

Scientific review of the Social Exchange Theory and its contribution to solving purchasers' decision making issues

Author: Jannik Holthausen
University of Twente
P.O. Box 217, 7500AE Enschede
The Netherlands
j.holthausen@student.utwente.nl

The objective of this thesis is to analyze the contribution of the Social Exchange Theory (SET) to purchasers' decision making issues. The SET is a very influential theory having its roots centuries ago. It follows the premise that humans strive for a positive outcome, meaning to maximize benefits and minimize costs when engaging in an exchange. As only little research was done on the influence of the SET on Supply Chain Management (SCM), this thesis focuses on this specific field in order to identify a useful application to support purchasers in their decision making processes. The analysis was implemented using a literature review, to analyze four decision points which a purchaser has to make. Those decision points include demand planning, category strategy, supplier strategy and awarding. The result is that the SET is specifically applicable when deciding on supplier strategy. Here the Social Exchange Theory suggests that establishing a long-term relationship through increased trust and commitment, which are major variables within the theory, will outweigh the costs of supplier management. Hence the SET is a valuable instrument for purchasers in order to improve the buyer-supplier relationship and as a result increase the performance of the own organization.

Keywords

Social Exchange Theory, Supply Chain Management, trust, purchasing, ensuring supply, commitment, power, reciprocity

Permission to make digital or hard copies of all or part of this work for personal or classroom use is granted without fee provided that copies are not made or distributed for profit or commercial advantage and that copies bear this notice and the full citation on the first page. To copy otherwise, or republish, to post on servers or to redistribute to lists, requires prior specific permission and/or a fee.

1st IBA Bachelor Thesis Conference, June 27th, 2013, Enschede, The Netherlands.

Copyright 2013, University of Twente, Faculty of Management and Governance.

1. GROWING IMPORTANCE OF SUPPLY CHAIN MANAGEMENT

Purchasing and Supply Chain Management are topics of increasing importance. Supply Chain Management includes the structure of a company's supply chain, components of management and business processes (Cooper, Lambert, & Pagh, 1997, p. 5). In other words, SCM covers the whole organization of a company. This is why greater top-management involvement is required and more integration and stronger cross-functional relationships are necessary in order to improve processes (Kraljic, 1983, p. 116). On average taking into account the spending's of a firm, purchasing usually makes up a percentage of around 70 to 80. Hence only a small improvement within the purchasing department of a firm could lead to a big cost saving for the whole company (Baden-Württemberg, p. 2; Shell, 2011, p. 116). Consequently, the financial influence of purchasing within an organization is substantial.

The evaluation of the contribution of a grand theory to supply management presupposes an understanding of the activities of the purchasing function. The span of control (i.e. the main responsibilities) of a purchasing function can be summarized as follows: evaluate and select suppliers, review materials bought, act as the primary contact with suppliers and decide how to make a purchase (Monczka, Handfield, Giunipero, Patterson, & Waters, 2010, pp. 28-29). However, besides these main activities, the purchasing function has a broader range of objectives, such as the support of organizational goals and objectives, the development of an integrated purchasing strategy in line with corporate objectives, the support of operational requirements, the efficient and effective use of resources, supply base management as well as the development of intra-firm relationships (Monczka et al., 2010, pp. 25-26). The strategic direction of a corporation is outside the range of control of the purchasing function and happens at an earlier stage as the purchasing process itself. Further, the main activities are depended on supportive processes in order to be efficient and effective. For instance, a sourcing strategy needs a supporting cost- and/or risk-based analysis.

Based on these considerations, the annual activities of the purchasing department are structured on the following three phases:

- Antecedent processes: These processes occur outside the range of responsibilities of the purchasing department prior to the purchasing process
- Primary processes: These are the main tasks of the purchasing department
- Supportive processes: These processes support primary processes

During these processes, the purchasing professional will face several decision-making points. These decision-making points will serve as reference points in order to evaluate which grand theory might be useful to reach a solution. Those decision-points are:

1. Decision point 1: make-or-buy (demand planning)
2. Decision point 2: selecting specific sourcing strategies for each commodity (category strategy)
3. Decision point 3: selecting supplier strategies and making supplier portfolio decisions (supplier strategy)
4. Decision point 4: awarding contracts after negotiating with suppliers and taking the supplier strategies into account (quotation, supplier selection and negotiation)

Those will now be explained in more detail:

Decision point 1: One of the most important decisions to take in supply management is the decision whether to make an item in-house or whether to purchase it externally. Since make-or-buy decisions determine the level of vertical integration of a specific firm, each decision clarifies which activities the firm will undertake itself and which are contracted out to a supplier (Walker & Weber, 1984, p. 374). Due to finite resources available to companies, the conduction of pure in-house activities are less probable, resulting in increased awareness of importance related to make-or-buy decisions (Cánez, Platts, & Probert, 2000, p. 1313).

Decision point 2: The category strategy is the second major activity in the processes of a purchasing year cycle. This step is subdivided into strategic sourcing tactics and tactical purchasing levers. Strategic sourcing is seen to be one of the most value-adding aspects of supply management. Strategic sourcing enables companies to achieve their aims in terms of assurance of supply, ownership cost reductions, quicker time-to-market and technological competitiveness (Rendon, 2005, p. 9). The right sourcing strategy is determined by the corporate strategy. In order to determine the right choice of tactical levers all these dimensions have to be taken into account. An appropriate method to find the right strategy is the Kraljic matrix, which divides products and services in four different quadrants, namely leverage, strategic, bottleneck and routine. For each quadrant, there is a suitable strategy (Kraljic, 1983, p. 111). As a next step, the sourcing strategy has to be implemented through tactical levers. This approach operationalizes and executes the sourcing strategy (Schiele, Horn, & Vos, 2011, pp. 319-222). A sourcing lever "is a set of measures that can improve sourcing performance in a commodity group" (Schiele, 2007, p. 279).

Decision point 3: After the specific sourcing strategies and tactical levers have been evaluated and decided on in decision point 2, the potential supply pool has to be established, whose suppliers must have the right competencies according to the sourcing strategy employed. This presupposes the use of the analytical supportive processes (Monczka et al., 2010, p. 163).

Decision Point 4: After having established the sourcing tactic, the purchasing levers and after the market research and subsequent competitive bidding or negotiating process, the purchaser and supplier will sign a contract. The way the type of contract will be chosen depends upon the following factors: Fixed-price contracts are appropriate in stable markets, but inappropriate in unstable markets, where commodity costs fluctuate. Long-term, fixed price contracts bear risks for the supply side. The degree of trust between the parties is important to establish mutually benefiting agreements. Process and technology uncertainty make fixed-price contracts unfavorable for the supply side. A high ability to impact costs of the supplier makes incentive-based contracts appropriate. The higher the total value of the purchase, the more appropriate are incentive-based contracts (Monczka et al., 2010, p. 336).

In the following, these decision points are analyzed and discussed in comparison to the grand theory. The grand theory applied within this thesis is the Social Exchange Theory.

This thesis is organized as follows. First, in section 2, the Social Exchange Theory will be introduced. In section 2.2 a historical perspective is given followed by the assumptions made within the SET. Then an illustration is given, which visualizes the process of an exchange relationship. Followed by empirical findings on the SET. In section 2.6 the combination of Social Exchange Theory and Supply Chain Management is illustrated where the relevant decision points are analyzed. This is

followed by a conclusion, including criticisms, further research recommendations and the limitations of the study.

2. THE SOCIAL EXCHANGE THEORY: WEIGHING BENEFITS AND COSTS BEFORE MAKING A DECISION

2.1 Weighing the Benefits and Costs in Order to Define the Outcome of a Social Exchange

A vast amount of research aims to improve the management of the supply chain to increase the performance of a firm, the efficiency of processes, but also the collaboration between the buying and supplying organization. E.g. the strategic choice theory, where decisions about strategic issues are of major concern, the resource dependence theory, where firms are seeking to become less dependent on other firms and resources, the network theory, where managerial inter-organizational relationships are central to success, the agency theory, where delegated companies need to be monitored or the transaction cost economics, where the minimization of costs is the central statement (Shook, Adams, Ketchen Jr, & Craighead, 2009, p. 4).

Viewing the available literature it becomes evident that little research has been addressed to the social aspect of Supply Chain Management. There is no research regarding the social aspect of collaboration between organizations in light of SCM. The current research is of theoretical relevance by addressing this gap. It is of practical relevance for organizations by suggesting how social aspects influence decision making.

This thesis focuses on the Social Exchange Theory in combination with Supply Chain Management to find out how and to what extent the SET has an impact on purchasing decision making. The Social Exchange Theory starts with the premise that humans interact in social behavior in order to maximize benefits and minimize costs, which then leads to a positive outcome (Hutchison & Charlesworth, 2003, p. 46). The central message is that people weigh the pros and cons before making a decision. In economics for example, people would decide between costs and benefits before agreeing in an exchange (Okyere-Kwakye, Nor, & Ologbo, 2012, p. 99). In this sense SET can be applied by a purchaser in decisions he has to make concerning the four already mentioned decision points.

Homans “insisted that behaviour could be understood only at the psychological level, denying the relevance of the cultural and social environments” (Hutchison & Charlesworth, 2003, p. 46). According to him, “individual behaviour is influenced by role expectations that emanate from sociocultural systems” (Hutchison & Charlesworth, 2003, p. 46). From that starting point onwards, greater focus was positioned on the economic, social, political and historical context of social exchanges (Cook & Levi, 2008, p. 9). Following that the SET is of great concern.

The Social Exchange Theory is applicable for Supply Chain Management and can be a valuable instrument when analyzing buyer-supplier relationships. The SET is specifically applicable for the selection of supplier strategies and for making decisions about how to deal with suppliers. A purchaser, when engaging in an exchange, should make his company interesting and should, next to the economic exchanges, additionally and especially focus on social norms like trust and commitment. Through a trustful exchange relationship the chance for a continuation of this relationship is higher. A steady continuous exchange relationship ensures supply. Gaining the status of a

preferred customer, instead of simply being a regular customer or even an exit customer, is the central objective, as this leads to privileged treatment and an ensured supply, which then leads to reduced uncertainty. The SET can be an instrument, which helps purchasers gaining this status. In other words, the Social Exchange Theory can be of practical relevance, but as stated beforehand, only little focus is on social behavior at the moment. According to the SET though, especially focusing on those behavioral aspects is important, as it leads to improved relationships, which in turn lead to an increasing performance.

In the following, the history of the SET is illustrated in order to get to know the origin of the theory and its founders.

2.2 The Social Exchange Theory Being One of the Most Influential Conceptual Paradigms in the Research of Organizational Behavior

The Social Exchange Theory is “one of the most influential conceptual paradigms in organizational behaviour” (Cropanzano & Mitchell, 2005, p. 874) and in the field of social behavior one of the oldest and most analyzed theories (Homans, 1958, p. 597). The origins of the SET go back around a century. In the past there have been numerous people and scientists, who found that humans act and think rationally. Later on, findings have shown that humans not always think and act rationally, as there are emotional or effectual values, habitual or traditional values and human beings also act on different elements of value-oriented thinking. In 1920, Weber for instance, built an influential typology of actions around the just mentioned actions of humans (Scott, 2000, p. 126). This shows that the analysis of humans’ behavior and also humans’ exchange behavior has its roots in the era of imperialism. Moving on, especially to the 1950th-1960th many scientists continued extending these theories. With having such a long history, the origins of the Social Exchange Theory are widespread. There are scientists applying the theory in many different areas. To only name a few, there have been and still are applications in the area of anthropology, behavioral psychology, utilitarian economics, sociology or social psychology (Nammir, Marane, & Ali, 2012, p. 29). Hence, no general consensus exists on who invented the SET and where it should be applied, meaning that there is no main founder, like Albert Einstein was for his formula $E = mc^2$.

Agreeing views however are made on the point, that Homans (1958, 1961) is one of the main founders of the Social Exchange Theory. He was the initiator of understanding people’s social behaviors in the environment of economic activities (Nammir et al., 2012, p. 29). Homans (1961) defined social exchange “as the exchange of activity, tangible or intangible, and more or less rewarding or costly, between at least two persons.” (Homans, 1961, p. 13). Hence, he introduced the concept, that exchanges between people are not limited to material goods like money or resources, but they also include symbolic values like respect or prestige (Cropanzano & Mitchell, 2005, p. 890).

After his publication, many theorists used this theory and published their findings. A further consensus was built on the fact that especially Thibaut & Kelley (1959), Blau (1964) and Emerson (1976) have been major developing scientists, who proceeded to work on the SET (Cook & Rice, 2006, p. 53; Cropanzano & Mitchell, 2005, p. 874; Monge & Matei, 2004, p. 515; Nammir et al., 2012, p. 29; Schiele, Reichenbachs, & Hoffmann, 2012, p. 22).

According to Thibaut & Kelly (1959) the theory was used for social psychology (Cropanzano & Mitchell, 2005, p. 874;

Nammir et al., 2012, p. 29; Schiele et al., 2012, p. 22). They are often cited for being significant participants to the Social Exchange Theory, as their concepts of Comparison Level and Comparison Level of Alternatives is used to explain how the parties in an exchange relationship weigh their benefits and costs of the exchange relationship to determine their relationship commitment and satisfaction level (Thibaut & Kelley, 1959, p. 21). They propose that people engage in social exchange in order to achieve their goals (Thibaut & Kelley, 1959, p. 31).

Comparing this to Blau (1964), who defined the SET as a theory of social interactions and interpersonal relations (Blau, 1964, p. 4), for him the theory originated in sociology (Cropanzano & Mitchell, 2005, p. 874; Nammir et al., 2012, p. 29; Schiele et al., 2012, p. 22). Blau's contribution was that he compared social and economic exchanges. He stated that, the basic difference between social and economic exchange is, that social exchange comprises non-specified commitments. Furthermore he found that benefits within social exchange do not have a specific quantifiable price, meaning that endured social patterns are created by social exchanges (Blau, 1964, pp. 93-94). What is also important about Blau is that he might have been one of the first to use the term "theory of social exchange" (Lambe, Wittmann, & Spekman, 2001, p. 4).

According to Emerson (1976) the SET originated in sociology and social psychology (Emerson, 1976, p. 335). He theorizes that a major determinant of unstable relationships is a power imbalance, leading to the fact, that interdependencies between the parties are crucial to the existence and continuation of social exchange relationships (Lambe et al., 2001, p. 4). For him though, the Social Exchange Theory is not a theory, but more a framework of reference (Emerson, 1976, p. 359), meaning that other theories can assimilate and being compared from this point onwards. Hence he put those two aspects together and merged them by applying them to both categories of sociology and social psychology.

To summarize, there is an explanation based on Nammir, Marane and Ali (2012), who say that Social Exchange Theory is best understood as a frame for expounding exchanges of resources, in market conditions which are imperfect, between two parties or a network via a social process. As already noticed, the theory suggests, that resources, whether they are tangible or intangible, are exchanged between two parties, or groups, with the goal of improving, sustaining or terminating interactions or relationship. Depending on the objective of the relationship, actors might modify their resources in order to satisfy each other's expectations (Nammir et al., 2012, pp. 29-30).

Now, after revealing, that Homans was one of the main founders of the SET and explaining its roots, the following section will deal with the assumptions made within the SET.

2.3 Social Exchange Theory Assuming that Human Beings Engage in Social Exchange Only in Order to Maximize Outcomes

The Social Exchange Theory makes assumptions in two fields. Firstly regarding human nature and secondly regarding the quality of relationships.

Assumptions about the nature of the human behavior are that, human beings seek remunerations and awards and are simultaneously trying to avoid penalties (West & Turner, 2007, pp. 207-208). According to Helm, Rolfes and Günter (2006), the basic assumption is that human beings strive for a positive outcome when considering rewards and costs of a relationship. This in turn would lead to maximizing their satisfaction level

(Helm, Rolfes, & Günter, 2006, p. 370). Furthermore, humans are rational beings. Rational beings, "who will attempt to control their environments to achieve specific objectives" (Gardner, Paul, & Patel, 1995, p. 187), in order to aim a maximization of their own benefits. Besides that it is assumed that, over time, the standards of human beings, when evaluating costs and rewards, change and are different from person to person (West & Turner, 2007, pp. 207-208). In other words, when a person at the age of 10 decides on an issue, it has another decision making and other preferences than a person at the age of 60, as preferences change due to age. Also every person has another view on things, which leads to different assessments.

Further, assumptions about the nature of relationships were made concerning the Social Exchange Theory. The SET assumes that relationships are interdependent (West & Turner, 2007, pp. 207-208). "In a completely interdependent system, all sub-criteria of the systems are mutually related, directly or indirectly" (Yang, Chiu, Tzeng, & Yeh, 2008, p. 4169). Thus, human beings are attuned and mutually dependent on each other in relations amongst each other. Beyond, relational life is a process (West & Turner, 2007, pp. 207-208). This means, that relations, just like the above mentioned evaluations, develop over time and during that development change. Here an example would be a couple. A couple at the age of 10 has another relationship status as a couple, which is about to get married.

Schroeder adds assumptions concerning the nature of exchanges. She states that both participants are actively involved in the relationship as giver and receiver. Furthermore, both parties should be able to see something, meaning benefits, in order to feel an obligation to reciprocate. Otherwise, with only having costs, no party would be interested in engaging in an exchange relationship, as there is no contract, which makes them reciprocate (Schroeder, p. 9). When making assumptions about the actors of an exchange, there has to be trust in reciprocity, meaning that without trust, an actor might not be willing to return the benefits (Schroeder, p. 9). Also an action is preferred, meaning that perceiving any behavior is seen as benefit in comparison to not getting a single reaction at all (Schroeder, p. 9).

Generally, "social exchange theory assumes that we can accurately anticipate the payoffs of a variety of interactions" (Griffin, 1994, p. 198). People's minds are comparable to computers. Like with computers, the human mind is only as good as the data it holds (Griffin, 1994, p. 198). Having a lot of data enables the comparison of many different situations, whereas having little input only enables the comparison of a couple of different situations. Grefen and Ridings (2002) state, that human's only take part in exchange relationships, when expecting rewards from it. Through that they are able to warrant the costs of taking part in it (Gefen & Ridings, 2002, p. 50). Important to notice is, that "social exchange gives no guarantee that there will be reciprocal rewards in return for the costs invested, because [...] there are no rules or agreements that govern the interaction" (Gefen & Ridings, 2002, p. 50). Within the Social Exchange Theory, the only so called guarantee, is the assumption, that the other party will have cooperative intentions (Gefen & Ridings, 2002, pp. 50-51).

Now that the theories assumptions are explained, the basics of the model will be given in figure 1. This is also done by introducing an illustration.

2.4 Expectation Level, Comparison Level and Comparison Level of Alternatives Being the three Phases of Social Exchange Theory

Within the Social Exchange Theory, a transaction takes place bidirectional, meaning that there is an exchange, where something has to be given and in return something is given back (Cropanzano & Mitchell, 2005, p. 876). Furthermore, the SET assumes, that “individuals take part in an exchange only when they expect their rewards from it to justify the cost of taking part in it” (Gefen & Ridings, 2002, p. 50). In the Social Exchange Theory there is no guarantee for reciprocal rewards after investing costs or money, since no contracts are made in the SET (Gefen & Ridings, 2002, p. 50). Hence, the purpose of an exchange is, to maximize benefits and simultaneously minimize costs (Nammir et al., 2012, p. 30), which would lead to a positive outcome:

$$\text{Outcome} = \text{Rewards} - \text{Costs} \text{ (Monge \& Contractor, 2003, pp. 210-211)}$$

According to this, people, who think about making an exchange, weigh their rewards and their costs of a possible social relationship. Whether or not, the outcome is positive, people will either take the exchange or cancel it (Nammir et al., 2012, p. 30).

Now, in order to operationalize, a definition on what are costs and what are rewards is given. Exchanged resources, which bring amusement and satisfaction, are called rewards (Wang, 2004, p. 3). What brings pleasure and satisfaction could be love, assistance/encouragement, or approvals. Exchanged resources, which are perceived as damage or punishment, are called costs (Wang, 2004, p. 3). Loss can be money, but also time or effort spent on a subject. Generally, humans are striving for maximizing rewards and minimizing costs (Thibaut & Kelley, 1959, p. 31). In other word, they act in a way that the outcome in the formula is positive for people, when engaging in a social exchange. According to Homans' (1961) propositions, an exchange that accomplishes a positive outcome is likely to endure. Furthermore he stated, that a rewarded behavior will be repeated (Homans, 1961, p. 53). Hence the goal of an individual or group is to have a positive outcome out of the social exchange with another individual or group, as the level of outcome decides, whether people continue in a relationship or terminate it (West & Turner, 2007, p. 206).

Trust, commitment and power are the most important variables of the SET. “Social exchange theory views interorganisational governance in the context of a social structure where firms are interdependent and rely on reciprocation” (Donaldson & O'Toole, 2007, p. 29). Specifically trust and equity are of major concern within the SET (Donaldson & O'Toole, 2007, p. 29). Spekman (1988) in fact, established the view, that trust is the headstone of strategic partnership (Spekman, 1988, p. 79). This was reinforced by Handy (1995), who said that the heart of the issue is trust (Handy, 1995, p. 44). It was also explicitly argued by Luo (2002), that building trust is one of the core components within SET, which is, concerned with the Internet, of increasing importance for the future (Luo, 2002, p. 112). Trust is important in everyday life. Usually, people do not make an exchange with someone who they do not trust. But, when someone has gained trust in an exchange and also in a relationship (be it buyer-supplier relationship or a friendship), the cooperation will profit (Morgan & Hunt, 1994, p. 31).

Additionally, as “commitment refers to an implicit or explicit pledge of relational continuity between exchange partners” (Morgan & Hunt, 1994, p. 31), commitment to the relationship is important. In order to acquire commitment in the relationship,

a major determinant is trust (Morgan & Hunt, 1994, p. 24). This is because suspicion breeds suspicion, meaning that mistrust increases when there is mistrust at the beginning. This, in the following leads to a decreasing commitment in the relationship, thus no long-term relationship is possible and the transactions are limited to only short-term exchanges (McDonald, 1981, p. 834). This is also displayed by Morgan and Hunt (1994) and Nammir et al. (2012), who both state, that the two variables trust and commitment improve the relationship (Nammir et al., 2012, p. 31) and that both interact and increase each other (Morgan & Hunt, 1994, p. 31). Wilson (1995), states in the context of commitment, that cooperative actions and commitment towards the relationship is likely to increase while a balanced power/dependency relationship is present, as the partners create more value (Wilson, 1995, p. 342). This is because a balanced power/dependency relationship signifies that each party in an exchange is intending to be prudent in sharing a growing value pie (Wilson, 1995, p. 342). This is a phenomenon which is also traceable in everyday life. Most people prefer an exchange with persons who are on the same level as themselves. This is because individuals, usually, does not want to show any weaknesses towards their opposites.

Consequently, power and dependency are additional crucial variables for the Social Exchange Theory. Power is important, as a partner is able to “extract value-sharing concessions, but it may be at the expense of trust on cooperation” (Wilson, 1995, p. 342). Within the SET, power is usually conceptualized in terms of resources (sometimes materialistic resources) and their exchanges (Zafirovski, 2005, p. 6). Also stated by Young-Ybarra & Wierseman (1999), power and its resulting dependency are very relevant components in social exchange. Power is established through the supply of demanded goods or services. If those goods or services can only be served by one or only a few suppliers, a dependency is emerging (Young-Ybarra & Wierseman, 1999, p. 444). Thus, through power and dependency people are able to exploit others, which make these variables important for the SET, as the objective from Social Exchange Theory is to weigh costs and benefits in order to come to a positive outcome.

In order to find out, whether people stay in a relationship or not, a model was created by Thibaut and Kelley (1959), namely the concept of Comparison Level (CL) and Comparison Level of Alternatives (CL_{alt}) (Thibaut & Kelley, 1959, p. 21). This model was extended by Schiele, Hoffman and Reichenbachs (2012) using the Expectation-Phase (E) from Homans (1961), delineating three stages in Social Exchange Theory. Illustration 1 (Schiele et al., 2012, p. 35) displays the model of the Social Exchange Theory, by including those three phases namely the Expectation, Comparison Level, and Comparison Level of Alternatives phases. The underlying ‘strategic supply risk’ will be important in section 2.6. The model is valuable as it supports to understand the differing definitions of rewards and costs and finally gives an explanation on how people evaluate their exchanges (Farrell & Rusbult, 1981, pp. 80-81).

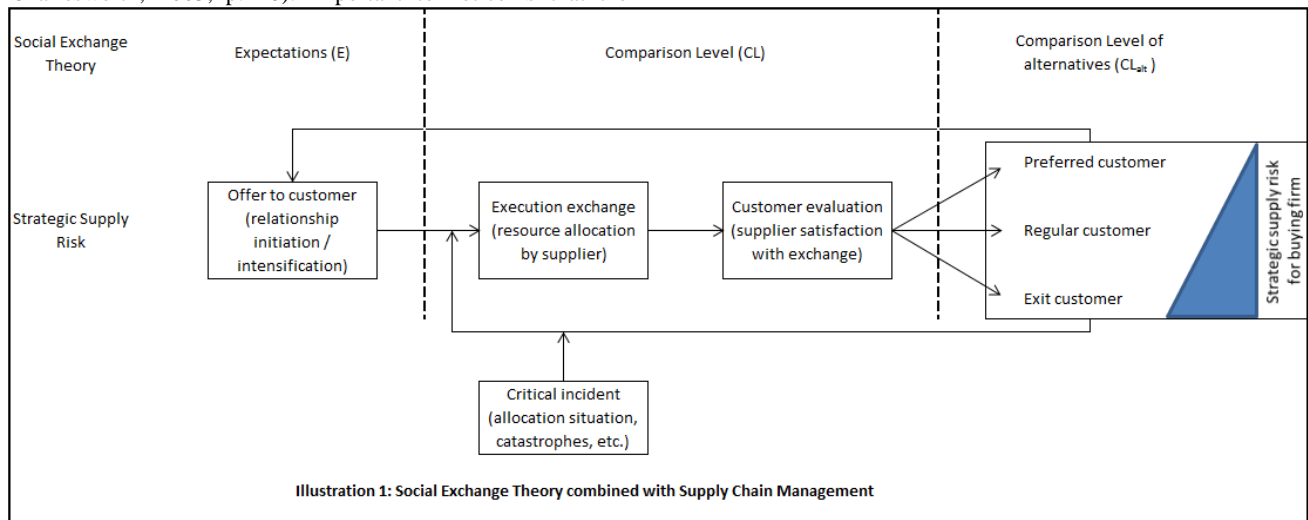
During the Expectation-Phase the social relationship, or exchange, has its origin. Both parties have their own prospects before engaging in a swap of resources (Schiele et al., 2012, p. 23). As examined before, the ratio should have a positive outcome, in order to benefit from the relationship. Meaning in the Expectation-Phase, a positive outcome is the objective.

Within the Comparison Level, both parties evaluate their satisfaction levels of the relationship (Schiele et al., 2012, p. 23). As the name already implies, people weigh their rewards with their costs and try to find a satisfying outcome with the given possibilities. Tiwana and Bush (2001) define the CL as

“the standard by which a participant evaluates his or her satisfaction with, and attractiveness of, the present [...] relationship” (Tiwana & Bush, 2001, p. 243). For Hutchison and Charlesworth (2003), CL is, based on what the evaluator expects from the relationship, a guideline for evaluating the costs and benefits of a given relationship (Hutchison & Charlesworth, 2003, p. 48). Important to notice is that the

case, the SET predicts, that Tom will keep his friendship with Marcus (West & Turner, 2007, pp. 210-211).

Now that the theory is explained in depth, its practical application is of concern. The following section will give an overview of the SET being applied in social and economic issues.



comparisons are based on past experiences. If person 1 for example has had many friendships, where he was required to be a good listener or someone with empathy, his CL will include this for the future. If person 2 on the other hand, was not required to be like this, he also does not include this in his own CL. Meaning that the Comparison Levels are subjective and mostly based on experienced exchanges or relationships, and also might change after new insights. If then the current exchange relationship is able to meet or even exceed the Comparison Level, the SET predicts, that the parties will be satisfied with the relationship (West & Turner, 2007, p. 210).

Finally the Comparison Level of Alternatives is the last step in the social exchange process (Schiele et al., 2012, p. 23). In this last step, individuals, engaged in social exchange, look for possible alternatives, which would increase the outcome, meaning their personal welfare. Furthermore, the Comparison Level of Alternatives “is the lowest level of outcomes a person will accept in light of alternative opportunities” (Hutchison & Charlesworth, 2003, p. 47). Simply put, within the CL_{alt} phase, people evaluate a relationship compared with the realistic possibility of alternatives to that relationship. Hence, the Comparison Level of Alternatives measures, how likely it is that person 1 ends his friendship with person 2, even though the friendship is satisfying, for something else, he thinks would be better. Thus, the Comparison Level of Alternatives affords a measure of stability rather than satisfaction (West & Turner, 2007, p. 210).

In order to explain the full concept in a practical way, an example of a friendship between Tom and Marcus will be given. Imagine Tom’s expectations about the friendship with Marcus would have been a seven (one being awful and ten being terrific). Then, after engaging in the exchange, Tom rates the relationship with an eight, which is then his outcome of the exchange. This would mean that for him the relationship is satisfied, as the CL (7) is lower than the outcome (8). Going on, if Tom, being on college now with not having made many new friends and contacts, feels alone, his CL_{alt} would be a 4. Meaning that for him, his alternatives are lower than his CL level and his outcome of the relationship to Marcus. In this

2.5 Empirical Investigations

2.5.1 Social Exchange Theory to Explain Marital Issues and Interpersonal Relationships

As already mentioned, the Social Exchange Theory was used and applied in many different fields of study.

Like the name implies, the Social Exchange Theory is applied within interpersonal studies. In the context of organizational citizenship behavior (OCB), a journal analyses teachers. It was found that in this case teachers respond with positive behaviors to social exchanges (Elstad, Christophersen, & Turmo, 2011, p. 418). Furthermore, social exchanges might be seen as facilitating the relationship between the management of schools and their teachers and organizational citizenship behavior (Elstad et al., 2011, p. 413). High levels of social exchanges are related to high levels of citizenship behavior (Elstad et al., 2011, p. 414).

Other research tried to analyze factors that initiate interpersonal contacts through the Internet, especially through online dating platforms. This is of great relevance, as more and more people are on the Internet and trying to find people through that way of communication. This is consistent with the SET and what Rusbult (1983) found, meaning “that people felt they get rewarded by achieving the comfort and calm of similarity or social benefits, rather than feeling uneasy by experiencing the social costs by being unrewarded or indebted” (Rusbult, 1983, p. 101).

McDonald (1981) explores the “potential contributions of social exchange theory in investigations of stable marital interaction patterns” (McDonald, 1981, p. 825). What he found was, that “mistrust breeds mistrust and as such would also serve to decrease commitment in the relationship and shift the transaction to one of more direct short-term exchanges” (McDonald, 1981, p. 834), which is explained by the SET as the so called generalized reciprocity principle (Morgan & Hunt, 1994, p. 24). Meaning, that trust is a major determining factor of commitment in a relationship.

Often the SET is used when analyzing marital satisfaction, marital stability and also marital therapy. When using the SET while analyzing marriages, the objective is also to maintain the

ratio between rewards and costs. Especially in the case of marriages though, the main objective of the two persons engaged in an exchange is to have a superior ratio or outcome, than they would have with other possible relations (Johnson, 1986, p. 260). The difference between a marriage and almost every other relationship is obvious. When people engage in a marriage, their main objective is to stay together for the rest of their lives. They only want to live together with this one person and with no other and maybe have children together. This is why the ratio, within a marriage-relationship should be superior of other relationship possibilities. If the ratio with another available relationship would be higher, then there is no reason, why one should marry someone else. The main objective of the SET is to have a high outcome, and this is only possible with high rewards and low costs. Meaning a high ratio contains many rewards with fewer costs, and this is the aim of people who want to get married.

Generally, the Social Exchange Theory is in daily use of people, as we are deciding about relationships and exchanges throughout the days.

2.5.2 Employee Commitment and Relationships between Managers and Subordinates Being Applied to Social Exchange

The Social Exchange Theory is not only of great concern in social or psychological investigations but also when talking about economics.

Especially when investigating employee commitment. The engagement of workers within a company is always a topic for managers to improve, as the workers are the greatest resource for companies. Saks (2006) found that it is important for managers to understand the significance of social exchange to get to know the level of commitment of employees (Saks, 2006, p. 614). Furthermore “managers should find out what resources and benefits are most desired by employees and most likely to create a sense of obligation that is returned with greater levels of engagement” (Saks, 2006, p. 614). Besides, Whitener (2001) discovered, that “research on social exchange theory has shown, that employees’ commitment to the organization derives from their perception of the employers’ commitment to and support of them” (Whitener, 2001, p. 530). This implies that “employees interpret human resource practices and the trustworthiness of management as indicative of the personified organization’s commitment to them” (Whitener, 2001, p. 530). Similarly, Gould-Williams and Davies (2005) concluded that exchanges with a positive outcome will result in reciprocal responses (Whitener, 2001, p. 530).

When negotiating, there is an exchange of social activities (Zhu, 2012, p. 59). Also, when negotiating, both parties want to maximize their values. The best outcome would be a win-win situation, where both participants benefit. For example, if a person gets a job offer from a company, both parties negotiate about the employees’ allowances. Hence, in a negotiation, it is doubtlessly true, that there is some form of social exchange between them. An example would be the negotiation about wages, working hours, vacation days or the distribution of tasks and duties (Zhu, 2012, p. 59).

In the economic context the Social Exchange Theory is also applicable on the relationship between managers and subordinates, where agency theory and SET are being compared. Imagine two managers, each having a subordinate. According to the agency theory, information asymmetry will exist between the manager and his underling because of, for instance, the risk of opportunism. When comparing this situation with the concept of social exchange, if the manager, as

he being on top, forms a strong social bond with his subordinate, he in return perceives less risk of opportunism. A strong social bond could be achieved through successful social exchange (Whitener, Brodt, Korsgaard, & Werner, 1998, p. 515). Meaning that by using the SET, a smoother process and relationship can be formed.

Once the empirical findings are displayed, the following subsection combines theory with practice, concerning the decision points mentioned. It will give an overview, of where and how the SET can be applied in SCM in order to contribute to purchaser’s decision making.

2.6 Social Exchange Theory and Decision Making of a Purchaser

The SET is especially applicable for decision point 3: selecting supplier strategies and making supplier portfolio decisions. In order to explain this, an example will be conducted. Imagine for instance Nestlé, which is a world-wide known food-company and therefore one of the main suppliers to contact by purchasers in the food-industry. Many companies want to be supplied by Nestlé, as this enhances their own performance while selling Nestlé products will attract customers. Now, one could apply the model explained in 2.4.

As Nestlé would be looking for new customers, they start in the Expectation-Phase. Being such a big organization (CHF 26 billion in sales across Europe) (Nestlé, 2012, p. 42) they will have many aspirations to a buying firm, as they can choose from a large pool and pick those which suit them best. In this phase they state what they expect from a buyer, concerning for example terms of resources, capacity or capital, but also, and during this case especially, social aspects like trust, reliability, commitment or a desired power/dependency relation, as those are important aspects. This is the initiation of a relationship, while they offer their expectations to possible customers. After the Expectation-Phase, during the Comparison Level, both parties evaluate their essences. In other words, they exchange their executions, by means of the allocation of the resources via the supplier, and evaluate each other. The buying firm will be committed to assess the supplier’s offer (in this case the offer of Nestlé) upon the criteria, which was expected in the E-phase for a specific procurement (Narasimhan, Nair, Griffith, Arlbjørn, & Bendoly, 2009, pp. 378-380). Doing so, they furthermore establish their outcome-levels and try to figure out, whether this is positive or not. So, out of a supplier’s sight, they figure out their satisfaction level, with the possible customers who gave out a bid to that offer, hence the supplier calculates, whether the outcome is higher than the expectations (CL), meaning: $outcome > CL$. Finally, in the CL_{alt} phase, the supplier is looking for alternatives, which might be more improving than the outcome, meaning: $CL_{alt} > outcome$. The assumption is that the two exchange partners will, next to absolute criteria, also use relative criteria when deciding on the relationship strategy. Whether they continue working together or not, or whether there is a long-term or only a short-term relationship (Schiele et al., 2012, p. 22). Now, Nestlé would be trying to find out, whether there are classifications which would lead to an improving relationship. Hence the possibilities of those available relations have an increasing effect on the classification of the final customers. Within the illustration, there are three possibilities of divisions, namely preferred customer, regular customer or even exit customer. A preferred customer, as the name implies, is a customer which a buyer does regular business with, as he is preferred. An exist customer is a buyer which will no longer be served by the supplier, as this might have been only a one-time exchange and no long-term relationship is wanted or possible (Tähtinen, 2001, p. 46). A

regular customer is in between those two. Meaning, that the customer is good enough to be served by the supplier, but not good enough to be preferred over other customers. Hence, the supplier in the end decides upon the classification of the buyer and only a preferred customer status would lead to an improving relationship and performance for Nestlé as this means more certainty and enduring supply.

By swapping the perspective to be able to come back to the purchasers' decision making, in the view of the purchaser, the main objective should be to become a preferred customer of, in this case, Nestlé. Being a preferred customer brings along many privileges. Also it reduces uncertainty, as being a preferred customer usually leads to a long-term relationship, which in turn ensures supply (Schiele, Veldman, & Hüttinger, 2011, p. 18). Now what can a purchaser do, in order to cope with, in this case Nestlé's, requirements or putting it another way, when does Nestlé treat customer preferred in terms of the Social Exchange Theory?

In order to gain preferred status, a purchaser has to be attractive and a supplier has to be satisfied. A purchaser should take into account factors that motivate suppliers (Schiele, Veldman, & Hüttinger, 2010, p. 5). What a buyer could do generally in order to increase his attractiveness is for instance demonstrating an interest in collaboration activities, which means to share information and joint efforts in their commitment and also strengthen the satisfaction of suppliers (Schiele et al., 2010, p. 8). As said, the prerequisite of the Social Exchange Theory is that reciprocal exchange is made between two parties with weighting costs and benefits, built on commitment, trust and power. According to the SET, the exchange partners view a relationship as beneficial, when outcome distributions are acceptable and appropriate. Then, the partner acts with additional inputs. Otherwise, when a relationship is not viewed as beneficial, the social exchange will terminate (Narasimhan et al., 2009, p. 377). In sight of the purchaser, a preferred status is a reward, as being treated privileged. The purchaser then has to calculate the increasing rewards compared to the eventually increasing costs in order to be attractive for the supplier. In order to satisfy the supplier, as the SET implies, not only business outcomes are of value, but especially here the social norms are important in a buyer-supplier relationship. As was found that also the way how one is treated in a buyer-supplier relationship is of major concern (Griffith, Harvey, & Lusch, 2006, p. 95). Those norms are for example increased trust and commitment, which increase over time. This is why the advantage according to the SET is, that a buyer, who is able to meet or even exceed the requirements of the supplier named in the Expectations phase, is more likely to be held in for future activities (Bharadwaj, 2004, p. 318). In other words, with a preferred customer status, a long-term relationship is the main objective and this will improve social behavior relations. According to the SET, the benefits out of an efficiently improved long-term relationship offset the costs incurred by a supplier in relationship management (Narasimhan et al., 2009, p. 383). Hence the eventually increasing costs, used to make the own company attractive, are costs, which are invested wisely.

Increased trust and commitment lead to an improved relationship. And again, this leads to better processes and in turn to an improved performance. This is underpinned by Griffith, Harvey and Lusch (2006), who state that "as one supply chain member treats its partner fairly (in terms of processes and reward allocation) its partner reciprocates by adopting attitudes and engaging in behaviors aimed at strengthening the partnership" (Griffith et al., 2006, p. 94). Ellis, Henke and Kull (2012) in a recent paper stated, concerning the SET, that it is important for purchasers to adopt

Supply Chain Management techniques, which reinforce their own firm's image as the best customer of a supplier. Through those efforts, the buying firm can maximize the value, meaning their rewards, within the exchange relationship. For them a preferred status can be achieved through new-product involvement and reliability of a buying firm towards their supplier (Ellis, Henke Jr, & Kull, 2012, p. 1266). Finally, the classification of the supplier also reduces the impact of critical incidents, as the buyer knows his status exactly and also the prevailing supply risk (Schiele et al., 2012, pp. 23-24).

The SET offers an explanation of the supply risk phenomenon, especially regarding the Comparison Level of Alternative phase. The supply risk will be reduced by achieving a preferred status as this ensures the supply for the purchaser. On the other hand, only being an exit customer might be a one-off relationship, which could be beneficial once, but not in the long run as the supply is not ensured and like the SET states, it is more favorable to have a long-term contract (Schiele et al., 2012, p. 24). Hence, the Social Exchange Theory suggests, having a preferred customer status, provided that both parties are treated fairly, brings along more benefits than an exit customer status. This is because through a preferred customer status, a long-term relationship will be achieved. In turn, this leads to increased trust and commitment and also better performance of both companies. Therefore a purchaser should make his company attractive, especially in terms of social aspects, in order to satisfy the needs of a supplier and finally gain a preferential status, which includes privileges and favored actions.

Theory	Decision Points			
	Make-or-Buy	Selecting specific sourcing strategies for each commodity	Selecting supplier strategies and making supplier portfolio decisions	Awarding contracts after negotiating with suppliers and taking the supplier strategies into account
Social Exchange Theory			X	

Looking at the Decision Matrix in Table 1 (own illustration referring to the decision points) The Social Exchange Theory does not have a relevant contribution to the decision points 1, 2 and 4. This is because when deciding upon making or buying a product, transaction cost-economics is an applicable theory, which focuses on the minimization of costs, within the SET namely, a positive outcome is of central concern. In decision point 2, sourcing strategies for each commodity have to be established. The Social Exchange Theory has no influence, as within the commodity strategy there is no exchange yet with suppliers. The focus here is on finding a suitable strategy for the commodity of the item/services, which should be purchased. Within decision point 4, where the awarding is in the main focus, an exchange is already made. Hence a supplier was found, the contracts are negotiated and a strategy is implemented and taken into account.

3. ENSURING SUPPLY BY MAKING USE OF THE SOCIAL EXCHANGE THEORY

The Social Exchange Theory is applicable for Supply Chain Management and can be a valuable instrument when analyzing buyer-supplier relationships. Looking at the Decision Matrix in table 1, the SET is specifically applicable for the selection of supplier strategies and for making decisions about how to deal with suppliers. A purchaser, when engaging in an exchange, should make his company interesting and should, next to the economic exchanges, additionally and especially focus on social norms like trust and commitment. Through a trustful

exchange relationship the chance for a continuation of this relationship is higher. A steady continuous exchange relationship ensures supply. Gaining the status of a preferred customer, instead of simply being a regular customer or even an exit customer, is the central objective, as this leads to privileged treatment and an ensured supply, which then leads to reduced uncertainty. The SET can be an instrument, which helps purchasers gaining this status. In other words, the Social Exchange Theory can be of practical relevance, but as stated beforehand, only little focus is on social behavior at the moment. According to the SET though, especially focusing on those behavioral aspects is important, as it leads to improved relationships, which in turn lead to an increasing performance.

The following table illustrates a Decision Matrix. This Decision Matrix gives a basic overview on the decision points, and where the Social Exchange Theory is of usage and applicable.

As mentioned in topic 2, a reference to the quote that a theory has to be testable will follow. This namely is one of the main criticisms about the Social Exchange Theory. Although a definition was given in section 3.2.2, on what are benefits and costs, it is impossible to make a distinction about what people, who want to make an exchange, value as benefits and costs, how they value the outcome and how they behave during the exchange (West & Turner, 2007, p. 206). If person one values money as a benefit, but person two values trust as a benefit, they contradict each other. This is also true for costs. For some people money is a cost, for others losing resources might be a cost. Thus there is no possibility of an operational distinction like there is in math. When doing mental arithmetic for instance, you get a result in the end. In order to find out whether the result is correct, one could simply use a calculator and compare the results. This will validate or not validate the result. But this is not possible within the SET, as every human has a different thinking and differing viewpoints on subjects. What is acceptable to one might be unacceptable to the other. In other words, there is no operational distinction, which results in the inability to measure outcome in an objective and distinct manner.

Also the model illustrated in 2.4 and the mind-set behind it lead to a further criticism, which is the conceptualization of people. The Social Exchange Theory conceptualizes human beings, as if they are comparable to calculators, who compute their outcome based on benefits and costs. This notion of human beings as computers is vastly contradicted, as for most people not every human rationally computes their outcome of an exchange (West & Turner, 2007, pp. 206-207). After all, there is little as diverse and complex as human beings and their actions.

4. REFERENCES

1. Baden-Württemberg, RKW-. Einkaufsmanagement.
2. Bharadwaj, Neeraj. (2004). Investigating the decision criteria used in electronic components procurement. *Industrial Marketing Management*, 33(4), 317-323.
3. Blau, Peter Michael. (1964). *Exchange and power in social life*: Transaction Publishers.
4. Cánez, Laura E, Platts, Ken W, & Probert, David R. (2000). Developing a framework for make-or-buy decisions. *International Journal of Operations & Production Management*, 20(11), 1313-1330.
5. Cook, Karen S, & Rice, Eric. (2006). *Social exchange theory*: Springer.
6. Cook, Karen Schweers, & Levi, Margaret. (2008). *The limits of rationality*: University of Chicago Press.
7. Cooper, Martha C, Lambert, Douglas M, & Pagh, Janus D. (1997). Supply chain management: more than a new name for logistics. *International Journal of Logistics Management, The*, 8(1), 1-14.
8. Cropanzano, Russell, & Mitchell, Marie S. (2005). Social exchange theory: An interdisciplinary review. *Journal of Management*, 31(6), 874-900.
9. Donaldson, Bill, & O'Toole, Tom. (2007). *Strategic market relationships: from strategy to implementation*: John Wiley & Sons.
10. Ellis, Scott C., Henke Jr, John W., & Kull, Thomas J. (2012). The effect of buyer behaviors on preferred customer status and access to supplier technological innovation: An empirical study of supplier perceptions. *Industrial Marketing Management*, 41(8), 1259-1269.

Another criticism is concerned with the so called Prisoner's Dilemma, which developed out of the game theory and is important when applying the SET. It can be best illustrated using the example of Tom's and Marcus' friendship again. If Tom wants to lower the relationship to Marcus, Marcus is unavoidably being affected as well. Vice versa, if Marcus wants to cut back the friendship with Tom, Tom is affected, too. Meaning that own decisions in an exchange about rewards and costs are always contingent on the other party and not only on the own decision (West & Turner, 2007, p. 209). Meaning that, in the SET the relations are interdependent, which could be seen as an asset or a drawback at the same time.

In the end, as mentioned before, there is no guarantee for reciprocated benefits, as the exchange is on voluntary basis (Whitener et al., 1998, p. 515). This suggests that every human is able to and needs to decide on him- or herself and thus, measure the costs and benefits with the incurred outcome on his own. The risk though of not receiving benefits will diminish as the relationship is in an advanced status. With an on-going relationship, the uncertainty will be reduced, meaning that the risk of no reciprocation is reduced as well (Whitener et al., 1998, p. 515).

Now, after finishing the detailed analysis about the Social Exchange Theory, the following section is concerned with the application of the SET in combination with the Supply Chain Management, starting with a general introduction.

Future research should be encouraged to apply the Social Exchange Theory not only to social, but also to economic issues like the SCM. Especially in a world with increased Internet usage, resulting in less face-to-face meetings, trust is of major concern. Future researchers should therefore focus on using the SET in the field of SCM more often in order to obtain practical relevance. Moreover, in 3.2.2 it was stated that there is no clear definition of what rewards and costs are, as they depend on the individual. Future research might be targeted on finding a definition of rewards and costs especially for purchasers in order to find out what is especially important for them, and what is seen as benefit or loss. Doing so, a relationship could be improved.

The two main limitations of the research are as follows. First, there are only little empiric practical examples of using the Social Exchange Theory in the field of Supply Chain Management. Second, there is an Academic void in the development of the theory and managerial practice which connect the social aspect with the decision making of a purchaser.

11. Elstad, Eyvind, Christophersen, Knut Andreas, & Turmo, Are. (2011). Social exchange theory as an explanation of organizational citizenship behaviour among teachers. *International Journal of Leadership in Education*, 14(4), 405-421.
12. Emerson, Richard M. (1976). Social exchange theory. *Annual review of sociology*, 2, 335-362.
13. Farrell, Daniel, & Rusbult, Caryl E. (1981). Exchange variables as predictors of job satisfaction, job commitment, and turnover: The impact of rewards, costs, alternatives, and investments. *Organizational behavior and human performance*, 28(1), 78-95.
14. Gardner, Lesley A, Paul, RJ, & Patel, NV. (1995). *Moving beyond the fixed point theorem with tailorable information systems*. Paper presented at the G. Doukidis, B. Galliers, T. Jelassi, H. Krcmar, & F. Land, Proceedings of the 3rd European conference on information systems.
15. Gefen, David, & Ridings, Catherine M. (2002). Implementation team responsiveness and user evaluation of customer relationship management: A quasi-experimental design study of social exchange theory. *Journal of Management Information Systems*, 19(1), 47-70.
16. Griffin, Em. (1994). *A First Look at Communication Theory (2nd Edition)*: McGraw-Hill.
17. Griffith, David A, Harvey, Michael G, & Lusch, Robert F. (2006). Social exchange in supply chain relationships: the resulting benefits of procedural and distributive justice. *Journal of Operations Management*, 24(2), 85-98.
18. Handy, Charles. (1995). Trust and the virtual organization. *Harvard business review*, 73, 40-50.
19. Helm, S., Rolfes, L., & Günter, B. (2006). Suppliers' willingness to end unprofitable customer relationships: An exploratory investigation in the German mechanical engineering sector. *European Journal of Marketing*, 40(3-4), 366-383.
20. Homans, George C. (1958). Social behavior as exchange. *American journal of sociology*, 597-606.
21. Homans, George Caspar. (1961). *Social behavior: Its elementary forms*: Taylor & Francis.
22. Hutchison, Elizabeth D, & Charlesworth, Leanne Wood. (2003). Theoretical perspectives on human behavior. *Hutchison (Ed.), Dimensions of human behavior: Person and environment*, 2, 46-88.
23. Johnson, Sue. (1986). Bonds or bargains: Relationship paradigms and their significance for marital therapy. *Journal of Marital and Family Therapy*, 12(3), 259-267.
24. Kraljic, Peter. (1983). Purchasing must become supply management. *Harvard business review*, 61(5), 109-117.
25. Lambe, C Jay, Wittmann, C Michael, & Spekman, Robert E. (2001). Social exchange theory and research on business-to-business relational exchange. *Journal of Business-to-Business Marketing*, 8(3), 1-36.
26. Luo, Xueming. (2002). Trust production and privacy concerns on the Internet: A framework based on relationship marketing and social exchange theory. *Industrial Marketing Management*, 31(2), 111-118.
27. McDonald, Gerald W. (1981). Structural exchange and marital interaction. *Journal of Marriage and the Family*, 825-839.
28. Monczka, Robert M, Handfield, Robert B. , Giunipero, Larry C. , Patterson, James L. , & Waters, Donald (2010). *Purchasing & Supply Chain Management*: South-Western Cengage Learning.
29. Monge, Peter, & Matei, Sorin Adam. (2004). The role of the global telecommunications network in bridging economic and political divides, 1989 to 1999. *Journal of Communication*, 54(3), 511-531.
30. Monge, Peter R, & Contractor, Noshir S. (2003). *Theories of communication networks*: Oxford University Press New York.
31. Morgan, Robert M, & Hunt, Shelby D. (1994). The Commitment-Trust Theory of Relationship Marketing. *Journal of Marketing*, 58, 20-38.
32. Nammir, Darman Sulaiman Sadiq, Marane, Bayar Mohamed Rasheed, & Ali, Aree Mohammed. (2012). Determine the Role of Customer Engagement on Relationship Quality and Relationship Performance. *European Journal of Business and Management*, 4(11), 27-36.
33. Narasimhan, Ram, Nair, Anand, Griffith, David A, Arlbjørn, Jan Stentoft, & Bendoly, Elliot. (2009). Lock-in situations in supply chains: A social exchange theoretic study of sourcing arrangements in buyer-supplier relationships. *Journal of Operations Management*, 27(5), 374-389.
34. Nestlé. (2012). Annual Report.
35. Okyere-Kwakye, Eugene, Nor, Khalil Md, & Ologbo, Andrew. (2012). Factors That Impel Individuals' To Share Knowledge.
36. Rendon, Rene. (2005). Commodity sourcing strategies: Processes, best practices, and defense initiatives. *Journal of Contract Management*, 3(1), 7-21.
37. Rusbult, Caryl E. (1983). A longitudinal test of the investment model: The development (and deterioration) of satisfaction and commitment in heterosexual involvements. *Journal of Personality and Social Psychology*, 45(1), 101-117.
38. Saks, A. M. (2006). Antecedents and consequences of employee engagement. *Journal of Managerial Psychology*, 21(7), 600-619.
39. Schiele, Holger. (2007). Supply-management maturity, cost savings and purchasing absorptive capacity: Testing the procurement-performance link. *Journal of purchasing and supply management*, 13(4), 274-293.
40. Schiele, Holger, Horn, Philipp, & Vos, Bart. (2011). Estimating cost-saving potential from international sourcing and other sourcing levers: Relative importance and trade-offs. *International Journal of Physical Distribution & Logistics Management*, 41(3), 315-336.
41. Schiele, Holger, Reichenbachs, Mauricio, & Hoffmann, Petra. (2012). Paper presented at the IPSERA conference in Naples.
42. Schiele, Holger, Veldman, Jasper, & Hüttinger, Lisa. (2010). *Customer attractiveness, supplier satisfaction and preferred customer status: review, concept and research agenda*. Paper presented at the international IPSERA workshop on "Customer attractiveness, supplier satisfaction and customer value" in Twente, The Netherlands, 25./26.11.
43. Schiele, Holger, Veldman, Jasper, & Hüttinger, Lisa. (2011). Supplier innovativeness and supplier pricing: The role of preferred customer status. *International Journal of Innovation Management*, 15(01), 1-27.

44. Schroeder, Tiffany. Explaining Organizational Citizenship Behavior: A Critical Review of the Social Exchange Perspective.
45. Scott, John. (2000). Rational choice theory. *Understanding contemporary society: Theories of the present*, 126-138.
46. Shell. (2011). Annual Report.
47. Shook, Christopher L, Adams, Garry L, Ketchen Jr, David J, & Craighead, Christopher W. (2009). Towards a "theoretical toolbox" for strategic sourcing. *Supply Chain Management: An International Journal*, 14(1), 3-10.
48. Spekman, Robert E. (1988). Strategic supplier selection: understanding long-term buyer relationships. *Business horizons*, 31(4), 75-81.
49. Tähtinen, Jaana. (2001). The Dissolution Process of a Relationship: Oulu University Press.
50. Thibaut, John W, & Kelley, Harold H. (1959). The Social Psychology of Groups: New York: Wiley.
51. Tiwana, Amrit, & Bush, Ashley. (2001). A social exchange architecture for distributed Web communities. *Journal of Knowledge Management*, 5(3), 242-249.
52. Walker, Gordon, & Weber, David. (1984). A transaction cost approach to make-or-buy decisions. *Administrative science quarterly*, 373-391.
53. Wang, Emily. (2004). Social Exchange Theory Applied to Romantic Relationships.
54. West, R.L., & Turner, L.H. (2007). *Introducing communication theory: Analysis and Application* (3rd Edition ed.): McGraw-Hill.
55. Whitener, Ellen M. (2001). Do "high commitment" human resource practices affect employee commitment? A cross-level analysis using hierarchical linear modeling. *Journal of Management*, 27(5), 515-535.
56. Whitener, Ellen M., Brodt, Susan E., Korsgaard, M. Audrey, & Werner, Jon M. (1998). MANAGERS AS INITIATORS OF TRUST: AN EXCHANGE RELATIONSHIP FRAMEWORK FOR UNDERSTANDING MANAGERIAL TRUSTWORTHY BEHAVIOR. *Academy of Management Review*, 23(3), 513-530.
57. Wilson, David T. (1995). An integrated model of buyer-seller relationships. *Journal of the academy of marketing science*, 23(4), 335-345.
58. Yang, Jiann Liang, Chiu, Huan Neng, Tzeng, Gwo-Hshiung, & Yeh, Ruey Huei. (2008). Vendor selection by integrated fuzzy MCDM techniques with independent and interdependent relationships. *Information Sciences*, 178(21), 4166-4183.
59. Young-Ybarra, Candace, & Wiersema, Margarethe. (1999). Strategic Flexibility in Information Technology Alliances: The Influence of Transaction Cost Economics and Social Exchange Theory. *Organization Science*, 10(4), 439-459.
60. Zafirovski, Milan. (2005). Social exchange theory under scrutiny: A positive critique of its economic-behaviorist formulations. *Electronic Journal of Sociology*, 2, 1-40.
61. Zhu, Yanhan. (2012). A Review of Social Exchange Relationship. *Studies in Sociology of Science*, 3(3), 57-61.

