used for each summated scale, the relationship between the independent and dependent constructs was analyzed using multiple regression analysis. As an analytical technique, multiple regression analysis is used to analyze the relationship between a dependent variable and several independent variables (Hair et al., 2006), which makes it suitable for this stage of the research project. An alternative method which could have been applied is structural equation modeling, which apart from the analysis of the relationship between dependent and independent variables also includes factor analysis (exploratory and confirmatory) (ibid). However, since the research objective could be obtained using factor analysis and multiple regression analysis, this approach was chosen. By doing so, I could utilize the knowledge already gained through PhD courses taken along with the competence of my co-author, and there was no need to purchase extra computer software. The outcome of the analysis is presented in paper III and IV.



## 4 Results

### 4.1 Paper I

The first paper in this thesis is a purely conceptual text which discusses affective relationship commitment. By summarizing extant literature, the conclusion is drawn that the construct of affective relationship commitment is in need of conceptual development. We introduce the individual vs. the organizational level of analysis into the debate, and argue that only individuals can be affectively committed to a relationship. The definition of affective commitment is stated as “the extent to which an individual wants to maintain the relationship with a supplier, due to emotional rewards gained from that relationship”. We further argue that it is possible to research affective commitment at the organizational level, but that the construct at this level of analysis refers to the extent to which the affective commitment to the relationship is shared between relevant individuals in the focal organization.

Apart from conceptually developing the affective commitment construct, the paper also suggests a model of antecedents and consequences of the two levels of affective commitment. What is of greatest importance for the remaining parts of this thesis is the discussion regarding psychological contracts as an antecedent to individual level affective commitment.

### 4.2 Paper II

Paper II present findings from the qualitative part of this project. The paper builds on the observation that the construct of psychological contracts have been used in recent studies on business-to-business relationships and that the construct has potential value in increasing the understanding of the

individual level aspects of these relationships. It is also noticed that previous studies which have applied the construct in this setting, have used semantically adopted scales from research within organizational psychology. It is argued that there is a need to thoroughly investigate the construct in this new setting, before linking it to other constructs.

Findings from the case study show that the construct is of value for describing perceived promises and obligation related to a relationship at the individual level. In the analysis, the items of the psychological contracts are grouped into categories and compared. It is thus possible to identify which items are shared between individuals in a firm, and which items differ. In the analysis, the relational orientation, the balance of obligations and the stage of development of the psychological contract are applied (see paper I). It shows that items related to the relational orientation as well as the balance of obligations can be identified among the cases.

### 4.3 Paper III

This paper reports findings from the Swedish part of the quantitative survey. Focus is here on the link between two different dimensions of the psychological contract, the evaluation of the contract, and affective relationship commitment. The results show that the relational orientation of the psychological contract has a significant impact on affective commitment. As hypothesized, individuals with relational orientation of their psychological contracts show higher affective commitment to the relationship than individuals with transactional orientations. Significant results were also obtained for the evaluation of the contract in relation to affective commitment, where fulfilment of the psychological contract influences affective commitment positively and breach of the contract affect it negatively. The hypotheses which stated that a perceived balance of obligations should influence affective commitment positively, and with the reverse effect in case of a perceived unbalance, was however not supported. This could be due to measurement error since the construct is only measured using a single item, as is discussed in the paper.

### 4.4 Paper IV

In paper IV, findings from all three countries included in the quantitative study (Sweden, UK and Spain) are presented. The paper extends the findings from paper III in that it tests the relationship between psychological contracts and affective commitment in three different countries, thus

increasing the empirical generalization of the findings. I also extend the model tested in this paper relative to the model tested in paper III. In this paper, trust is included as an antecedent to affective commitment, and its value as such is confirmed in all three countries. I also include behavioral commitment as an outcome of affective commitment, thus investigating the link between the individual and the organizational level of commitment. As it turns out, affective commitment explains about 20% of the variance in behavioral commitment.



## 5 Discussion

Before going in to the implications and limitation of this thesis, I would first like to make a note to the four papers included in the thesis. The structure of the papers follows a logic which was decided on early in the project. I first build my hypotheses, and then gather necessary data in order to include a new construct into the context of customer-supplier relationships, followed by an empirical test of the hypotheses stated at the beginning. A nice, logical structure for a research project. However, reality tends to change even well laid out plans, and so it did also in this project. At the beginning of the project, paper I was much more focused on purely the relationship between psychological contracts and affective commitment. But comments from reviewers have led it to include more aspects, especially the discussion regarding the levels of analysis. The original line of thought is the one reflected in the subsequent papers, especially in paper III. If done again, a more explicit attention would have been taken to the interplay between psychological and normative contracts as well as between individual and organizational levels of affective commitment. Also paper II has gone through significant changes during the process of seminars and reviews, which has made the link between the analysis in paper II and the survey form used in paper III and IV less clear than it has been. However, though the “logical flow” of the thesis has been blurred, I feel that it has improved the contribution of the work. But one implication for the thesis is that the conceptual definition and the operationalizations used are not always the same between the papers.

## 5.1 Managerial implications

At the beginning of the thesis, a practical need experienced by the Firm was presented. It related to a need to better understand how commitment in business-to-business relationships can be increased. From extant literature on the subject, it is possible to identify three main reasons for why firms actively choose to remain in existing relationships rather than pursuing other alternatives, i.e. why they are committed. It can be because they *need* to remain in the relationship, they *want* to remain in it or *feel obliged* to do so. Studies have also shown that the strongest reason for maintaining a relationship over time is that the actor wants to do so. The affective dimension of relationship commitment is thus of outmost importance for the longevity of a relationship. For a marketing or sales manager, it means that measures to increase this emotional attachment should be part of the strategy to be deployed in order to increase commitment in a relationship with a customer. In order to do so, trust has been identified in several studies to be a central component. If the customer does not trust you as a supplier, chances are low that he/she is willing to commit to the relationship.

This study investigates the influences of psychological contracts on affective commitment, and show that these do have relevance for understanding how affective commitment is built. It shows that individuals with a relational orientation of their psychological contract are more affectively committed to a relationship than those with a transactional orientation. Having a relational orientation means that you perceive promises and obligations as relevant for the relationship which are more open ended, long term and complex. As a manager responsible for developing relationships with business partners, it is thus beneficial to promote and re-enforce this type of obligations in order to influence affective commitment positively. This can be done by a conscious communication in personal interactions between the firms, as well as in written communication in the form of explicit contracts and market communication. Within the context of this study, this would in practice include promoting a greater integration into the partner firm and offering consultancy services. Such strategies would promote more complex relations between the firms and more open end duration of the interactions than would be the case in pure product transactions. However, as indicated in this study, using such strategies in interactions with individuals holding psychological contracts with a strong transactional orientation may be counterproductive since this is not what they are looking for in this type of business relationship. In these cases, the primary interaction strategy can be to create smooth, efficient interactions with a focus on the 'core' of the

relationship (such as the product sold to a customer). But also in these cases, it might be viable to promote a relationship with a greater complexity. The reason therefore is that the psychological contract is not static but constantly evolving, and if you want to increase the affective commitment in the relationship it will be beneficial for you to try to influence the psychological contracts of the involved individuals in a 'relational direction'.

The present study further shows the importance of understanding and living up to these perceived promises and obligations. It is important to note that the perceptions of what has been agreed upon can differ greatly from individual to individual in a relationship.

From a relationship management point of view it is however important not to forget the other parts of the relationship, the structural and technical aspects that drives the calculative commitment and the cultural/moral aspects which drives normative commitment. By consciously handling these aspects of relationship commitment, the likelihood of building strong relationships with business partners are increased.

## 5.2 Theoretical implications

This thesis has made three main contributions to theory. (1) It has conceptually developed the construct of affective relationship commitment, (2) explored the psychological contract within the context of customer-supplier relationships on business-to-business markets, and (3) indicated the value of psychological contract as an antecedent to affective commitment in this type of relationships.

The conceptual definition of affective relationship commitment has been developed further than in previous literature. By distinguishing between the individual and the organizational level of affective commitment, it is possible to make the conceptual scope of the construct more distinct. Affective relationship commitment can only exist at the individual level. Accordingly, the organizational level of affective commitment will refer to the extent to which the individual level affective commitment is shared among the relevant members of the focal organization. From a research point of view, this means that using key informants who are asked to report the "feelings of the organization" is problematic. As stated by Kumar et al. (1993, p. 1634):

"Respondents describe "their personal feelings, opinions, and behaviors" (Seidler, 1974: 817), but informants generalize "about patterns of behavior, after summarizing either observed (actual) or expected (prescribed) organizational relations" (Seidler, 1974: 817)"

Following this line of thought, it would be more appropriate to use respondents who report about their personal affective commitment, than to use key informants.

By the use of qualitative and quantitative methods, this thesis has explored content and dimensions the psychological contract in the context of customer-supplier relationships on business-to-business markets. While previous studies have found the construct to be useful in intra-organizational contexts as well as in business-to-consumer (Pavlou and Gefen, 2005) and supplier-dealer relationships (Kingshott, 2006), the findings in this study indicate that the psychological contract is a relevant construct also in customer-supplier relationships. From a social exchange perspective, the psychological contract provides a complement to the normative contract, as is discussed in paper I. During the social exchange in a relationship, the parties develop trust, commitment and relationship norms, where the relationship norms act as the mutually agreed upon “rules” of the relationship (Cropanzano and Mitchell, 2005). The psychological contract, on the other hand, does not have the demand of mutual agreement in its conceptual definition. Instead, it purely focuses on the individual’s perception of mutual agreement. If the psychological contract is shared within a group or between business parties, we can refer to it as a normative contract (Rousseau, 1995) which is very close to the general definition of relationship norms. However, from the perspective of the individual, it is the psychological contract which describes the mental model against which the outcome of the relationship is measured. Perceived success or failure depends on the expectations of the individual, and the psychological contract describes a strong form of expectations, that of perceived promises and obligations.

### 5.3 Suggestions for further research

The psychological contract opens several opportunities for interesting and relevant research. As previously discussed, the psychological contract is a mental schema, and as such it is dynamic and in a process of constant changes (Rousseau, 2001). At the beginning, it is loosely structured and easily changed, but the more experiences are gathered, the more firm and resistant to change it will get. Within organizational psychology, research regarding psychological contract formation is called for (ibid), and this is also an area which should be fruitful for inter-organizational research. Especially since the perception of mutual promises and obligations are not only influenced by what happen within a relationship, but also by factors outside



the relationship. Pavlou and Gefen (2005) indicated this in their study of online business-to-consumer relationships, and it is likely that this is the case also on business-to-business markets.

Violation of the psychological contract is an area which has received considerable attention within organizational research (Conway & Briner, 2005). The present study indicates that such violations harm affective commitment to a relationship, but further consequences need to be investigated. Conway and Briner state that (ibid, p. 63):

”Breach is probably the most important idea in psychological contract theory as it is the main way of understanding how the psychological contract affects the feelings, attitude, and behaviours of employees”

Breach of the psychological contract has been seen to influence trust (Robinson, 1996), commitment and organizational citizenship behavior (Coyle-Shapiro and Kessler, 2000) and several other aspects of the employment relationship. It is likely that breach will play a similar role also in marketing relationships.

For psychological contracts to be researched more generally in business-to-business relationships, future research should pay attention to developing scales which have a more general scope than the ones used in this study. In the survey instrument used here, the scales include items which are often quite specific for this particular product market. Within organizational research, validated scales for researching different aspects of the psychological contract has been developed (Rousseau, 2000; Conway and Briner, 2005), and research within business-to-business relationships should aim at establishing similar instruments adapted to the inter-organizational context. I would find it likely that the survey method for researching psychological contracts in business-to-business settings will be the most commonly used, just as it has been within organizational research. There are however alternative methods which should be noted. Not least, research which focuses on the content of the psychological contract is probably not best captured by survey research. In this study, I used the case study approach by performing interviews. This approach is well suited for capturing differences and similarities in psychological contract content, and should be applied to relationships with different characteristics than the ones reported in this thesis. This will be important for the work of developing scales for quantitative studies, as previously discussed. Another approach which is discussed by Conway and Briner (2005) is the daily diary method, where respondents keep a regular diary which can include both quantitative and qualitative aspects. This type of longitudinal research can be helpful in

capturing the dynamic aspects of the psychological contract, not least when related to the formation of the psychological contract.

Theory about commitment in business-to-business relationships is vast, as has been discussed in section 2.1. But there are still aspects which need further inquiry. The debate regarding the individual vs. the organizational level of commitment is interesting and likely to increase our understanding regarding the construct. In this thesis, these two levels of analysis are discussed in relation to affective commitment, but a further investigation into what dimensions of commitment (calculative, normative, behavioral, temporal etc.) that is related to which level of analysis and how they affect each other should produce interesting results.

## 5.4 Limitations

From the limitations of this thesis, one which should be discussed in greater detail is that of the sampling procedure and its consequences for the generalizability of the results. As discussed in section 3, all respondents in my studies have a relationship with the Firm, either as customers or as employees. The reason for selecting respondents related to the Firm was that I could easily get access to these individuals and could identify relevant respondents for my inquiries. The drawbacks are however several. One is that it can create company-specific biases in the responses I get. The Firm has of course its specific way of approaching their customers, which suits some customers better than others. One such bias could, in the case of the Firm, be a higher degree of customers with a relational orientation of their psychological contract than what would be the average for the whole market. However, relating back to the purpose of this thesis, this was seen as a manageable problem since we are not dealing with the frequency of different psychological contracts or different levels of commitment, but rather investigates how the psychological contracts influences the level of affective commitment. In doing so, it was of greater importance to identify the relevant individuals to survey or interview, which was made much easier given my contacts within the sales organization of the Firm.

A second drawback, related to the above, is the reduced generalizability of the quantitative results. Blair and Zinkhan (2006) discuss the issue of generalizability and state that reduced generalizability caused by sampling bias can arise in three different forms. One is through coverage bias, meaning that some part of the population is excluded from the sampling frame. Selection bias is another form, occurring if some part of the population has a higher probability of being included in a study. And

thirdly, non-response bias if failure to respond to the survey occurs disproportionately between groups. Since the sampling frame has been the customer register of one specific supplier, it can hardly be said to represent any other, larger population and it will be a case of coverage bias. Even though, in this specific case, the supplier is well represented in the countries surveyed and their customer register covers the market to a fair extent, it does not remedy the above drawback of the sampling technique.

One alternative to this sampling technique, which would have generated results with higher generalizability, would have been to use an industry register purchased from an information vendor or an industry association. This approach is widely used within the field (e.g. Morgan & Hunt, 1994), but for the purposes of this study it was decided that this way of working was less favorable than the customer register available. In order to research commitment and psychological contracts, it is of vital importance to reach the individuals who are actively involved in the inter-firm relationships. Within this particular industry, these individuals could be within purchasing functions as well as within the production or management. It is thus hard to reach the relevant respondents if these are not already identified, as is the case in the customer register of the Firm. Another point which speaks in favor of the sampling technique chosen (or at least shows that it is less of a problem) is that the quantitative survey seeks to explore the relationship between two (or more) constructs. Blair and Zinkhan (2006) discuss the fact that academic research often is resistant to imperfect sampling procedures since it generally explores relationships between variables. They state that (p. 5):

“..., if one draws a biased sample with respect to one variable, the bias in estimates of relationships involving that variable will have smaller bias than univariate estimates for the variable, because the sample is likely to have commensurate, self-adjusting biases on the related variables.”

Blair and Zinkhan (2006) also identify three different paths to generalization. One is theoretical generalization, meaning that research builds on theory from which the relationships we seek to explore are identified. Second is probabilistic generalization through sampling quality, as discussed above. And third is empirical generalization, meaning that results are replicated in several studies. It can be said that the present study has a theoretical base which would allow for generalization to other populations than the one studied, i.e. to other business-to-business relationships. It is however weak when it comes to probabilistic and empirical generalization.

Another methodological limitation refers to the qualitative study. In researching individuals and their psychological contracts, it would (in

hindsight) have been preferable to do a more in-depth study. An alternative would have been to perform the interviews and in parallel perform observations of the day-to-day dealings between the firms involved. In practice, this could have been done by following a salesman around during his visits at the customer and by attending meetings between the firms. In so doing, it would have been possible to challenge the information retrieved in the interviews and to (perhaps) gain a more complete view of the psychological contracts of the individuals involved.

From a theoretical point of view, my focus in this thesis also creates a limitation in the study. Focusing on the individual aspects, as I have chosen to do, mean that you pay attention only to one side of the relationship at a time. The structure of the relationships studied in this project is usually that the supplier has a limited number of individuals actively involved with a customer, but that these individuals have contact with quite a few people on the customer side. Methodologically, this means that there are a lot more individuals to be interviewed or surveyed on the customer side than on the supplier side. Therefore, the choice was to focus on the customer side in this thesis, due to the availability of the data. It would have been interesting to perform a study where the psychological contracts of individuals from both sides of the relationship in order to identify communalities and differences, but the availability of data made such a comparison hard in this study.

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