

Psychological contract breaches at key suppliers: How expectations can influence satisfaction

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ABSTRACT,

Access to necessary suppliers will become a rising competition in a world where resources become more limited. For this reason, it has been getting increasingly important to establish and maintain good relationships with suppliers to sustain access to critical materials and services. Buyer-supplier relationships then also bring along a certain set of expectations that each party should be able to fulfill. On these expectations will both a preferred customer status and psychological contract be built. Trust, dependability, and reliability seem then also to be the main factors that influence the strength of the relationship. However, expectations are individual beliefs where the fulfillment of expectations can then also only be measured by the perceived satisfaction from the individual. If one party feels that the expectations are not reached, they will feel a sense of injustice done to themselves and their organization. With this, a psychological contract breach occurs which impacts supplier satisfaction the most. Supplier satisfaction is a major antecedent of preferred customer status according to the cycle of preferred customer ship. However, as findings show can a psychological contract breach influence supplier satisfaction only in a limited amount. The level of effect is influenced by human characteristics which can be explained by the conservation resource theory and cultural backgrounds of individuals. Furthermore, how a breach is handled is also highly important for maintaining a good relationship. A reason for increased supplier satisfaction after a breach can be explained by the service recovery paradox. Findings in this research then also show that a psychological contract breach does not necessarily lead to a change in the preferred customer status, depending on the situation and individual.

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Keywords

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1. INTEGRATING PSYCHOLOGICAL CONTRACTS WITH PREFERRED CUSTOMER STATUS.

Supply chains are the backbone of a whole organization as it is where the materials and/or additional service come in which can be processed further. These materials will be supplied to a buying firm by a supplier that can influence the delivery times and quality of said material. It has then also been said that a supply chain structure can only be as strong as the weakest link. Porter even said that suppliers play a key role in the competitiveness of organizations. (Porter M., 1996). Therefore, an organization is only as strong as the network and environment in which it operates. (Dyer & Singh, 1998, p. 1) Ever since the beginning of organizations, suppliers have been seen as one of the factors that can severely influence an organization its path. (Praas, 2016, p. 1)

It is then also crucial for an organization to have the right supplier in place. But as suppliers start to get scarcer as many manufacturing firms are relying on the same suppliers a buying organization needs to gain a competitive advantage in the supplier's portfolio and reach a preferred customer status (PCS) (Emshwiller, 1991, pp. 1-2). Cannon & Perreault (1999) found that in both cost-sensitive and non-cost sensitive markets managers are working to reach a more effective and efficient relationship with suppliers. (Cannon & Perreault, 1999, p. 1) Schiele et al (2012) even argue that pure price-oriented strategies are often not successful in markets where suppliers are limited or offer valuable materials. (Schiele, Hüttinger, & Veldman, 2012, p. 1194) Reaching competitive advantage with an organization's supplier can be done by forming interfirm dependability (Dyer, 1996a, p. 2). This high form of dependability results in the need for high supplier management. One way of dealing with this dependability purchasing managers must recognize that suppliers will have PCS. (Schiele H., 2012, p. 2) A PCS gets granted limited and exceptional products and services. (Steinle, C. & Schiele, H., 2008, p. 11) Reaching this PCS is based on customer attractiveness and supplier satisfaction. (Schiele, Veldman, J., Hüttinger, L., & Pulles, N., 2012b, p. 1)

With critical suppliers, it is mainly advised to have a good relationship, where a PCS is essential to gain certain benefits and quality of products. By creating a good buyer-supplier relationship, the connections between the organizations will get more personal as there is more extensive communication. So, where it is typically the case that legal contracts are the basis of the collaboration, will some terms of the relationship be based on alternative governance mechanisms as well (Eckerd, Boyer, Qi, Eckerd, & Hill, 2016, p. 69). Due to personal relationships, expectations towards each other will increase. These expectations subconsciously create the governance mechanism: Psychological contracts (PsyCon). The concept of psychological contract is not new as the concept was already introduced in 1960 by Argyris in an employee-employer context. (Argyris, 1960, p. N/A) However, the transition towards a buyer-supplier relationship is only recently a topic in literature. PsyCon is subjective as every individual creates and perceives expectations and satisfaction differently. Furthermore, not only the buyer benefits from a PCS if the supplier selects the right buyer the supplier can gain a competitive advantage as well. (Nollet, J., Rebolledo, C., & Popel, V., 2012, p. 1187) (La Rocca, A., Caruana, A., & Snehota, I., 2012, p. 1241). For this reason, it is for both the supplier and the buyer of interest to maintain a good relationship with each other. However, breaches of the psychological contract can occur if one individual gets a feeling of injustice done by the other party for not fulfilling their expectations. These breaches will then also influence the relationship with each other. As maintaining a PCS at suppliers

is important for additional benefits can a psychological contract breach influence the relationship in such a way that the status at the supplier alters.

In this study, the following double research question will be addressed: (1) *"In what way are psychological breaches harmful to key supplier relations?"* For this research question, the hypothesis will be that such breaches are negatively impacting the relation, but that due to the PCS and high dependency on each other that trust, and dependency must be rebuilt for the continued survival of the organization. (2) *"Which type of influence does a psychological contract breach have on the Preferred Customer Status?"* With this research question, the hypothesis that PsyCon has more influence on supplier satisfaction than PCS will be tested. In the research questions, a distinction has been made between (1) supplier relations and (2) PCS. This as the contribution towards the literature and practices will be that there might be an alteration of the benefits received, but that the collaboration between the organization will continue.

2. LITERATURE AND THEORY: BOTH PCS AND PSYCHOLOGICAL CONTRACTS FIND THEIR ORIGIN IN EXPECTATIONS.

2.1 A buyer can receive additional benefits based on how well the organization is perceived by its suppliers.

2.1.1 PCS is a result of the social exchange theory.

Steinle and Shiele (2008) argue that a PCS is a situation in which customer gets offered better treatment by their supplier compared to the treatment offered to other customers. (Steinle, C. & Schiele, H., 2008, p. 11). Literature shows that a valuable resource is having a buyer-supplier relationship where both parties view and see the importance of building a relationship. For this, it gets increasingly important to not only see the value it can create for the buying organization, but also for the supplying party. (McCarter, M. W. & Northcraft, G. B., 2007). However, currently, many buying organizations still focus on adding value for only themselves, which harms the buyer supplier relationship where thus more thought has to be given into adding value for both parties. (Sundtoft Hald, Cordón, & Vollmann, 2009, p. 960) More specifically it is necessary to know the positive or negative attitudes held towards the customer's organization. By reaching a PCS is will then also be necessary for managers of the buying party to know their attractiveness. (Sundtoft Hald, 2012, p. 1228).

PCS is built on findings from the social exchange theory (Hüttinger, Schiele, & Schröer, 2014, p. 698). It has been found that PCS is the result of customer attractiveness and supplier satisfaction. (Baxter, 2012, p. 1250) Schiele et al (2012) then also put these three points into a continuous circle, which shows that being and staying a PC is a constant process. In figure 1, the cycle of the preferred customer ship can be seen. In this figure, there is a continuous flow of decision-making and comparison. Due to there being a cycle, a buying organization can become more (or less) interesting to collaborate with based on the state and demands of the supplier at that moment in time. The figure also shows that the comparison level will be decided on in the supplier satisfaction stage, where thus the decision of continuation or discontinuation will be made. Customer attractiveness in this figure is defined as the extent to which the buying organization can provide services and fits with the strategic objectives of the supplier (Lonsdale & Watson, 2005, p. 160). Supplier satisfaction can be defined as a feeling of fairness and valuation with the relationship regardless of potential power imbalances. (Benton & Maloni, 2005, p. 5)

Figure 1

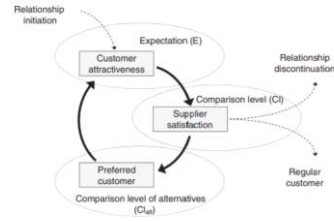


Fig. 1. The cycle of preferred customership.

(Schiele, Calvi, & Gibbert, 2012, p. 1180)

Schiele et al (2012) then also put these three points into a continuous circle, which shows that being and staying a PC is a constant process. In this figure, there is a continuous flow of decision-making and comparison. Due to there being a cycle, a buying organization can become more (or less) interesting to collaborate with based on the state and demands of the supplier at that moment in time. The figure also shows that the comparison level will be decided on in the supplier satisfaction stage, where thus the decision of continuation or discontinuation will be made.

2.1.2 PCS and supplier satisfaction have different definitions but comparable antecedents.

PCS and supplier satisfaction are both different in definition. Schiele et al (2012b) define PCS as the situation where a buyer gets additional resource allocation compared to other buyers (Schiele, Veldman, Hüttinger, & Pulles, 2012 (b)). Supplier satisfaction can be defined as a feeling of fairness and valuation with the relationship regardless of potential power imbalances. (Benton & Maloni, 2005, p. 5). Another definition says that supplier satisfaction is the perception of the supplier to be treated with fairness in the relationship (Essig & Amann, 2009, p. 104). Here, both definitions base supplier satisfaction on fairness felt by the supplier. This means that in theory, the two concepts are different in their definition. However, they do have similar antecedents. Antecedents have in general six factors and can be divided into three dimensions. First is the strategic level (Intensity of cooperation), secondly the operative level (Order and billing delivery), and, thirdly, the accompanying level (communication, conflict management, and general view) (Essig & Amann, 2009, pp. 106-109). From these factors, there are multiple antecedents, which can be found in Table 1. In appendix 2, the same table is located but includes the literature references.

Table 1

| | Preferred customer status | Supplier satisfaction |
|----------------------------------|---------------------------|-----------------------|
| Cluster membership | X | |
| Commitment | X | X |
| Conflict handling | | X |
| Contact accessibility | | X |
| Distance | X | |
| Growth opportunity | X | X |
| Innovation potential | X | X |
| Long term contract possibilities | | X |
| Loyalty | X | X |
| Operative excellence | | X |
| Payment policy | | X |
| Perceived maturity | X | |
| Primary supplier | X | |
| Profitability | X | X |
| Purchasing policy | X | X |
| Purchasing volume | X | |
| Relational behavior | | X |
| Reliability | X | X |

| | | |
|----------------------------------|---|---|
| Share of sales | X | |
| Supplier involvement | X | X |
| Support of suppliers | X | X |
| Trust | | X |
| Value creation | X | |
| Internal organizational strength | X | |

Research has shown that the antecedents growth opportunity and reliability of the customer have the most significant influence on PCS. Furthermore, it has been noticed that the antecedents: growth opportunity, reliability, and relational behavior have the most significant influence on supplier satisfaction (Hüttinger, Schiele, & Schröder, 2014, p. 711). Based on this table it is thus to be concluded that at least 9 out of 25 are shared between the two concepts. This indicates that multiple factors influence both supplier satisfaction and PCS.

2.1.3 Four types of benefits: Financial, Operational, Innovation, Social.

Once a buying firm has established the PCS, it often receives additional benefits. Throughout literature, there has been much research executed on the benefits that come with the PCS. Generally, there have been found four different stages of assessing the level of customer benefits, also called the tie of advantages (Schiele H. , 2020, p. 126). This concept shows the different levels on which suppliers can be classified by their suppliers. These four levels are built up from:

Level -1 where customers must pay extra for a standard service.
Level 0 where customers get standard pricing for standard services.

Level 1 where customers get better services but are required to pay additional costs.

Level 2 where customers get better services than other customers but are not required to pay higher charges.

These findings show that there are different types of benefits for different types of supplier status levels. Where Level -1 find themselves in a disfavored position as they find themselves paying higher costs for standard products/services. Level 0 customers are the buying organizations who neither pay additional costs nor get access to better products. These customers are then also the normal customers. Level 1 buyers are required to pay higher prices but are granted access to the additional services/products as well. Whereas Level 2 customers find themselves in the most preferable situation as they do not have to pay extra for treatment and/or higher quality.

From this, benefits to the buyer organization can experience one or more benefits seen in table 2.

Table 2

| | |
|------------------------------------|---|
| Better prices | (Bew, 2007) (Schiele, Hüttinger, & Veldman, 2012, p. 11) |
| Increased flexibility | (Nollet, J., Rebolledo, C., & Popel, V., 2012) |
| Customized services | (de Wolf, 2013, pp. 9-10) |
| Offered rare items | (Ellis, S. C., Henke, J. W., & Kull, T. J., 2012, pp. 1265-1266); |
| First access to product innovation | (Bew, 2007) (Schiele, Hüttinger, & Veldman, 2012, p. 11) |
| Access to rare products/services | (Schiele, Hüttinger, & Veldman, 2012, p. 11; Bew, 2007) |

What is interesting to see here is that better pricing and first access to product innovation are found more often in various studies than other benefits. Furthermore, it is to be noted that

some findings are similar to each other, but still are set in a different category. It at the terms offered rare items access to rare products. This implies that there are multiple variations acknowledged depending on the interpretation of the researcher.

Benefits received are different at each supplier and can exist in an economic, innovative, operational, and/or social form (Nollet, J., Rebolledo, C., & Popel, V., 2012, p. 1187). Economic benefits will be favorable pricing structures (Ulaga & Eggert, 2006, p. 686). Social benefits include the possibility for heightened collaboration possibilities where knowledge and human resources can be transferred between organizations. (Schiele, Calvi, & Gibbert, 2012, p. 1178). This is closely related to innovation where the supplier authorizes the buyer access towards sensitive technology and is willing to co-develop new products (Ellis, Henke, & Kull, 2012, p. 1260). The operational benefit classification could be referred to as suppliers having customers who are first served in a time of delivery crisis, where this preferred buyer will not run out of supply, where other customers will have a material shortage (Williamson P. , 1991, p. 79).

2.2 Psychological Contracts are ever-changing and subjective in nature, which can lead to potential breaches.

2.2.1 Definition: reciprocal expectations between two parties in a relationship.

There are four roles for the purchasing department to reach the PCS. These are (1) identify and select the best supplier, (2) structure and segment the supply base (3) build close relationships with selected suppliers, and (4) develop working relationships (Tchokogué & Merminod, 2021, p. 1). For this, it is necessary to invest and maintain a good and healthy relationship with the supplier both in the operational processes and in the relational aspect. (Tchokogué & Merminod, 2021, p. 9) (Castaldi, ten Kate, & den Braber, 2011, p. 988). Organizations must establish trust across organizational borders, as it facilitates the performance of collaborations (Johnston, McCutcheon, Stuart, & Kerwood, 2003, p. 35). One framework that is based on trust, and what can facilitate working relationships is PsyCon.

Conway and Briner (2005) state that there is no one best definition of the psychological contract and therefore is the concept a subjective matter that can be interpreted differently for every individual (Conway & Briner, 2005, p. N/A). This can also be seen in Table 3, where a small overview of different definitions is listed. Nonetheless, many research articles decide to use the definition made by Rousseau. She states that PsyCon are individual believes regarding how interactions between the two parties in a relationship are supposed to look. (Rousseau D. M., 1989, p. 123) Believes in this definition are the expectations, obligations, and promises of the parties to the contract (Conway & Briner, 2005). These PsyCon are depending on the type of promise made, type of agreement, reliance upon the perceived terms, and frame of reference (Rousseau D. , 1995). It is then also an individual's belief in mutual obligations in a relationship where the individual believes that a promise has been made and that the promise will be fulfilled (Rousseau & Tijoriwala, 1998, p. 679).

Levinson defines psychological contacts as beliefs about what one party is expected to receive and obligated to give. These contracts can exist unconsciously, will oftentimes be unspoken, but will define the success of the relationship. (Levinson, Solley, & Price, 1962, p. 22) A psychological contract is often associated with an employer-employee relationship, where there must be a balanced way of working where a performance from one party and compensation from another party is expected. (Ntalianis & Dyer, 2021, p. 1). Meckler et al

(2003) believe that the definition of Rousseau (1989) lacks human motivation and behavior. With this, they decided to add more psychological components into the definition as they believe that if the psychological needs are met, employees will put more effort into their work which will result in more benefits for the organization. (Meckler, Drake, & levinson, 2003, pp. 217-218)

Individual believes are depending on personal ideologies and will thus be tending to lean towards a belief that suits the needs and wants of that individual the most. (Rousseau D. , 1995, p. N/A) As defined by Robinson, a psychological contract is regarding what one party believes is entitled to receive and the other party is obligated to provide. However, individuals change, so will the PsyCon, as it is subjective towards the self-serving bias and an impression that the other party is not contributing in the way that is expected of them. (Robinson, 1996, pp. 575-576) Thus, the contract will constantly change which in result also changes the underlying relationship between the two parties. (Bellou, 2007a, p. 70)

Table 3

| | |
|--|---|
| <i>"The psychological contract is an agreement between management and an employee that the employee will be placed in situations where his or her needs for affection, aggression, dependency, and achievement of ego ideals can be adequately met."</i> | (Meckler, Drake, & levinson, 2003, pp. 217-218) |
| <i>"A series of mutual expectations of which the parties to the relationship may not themselves be dimly aware but which nonetheless govern their relationship to each other"</i> | (Levinson, Solley, & Price, 1962, p. 22) |
| <i>"An employee's belief about the reciprocal obligations between that employee and his or her organization, where these obligations are based on perceived promises and are not necessarily recognized by agents of the organization."</i> | (Morrison & Robinson, 1997) |
| <i>"An implicit contract between an individual and his organization which specifies what each expects to give and receive from each other in their relationship"</i> | (Kotter, 1973, p. 91) |
| <i>"An individual's belief regarding the terms and conditions of a reciprocal exchange agreement between the focal party person and another party. A psychological contract emerges when one party believes that a promise of future returns has been made, a contribution has been given, and thus an obligation has been created to provide future benefits"</i> | (Rousseau D. M., 1989, p. 123) |

All definitions have taken individual believes and expectations into account. Reciprocal expectations are then also important for the relationship. However, many definitions are formulated from an organization-employee situation point of view. Only Rousseau (1989) explains a psychological contract as a relation between two parties instead of defining the term specifically for an internal relationship. For this reason, can de definition of Rousseau (1989) be transferred to a buyer-supplier relationship

as well, and is therefore also the definition that will be used from now on.

2.2.2 Promises and expectations are the basis of a good relationship and result in a higher level of trust and commitment.

PsyCon is created differently for every individual. Individuals tend to base their expectations on the psychological needs that they have at that specific moment in time. Levinson et al (1962) created a model which shows how PsyCon is formed. These include (1) core expectations that influence affection, dependency, and aggression. (2) process expectations that are continuously changing based on growth and maturity. (3) other assorted work and relational expectations. An implicit psychological contract will then also form when an individual and an organization achieve an arrangement that fits with each other's psychological desires (Levinson, Solley, & Price, 1962, p. 1).

Promises are seen to be the starting point of every psychological contract as they create the first expectations between two parties, followed by a perceived mutual agreement about how the promised will be fulfilled (Tomprou & Nikolaou, 2011, p. 345). Both the model from Levinson and Tomprou base their starting point on expectations. However, the model from Tomprou is more elaborated as he also takes the external, and personal factors into account. Levinson, however, explains more in-depth the exact behavior an individual will have as a result of expectations. (Affection, dependency, aggression). A psychological contract can result in multiple outcomes. These can be organizational commitment, and intention to stay in a relationship (Flood, Turner, Ramamoorthy, & Pearson, 2001, p. 1154). What also is interesting to note is that the model of (Tomprou & Nikolaou, 2011, p. 345) shows that there is a continuous movement between emotional reactions and PsyCon. This implicates that there is never a maximum level reached, but the severity of the expectations is subjective to change and alterations.

Furthermore, it has been found that PsyCon has a positive level on level of trust. (Kingshott, 2006, p. 726). Where this trust in turn results in a feeling of less vulnerability by expecting influence, communication openness, risk forbearance, and control reduction. (Deutch, 1958, pp. 278-279) (Moorman, Zaltman, & Deshpandé, 1992, p. 315) (John & nolan, 1985, p. 40). Arvidsson and Melander (2020) then also propose multiple levels of trust that can be created in a buyer-supplier relationship. In their research they propose a framework with four levels of trust (Arvidsson & Melander, 2020, p. 144):

- Interpersonal trust between buyers and sellers
- The organizational trust of the buyers in the supplier organization
- Inter-organizational trust between the buyer and supplier organizations
- Network trust by the buyers in the supplier's network

These findings show that there are different types of trust that a PsyCon can be built on.

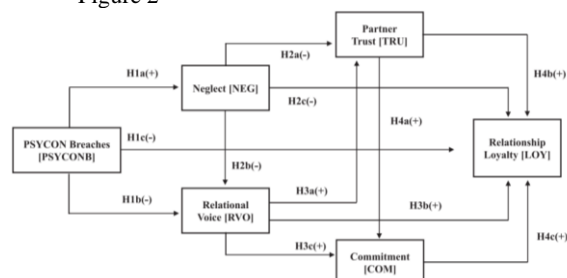
2.2.3 Trust and commitment are the main factors for a psychological contract breach.

The collaboration can thus lead to good outcomes, but also exposes both parties to the risk of exploitation (Wang, Craighead, & Juan Li, 2014, p. 375). PsyCon is highly dependent on the emotion and characteristics of an individual (Anderson & Schalk, 1998, p. 644), which can quickly lead to disagreements (Kaufmann, Esslinger, & Carter, 2018, p. 66), which in turn results in a PsyCon breach. PsyCon breaches can be the result of believes that cannot be met, which result in a behavior that is negatively impacting the collaboration between two parties. A psychological contract will thus be breached if one party believes

that the other party has failed to fulfill one or more expectations. (Paul, Niehoff, & Turnley, 2000, pp. 471-473) These breaches often negatively influence behaviors, attitudes, and commitment towards the relationship (Antonaki & Trivellas, 2014, p. 356).

Literature shows that violations towards the psychological contract are the most harmful for commitment and trust in a relationship (Arnott, Kingshott, & Pecotich, 2007, p. 1061). This can again also be found back in the framework from figure 2 below.

Figure 2



(Kingshotta, Sharma, Sima, & Wong, 2020, p. 222)

This framework shows that PsyCon breaches negatively influence relationship loyalty between the two parties. Moreover, the figure shows that trust and commitment are important in the relationship where these two then also have a large negative impact on the relationship if a PsyCon breach occurs.

2.3 Supplier Satisfaction will be the direct aspect that is negatively impacted by the type of Psychological Contract Breach.

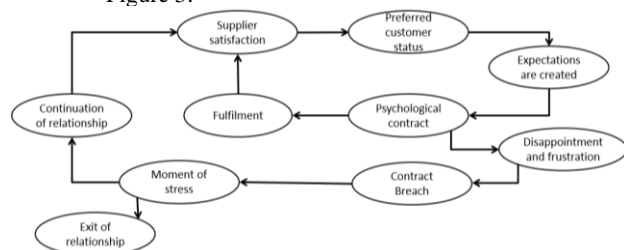
Connecting with individuals in an organization who are committed to that organization and willing to add value towards the collaboration is necessary for a fruitful partnership, and for understanding the behavior of the partner organization. For this reason, it is often advised to purchasing managers to create a psychological contract between the collaborating enterprises (Lopes, R. de O. A., Sbragia, R., & Qualharini, E., 2016, p. 150). The psychological contract phenomenon has its roots in employee-employer relationships. However, this phenomenon can be transferred to other relationships as well. For this reason, PsyCon is also more explored in research on a purchaser supplier relationship. Also in this collaboration, PsyCon can be defined as perceptions on promises that are made between the two parties. Concepts from PsyCon can then also be used as a theoretical framework for a better understanding of the buyer-supplier relationship (Blancero & Ellram, 1997, p. 616).

According to research, a psychological contract trajectory has a snowballing effect. It all starts with the definition from Robinson where expectations for a relationship are created and based on these expectations a psychological contract is formed. (Robinson, 1996, p. 575) This process results in high expectations and great involvement (Porter & Steers, 1973, pp. 172-173). However, when the expected rewards are not given, a contract breach occurs as the person involved feels that the contract is not fulfilled. This results in one party being disappointed, which will bring frustration along (Paul, Niehoff, & Turnley, 2000, p. 478) Disappointment and frustration will result in a change in the organizational commitment (Greenberg, 1990, p. 565). A psychological contract breach will thus result in a change in commitment in the relationship, and every relationship will have some sort of psychological contract. Breaches in the supply chain can appear in two ways, inability, and unwillingness. Inability breaches are promises that cannot be met due to unforeseen circumstances from outside the organization. (Rousseau D., 1995) Breaches from unwillingness are promises that are made where one party has no intention of achieving the said promise (Morrison & Robinson, 1997)

PsyCon breaches are then also an impact on the feeling of fairness that the supplier and buyer perceive. Supplier satisfaction is expected to be influenced negatively by a contract breach, as the feeling of justice done is impacted. Furthermore, it is the severity of the breach, and thus also the type of breach, that will determine the level of impact on the supplier satisfaction. This supplier satisfaction will further be impacted by the type of individual. The severity of the breach will thus be a biased personal observation that is influenced by personal factors that cannot have a general definition. For this reason, a distinction will be made between relational and transactional and relational contracts (Handy, Gardner, & Davy, 2020, p. 1). Transactional contracts are based on specific defined factors and economic relations are relational contracts more based on intrinsic factors as trust and long-term collaboration possibilities (De Witte & De Cuyper, 2006, p. 397). For this reason, the first proposition that will be tested is *the type of breach that will impact the severity of supplier satisfaction*.

Thirdly, Antecedents of satisfaction are supplier reliability and support. If the commitment changes, also the support will alter. As the literature shows will the commitment after a breach be less than before the breach. For this reason, it is expected that important antecedents of satisfaction are coming to a different level than before the breach which will make the supplier more disappointed in the relationship. For this reason, the third proposition stated is as *supplier satisfaction is negatively impacted by alteration of commitment*.

Figure 3:



3.1 Research design by conducting interviews with buying and supplying organizations.

It was assumed that buyers have different relationships with suppliers that supply high-value products, suppliers located in countries further away from the firm, and suppliers that are connected to a firm for a certain amount of time. Therefore, it was believed that there would be a significant variance in trust levels and behaviors between the relationships. For the scope and time of this article, only one buying organization was interviewed and three of their suppliers. The buyer in the buying firm will be asked slightly different questions than the sales employee in the supplier firm. Questions differ as a buying organization has other expectations than the supplying party.

Buying firms have a different end objective than the supplying firm. In literature, it has been found that suppliers often tend to value trust and commitment more than the buying side. (Beddari & Palmqvist, 2014, p. 67) This gives an unequal distribution of power for the supplier, where contracts replace trust. (Lambe, Wittmann, & Spekman, 2001, p. 9) Therefore, both sides are interviewed to shine a light on multiple sides of the relationship, and will thus provide a dual perspective from both the buyer and supplier side.

All these interviews were executed online during a conference call and took place in May and June 2021. Furthermore, participants were male employees who have been in the business

for at least 5 years. Interviews were executed in the Dutch language as all organizations participating in the research were in The Netherlands. An overview of the characteristics of the respondents and their companies can be found in Appendix table 4.

In the interviews four sections will be touched upon, these are classification, benefits, antecedents, and PsyCon, which will also be the four classifications that would be coded on. First off, the classification was put in the interview to detect whether organizations are aware of the grouping they make when selecting their collaboration partner. Here, aspects such as effort and special management plans are noted down to get an overview of if organizations are actively aware of the relationship-building aspect. Secondly, benefits are discussed with the participants to find potential new benefits and to potentially back findings already existing in the literature. Here, the analysis will be on all the services they offer, and on which services are special to some customers. Thirdly, antecedents of PCS and supplier satisfaction are discussed with the participant. Special attention will be on how the participants decide to give some partners special treatment and other partners not. Here, the SET circle will be considered where there are multiple influences for the benefits possible. Finally, the psychological contract will be discussed. In this section, expectations and obligations towards the other party will be discussed to understand which aspects are important to both parties in the relationship. Furthermore, breaches will be discussed to understand how individuals reacted toward the failures, as well as how the failures were solved and worked out in the relationship. Analyzing and coding the results will be done based on the antecedents and benefits that were discussed in table 1 and 2. Furthermore, the psychological contract will be coded on based on intentional or unintentional breaches.

4. BUYING AND SUPPLYING ORGANIZATIONS HAVE DIFFERENT TYPES OF INTERESTS AND VALUES

4.1 Buying organizations typically value quality and financial terms.

The buying organization is a privately held organization with its headquarters located in The Netherlands. From here, employees take care of the trading of waste streams resulting from the processes from clients all around the globe. These wastes can be bought with extensive collaboration with certified recyclers. For this reason, the company views both its clients and recyclers as suppliers because they both deliver a service to the company. Without their clients, they would not have any materials to ship to their recyclers and without their recyclers, they would not be able to purchase any materials from their clients. Thus, a good relationship with all people involved is crucial for the survival of this company. From now on, this company will be referred as Company A. At company A, they have two individuals responsible for their specific supplier area, where buyer 1 is the account manager for organizations located in the Middle East and buyer 2 responsible for the partnerships in Europe. The first interview was with buyer 1.

4.1.1 Preferred customer status is attained by showing suppliers' desired capabilities.

Both Buyer 1 and Buyer 2 admit that there are special management plans to develop better relationships with their suppliers. There are several ways in which Company A tries to improve its customer status. The general belief in the organization is that reliability is key to keep the suppliers satisfied. For this reason, they try to reply to their emails as quickly as possible, not make irrational promises, and keep their logistics department running with minimal room for error. Next to these internal expectations of the employees, will company A

also do company visits preferably once a year. Facility visits are important for Company A as they will improve the personal relationship, and because dining or lunching with your supplier will show the person behind the transactions as well. This not only builds more trust between the two parties but can also open doors to unforeseen new collaboration possibilities as visiting the operation sites will make each other's capabilities clearer.

However, there can be seen a distinction between Buyer 1 and Buyer 2. Buyer 1 believes that there is a monetary classification between the suppliers, where there will be given a preference to suppliers who can generate more profit for Company A. Buyer 1 will then also decide on the amount of attention, interest in the Supplier, and need of relationship building on revenue potential. Buyer 2 disagrees with basing the interesting suppliers on only monetary value. Instead, Buyer 2 chooses his supplier categories based on future collaboration potential, where the suppliers with long-term possibilities are prioritized.

4.1.2 Experienced benefits and antecedents are felt based on the individual.

Again, here a difference can be seen in the replies from Buyer 1 and Buyer 2. Buyer 1 believes that there have not been additional benefits with having a good relationship with their suppliers. This as buyer 1 once again mentioned the financial aspects, where the customer with the highest price wins the material. Buyer 2 argues that there are two types of suppliers. Once the supplier has a more short-term vision wherein negotiations a distributive case will be noticed. Where other suppliers have a more long-time collaboration idea and want to build a relationship. Here is then also the case that often the short-term visioned suppliers are smaller facilities who prefer monetary compensation. Buyer 2 then also admits that by the larger, long-termed collaborations, Company A will get more revenue out of the deals as such suppliers complain less quickly. Next to this, Buyer 2 has also experienced that a supplier is giving Company A access to sensitive information and is offering Company A limited available materials. Buyer 2 believes that they have gotten this PCS at the not interviewed Supplier X as they are trying to figure out solutions for every material that has been offered to Company A. With this, they have shown that they are willing to go the extra mile by helping the supplier when they are in need for quick and difficult solutions.

4.1.3 Psychological contracts are different across international borders.

Both Buyers are telling in the interview that the expectations towards the buyer-supplier relationship are that the promises made in the official contract are an important aspect to fulfill. Buyer 1 tells that in his relationship with the suppliers oftentimes large contracts are created. Here, suppliers want to have payments in advance and airtight contracts with third-party control. Especially financial aspects are important for these types of suppliers coming from the Middle East. Buyer 1 has experienced one breach with a supplier regarding the delivery. Here, Company A got additional costs due to a failure of the supplier. Buyer 1 decided in this scenario to just pay the additional cost and only discuss with the supplier how to avoid such mistakes in the future. In this case, the supplier was willing to listen, participate, and appreciated not getting charged additional costs. Buyer 1 then also believes that by this mistake both companies came closer together than before the incident.

Buyer 2 tells to have had both scenarios where a supplier has broken the contract, as well as where Company A has broken the contract. The case where Company A has broken the trust was regarding pickup dates and thus transportation. The reaction of the supplier was negative and relatively angry for letting the supplier take on extra warehouse costs. By this

incident, the reliability of Company A was decreased which caused harm for future transactions as this supplier was not amused by the way of handling. Both companies are still working together, but according to Buyer 2, will it take a while before the workflow of before will be reached again.

Next to breaking a contract themselves, has Buyer 2 also experienced a large contract break done by a partner facility. Here, constantly promises are made which are not being kept. Not acting according to the promises has caused Company 1 to lose multiple clients and with this let Company down on their reliability status. This was regarding payment terms and mistakes in the analysis methods of the material. Furthermore, delivery dates and capabilities were not as promised upfront. As this has become a repetitive circle is Buyer 2 is severely upset with this supplier. However, as this supplier is needed by Company A due to rare services, they cannot move towards a different supplier. Furthermore, due to the rare services this supplier can offer, can Company A still generate important revenue while collaborating with this supplier. As a result, Buyer 2 has decided to work together with this service supplier by collaborating on only these rare materials with this organization and do not participate in other collaboration possibilities. Furthermore, as they have now experienced this bad treatment from their supplier, they have altered their experiences in such a way that they inform their material suppliers upfront over potential alterations in the proposed conditions.

4.2 Material suppliers often prefer large quantities, trust, and commitment.

4.2.1 Local supplier with a long-existing relation.

Supplier 1 is a local organization that is relatively close on distance with Company A. Supplier 1 is mostly active on a national level. Supplier 1 states that in their organization dependability and reliability are important aspects of their customers, but also the capabilities of their customers are playing a part in choosing their collaboration partners. The organizations have been in contact with each other for more than 10 years. Due to this long-lasting relationship, the companies trust each other, and it could then also be said that Company A has a PCS at Supplier 1.

4.2.2 Benefits mostly regarding price.

. Furthermore, Supplier 1 admits that he prefers to work with Company A above larger alternatives as the interviewee believes that smaller companies take more care of their needs and respond quicker towards their requirements. Supplier 1 is due to the long collaboration aware of the capabilities and needs from Company A. For this reason, they are often asking company A for advice regarding their materials and are quickly asking company A to help search for new solutions if there are new waste streams available. Here, Supplier 1 thus offers Company A instantly the new materials that will come available. Because they prefer to work with Company A, they are willing to offer the organization better prices and try to find the best solutions together. This thus indicates that the supplier is willing to support Company A in their way of working.

4.2.3 Accessible customer knowledge is important for a Preferred Customer Status.

For Supplier 1 their customers must be having an esteemed position in the market with positive reviews from other suppliers. Furthermore, the customer needs to be capable of helping Supplier 1 find the best possible solutions for their generated waste streams. Thus, the customer must be capable of securing an environmentally friendly solution. But not only that, Supplier 1 states that they are not operating on an international level themselves. For this reason, they are dependent on the knowledge of their customers. It will then also be more attractive

for Supplier 1 to collaborate with customers who are experienced with exporting materials to find better solutions.

4.2.4 A feeling of fairness is depending on intentional versus unintentional failures.

According to supplier 1, there are no PsyCon, only juridical contracts. The interviewee states that there has not yet been a contract breach between their organization and Company A. However, the interviewee recognizes that there is a lot of trust between the two companies and that the relationship can be broken very easily. In this relationship, there is a lot of sensitive information sharing, which can let Company A get out of business if Supplier 1 shares this publicly. For Company A it is important to keep their waste suppliers and waste recyclers separate from each other to ensure their trading possibility. This means that by keeping the two parties separate, they cannot get in contact with each other and thus are both dependent on Company A. In the relationship with Supplier 1, this sensitive information is shared, which means that Supplier 1 knows exactly what will happen with their waste stream, where it is going, and who oversees the waste recycling. With this information, they could choose to quit their relationship with Company A and start dealing directly with the recyclers. However, Supplier 1 decided against this idea, even when it could save their organization a significant sum of money. This because they know that if they do not want to break the relationship with Company A. Furthermore, Supplier 1 knows that they need Company A for other materials as well in the future and thus prefer to endure the additional costs, to maintain the future possibilities.

Even when Supplier 1 has not felt any contract breaches with Company A, they have experienced relationship breaks with other organizations. In this situation, Supplier 1 had the feeling that the quality of waste was not analyzed properly, which caused them to be paid less than agreed upon. This situation kept occurring even after Supplier 1 has expressed its concern to the external organization as there was no hard proof to show that any harmful practices were going on. Supplier 1 then also decided to give them the benefit of the doubt, but once actual proof was found, the relationship and contract were broken immediately. Supplier 1 felt in this situation treated in an unfair manner where they could rely on the honesty of the customer. As a final remark, the interviewee believes that due to the technological improvement, which now facilitates emails. In emails, items and promises will be written down in black and white and sharing of information goes easier. Supplier 1 thinks that due to this technological improvement, the trust gets better and there is less risk of getting misled.

4.3 Service suppliers often prefer to collaborate with organizations that can bring added value.

4.3.1 Customers are categorized based on the type of material they can collaborate on.

Both Suppliers 2 and 3 offer services for Company A. Company A can then also exist if these suppliers can offer the services with a good capability against good terms. Supplier 2 is a service supplier that has its facility based in The Netherlands and operates on an international level with connections all over the globe. Company A has been in contact with this organization for several years already. This supplier has put their clients into several categories based on the material that they can collaborate on. Where the highest prices and larger batches have a preference. Furthermore, different types of material will also bring different types of people and organizations. Personal preference based on the personality types that come with the types of materials will then also influence the category. Supplier

3 is a Dutch company that offers services for a business-to-business relationship as well as services for the local public. The interviewee states that they do not prioritize based on volumes, price, or material. Instead, they prefer the clients who can offer services in return. With this, they create a two-way business relationship where the supplier can collaborate with their clients on larger projects.

4.3.2 Collaboration interests are based on the long-term relation possibility.

Supplier 2 tells those long-term relationships are mainly preferred and can experience more benefits. With the long-term relationship and thus also larger volumes, there will be longer and more intimate discussions with their clients on how they can find a commercial good solution for the materials. The difference comes with that with spot sales the relationship is only short and often depending on pricing. Where the long-term possibility will be with deep-going contracts and often require notification procedures across borders. Legal procedures are collaboration intensive as both parties need to disclose honest and correct information to get the material through customs. However, the organization also tells that there are different types of contracts depending on the country of origin. They have experienced that German organizations want to have high contracts, whereas Indian companies do their business more on a trust basis. Supplier 2 often base their relationship and potential of collaboration on reliability, dependability, and good reviews. Before Supplier 2 enters a new collaboration, they will check with agents in the business to hear whether the organization is trustworthy to work with. Furthermore, if there are long-term relation possibilities with high monetary values, will supplier 2 check the financial capability of the new organization. Supplier 3 tells that they do not benefit one organization more than another organization regarding pricing. Instead, they try to benefit their larger partners by sending through business opportunities that they can either collaborate on or where Supplier 3 cannot find environmentally friendly solutions for themselves. Supplier 3 then also bases its degree of collaboration on the lot sizes as well as the financial capabilities of its potential partner.

4.3.3 There is a difference in expectations between international and national organizations.

In the interview with both suppliers, it has been said that they believe that the expectations towards a buyer-supplier relationship are trustworthiness and acting according to the agreements that have been made before the transaction and collaboration. Both suppliers believe that mistakes can happen, wherewith good communication issues can be resolved relatively quickly without any consequences. Supplier 2 here states that especially with bigger customers issues can be resolved without much-harmed feelings. They have experienced that larger organizations are less inclined on monetary values than smaller companies. For this reason, larger organizations will also be less likely to feel harm when an incidental failure occurs. Smaller organizations on the other hand are more likely to be more harmed as Supplier 2 has experienced them to be more focused on small mistakes.

Overall, both suppliers have thus experienced good solutions and no long-term harm when there was good communication and a learning possibility. However, Supplier 2 has also experienced another situation. In this situation, Supplier 2 had a full contract breach in a relationship with an external organization where they had been in contact for 1.5 years. After these 1.5 years, the external organization decided to change their way of working and go beyond the industry standard and thus the contract. By doing so, they constantly came with analysis that was not accurate anymore. Because the analysis suddenly deviated from the expected and agreed-upon standards. Due to

this, the external company decided that Supplier 2 had to pay extra for all the transactions done in the last 1.5 years, as suddenly the external organization accused Supplier 2 has given inaccurate results for the whole collaboration period. As here Supplier 2 got accused of treason, even when the external organization decided to go outside the contract, the relationship broke. Supplier 2 then also believed that as it became not just a small failure but a real accusation and deviation of beliefs, the two could not work together anymore in a trustful relationship.

4.4 Buyers and suppliers have different views on the relationship.

Based on these findings buyers generally perceive monetary values as an important factor, where the suppliers regard reliability, long term contracts, and commitment much higher. An overview from this can be found in the appendix table 5. The findings justify the circular movement in the framework that there is constant change in the expectations and relations between the organizations. Interesting is the finding that all participants say that the way of breach repair is more important than the severity of the violation. Where if the issue can be solved respectfully, supplier satisfaction will increase. Furthermore, how a disappointment is perceived by the individual is different in every case, which shows that the disappointment and frustration step will be influenced by the type of individual.

Based on these findings the framework was altered by adding the three red circles, way of reparation, type of individual, and availability of alternatives in the new framework which can be found in figure 4. Way of reparation shows to have the most influence on the decision to continue with the collaboration and thus the moment of stress. Furthermore, the way of reparation shows to have a positive effect on supplier satisfaction. In table 6 from the appendix, an overview can be found from the interviews. This overview shows which interviewee said what, and where it can be seen how many times something was mentioned.

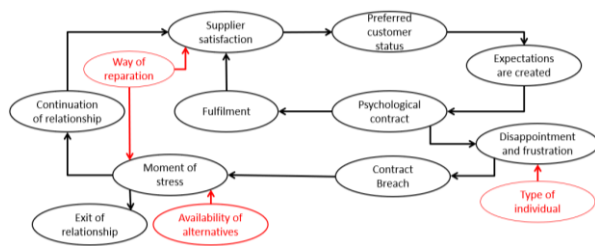
In this overview the antecedents mentioned in the interviews were growth opportunity, reliability, support, contact accessibility, payment policy, profitability, and long-term contract possibilities, as well as type of material, knowledge in the partner organization, and volume. Knowledge is mainly important when the supplier does not have access to this type of information themselves. Suppliers will then be more satisfied with their customers if the customer is willing to share this type of information as a favor.

Type of material is also an antecedent of supplier satisfaction. Organizations often produce multiple materials and services. If a customer is willing to collaborate on the more important materials, the supplier will be more satisfied with the customer. The final antecedent finding is the volume purchased. Suppliers are preferring larger batches over spot sales as it will give the supplier more security. Furthermore, suppliers admitted deciding to work with a buying organization only when the buying organization seems interesting and capable enough to collaborate with. Financial stability, reputation, and size were the main decision topics. Here, a difference can be where larger and international operating organizations preferred to work with larger organizations, whereas local companies also preferred to stay local.

Financial factors are found to be highly connected with trust. Connections between factors can also be found in the Appendix 7. Benefits received were often regarding pricing and access towards special material. It is interesting here to note that the buying organization emphasizes these factors. Suppliers on the other hand believed to give benefits to organizations by including customers in new projects and development possibilities. Psychological contracts seemed to be closely

related to the physical contract that was created between the organizations. Both parties based their psychological contract on the trust that they need to have in the fact that they are receiving material as promised, and analysis and payment based on the correct information given. A breach will then also be perceived if a promise has not been fulfilled. A breach was seen to be more harmful if it were intentionally occurring whereas mistakes were seen as something that could be fixed and improved due to communication with the individual. This finding was similar across all individuals interviewed.

Figure 4.



4.4.1 The type of breach will impact the severity of supplier satisfaction.

The first proposition stated was: *the type of breach will impact the severity of the supplier satisfaction*. Results show that there is a difference between the severity of the breaches, which indicates that there are multiple types of contracts and thus also various grades of infringements. This can further be seen in the findings from Supplier 1 where it has been stated that the financial issue that has happened with one of their customers in the past could have been saved if it was a simple mistake. Supplier 1 was thus willing to accept transactional contract breach and would be able to move past such a situation without much further ado. However, as it became clear to Supplier 1 that the external organization was purposefully sending false information and thus intentionally fooling Supplier 1. Here it felt more personal to Supplier 1 as the interviewee felt done injustice and fooled in the relationship. This in return became more relational and thus psychological which was not able to be saved anymore as the relation broke after the incident.

4.4.2 supplier satisfaction is negatively impacted by the moment of stress.

What is interesting to see is that some interviewees state that they experienced a better relationship after a psychological contract breach in some situations where, in other situations, participants stated that they felt harm done towards the collaboration. This indicates that the breach can have a positive and a negative effect on the buyer-supplier relationship depending on the severity of the breach. These results are partially contradictory with the proposition as it shows that alteration of commitment can also be bringing a positive influence on the framework. Findings even show that how the frustration and disappointments were handled by the opposite party were more important than the cause and origin of the breach, and thus the handling of the breach. This shows that different breaches are perceived differently.

4.4.3 Breaches have more influence on supplier satisfaction than on Preferred Customer Status.

Breaches have more influence on the supplier satisfaction than on the PCS as the satisfaction in the relationship will be harmed the most when a promise is not fulfilled. Furthermore, the results show that there is indeed a circular motion that new expectations are created when supplier satisfaction changes as well. This is in both negative and positive

experiences the case. As can be seen in the interviews are the buyers and suppliers expecting the other party to have learned from the occurred situation and move forward without the breach happening again. If the breach happened multiple times, and the supplier satisfaction decreases, then an alteration in the expectations can be seen as well. All parties will depend their expectations on the previous experience with the deal and thus the satisfaction level they had in the collaboration. As can be seen in figure 3 the service paradox is placed as a factor that influences the relationship between altered commitment and supplier satisfaction. The findings then also show that a contract breach has indeed more influence on supplier satisfaction than on the PCS.

5. DISCUSSION WITH FUTURE RESEARCH IMPLICATIONS

Findings support (Schiele, Calvi, & Gibbert, 2012, p. 1180) in their cycle of PCS. This as the findings from the interview show that there is a connection between PCS, supplier satisfaction, and customer attractiveness (Greenberg, 1990, p. 575). In this research, the antecedents from customer attractiveness showed to be a player in the psychological expectations as well. Specifically, buyer reputation and buyer financial state were seen as important aspects before entering a relationship. This would bring along trust and financial security, two antecedents of customer attractiveness (Hald, Cordón, & Vollmann, 2009, p. 960) (Harris, O'Mally, & Patterson, 2003, p. 24). This also fits with the circular framework that is proposed as the framework from Schiele et al (2012) also shows a continuous flow. However, these factors seemed to be important to decide whether a supplier wants to collaborate with a customer but are not directly influencing the supplier's satisfaction.

Following this concept are the antecedents for PCS, where the findings show that there is indeed a presence of antecedents, where the findings partly support the results from (Huttinger, Schiele, & Schröder, 2014, p. 700). Antecedents that show to be the most common and visible are commitment, reliability, and innovation possibility. What the findings do support is the statement that reliability has the most significant influence on supplier satisfaction (Huttinger, Schiele, & Schröder, 2014, p. 711). However, the interview findings also show a new antecedent, which is the type of product purchased and knowledge available in the partner organization. Furthermore, the findings show that purchased volume is not only an antecedent for PCS but also supplier satisfaction.

Benefits resulting from the PCS are most often regarding better pricing than other customers. A reason for this might be that often suppliers tend to estimate the preferences of the counterparty (Eringa & Groenveld, 2016, p. 187). This can be seen back in the results in the fact that buyers generally think financial aspects are important, and they receive pricing benefits. Where suppliers generally think trust is important, and where the buyers state to be as trustworthy as possible to maintain a good customer status. Results show that the benefits received are highly dependent on the location of the supplier. Findings have shown that European suppliers are more likely to offer additional benefits in comparison to non-Europe suppliers. It can thus be concluded that there is a cultural factor active, as culture plays an important role in supplier relations (Schiele, Ellis, Essig, Hengke, & Kull, 2015, p. 132). Where national cultural norms and values can impact how contracts are perceived (Eckerd, Boyer, Qi, Eckerd, & Hill, 2016, p. 69).

PsyCon is in literature explained to be based on expectations one party has towards another party. Here, expectations can be both unwritten and written down. Results show that organizations write their expectations often down in contracts, which shows that expectations and legal contracts are

closely linked with each other (Unknown, 2009, p. 2). Results also show that people tend to make the contract based on a trust basis, so, where contracts are violated, will this impact the trust in the relationship as well. Results also show that the reaction towards a breach depends on one of three factors. Namely, the type of individual, severity of the breach, and availability of alternatives. Availability of alternatives is most dominant in the buyer side of the relationship, as they are depending on survival based on this relationship. This phenomenon is similar to the Conservation of Resources Theory where individuals aiming to maintain value resources (Hobföll, 1989, p. 516). This as the theory offers insight into how individuals will react when stress occurs in a situation, they did not expect (Hobföll, Gerhart, Tirone, & Holmgreen, 2016, p. N/A). However, there is a need for further research to be able to see if this theory is applicable at an organizational level as well, as this theory is mainly based on stress and psychology at an individual level (Costa & Neves, 2017, p. 125) (Achnak, Schippers, & Vantilborgh, 2021, p. 3).

5.1 The type of breach will impact the severity of supplier satisfaction.

The first proposition stated was: *the type of breach will impact the severity of the supplier satisfaction*. Results show that there is a difference between the severity of the breaches, which indicates that there are multiple types of contracts and thus also various grades of infringements. These findings are in line with the concepts of transactional and relational contracts (Pate & Scullion, 2006, p. 57). In the findings, a distinction can be seen between the severity of the relationship and the satisfaction. As seen in the buying organization, it has been stated that even when a payment issue occurred, where the buying organization had to pay additional costs, the breach improved the relationship. Financial terms are then also seen to be more on the transactional contract side. On the other hand, the results also show that once a supplier was told that their products were not necessary anymore after already shipping the material harmed the feeling of trust and willingness to collaborate. Feelings of trust are relating to relational contracts. These findings imply that transactional contract breaches are less harmful to the relationship between the two parties than relational contracts. (O'Donohue, Hutchings, & Hansen, 2018, p. 1381).

5.2 Supplier satisfaction is negatively impacted by the moment of stress.

Handling of the breach seemed to be even more important than the type of breach that was occurring in the relationship. Willingness to adjust quality problems is then also important for the survival of the relationship (Grönroos, 1988, p. 18). Statements like this are a predecessor of the service recovery paradox, which is most likely to be of influence in this case. A service recovery paradox can be defined as the action taken by one party to address the perceived failure that has been made, whereby the satisfaction after the breach is higher than the initial satisfaction before the failure (Arpandee & Robindee, 2020, p. 5182). Recovery management has found to be important as it creates a high observational and emotional involvement of both parties (Chaparro-Peláez, Hernández-García, & Urueña-López, 2015, p. 78). It has even been found that almost 85% of the satisfaction of the breach repair was due to the feeling of justice done by the recovery process (Tax & Brown, 1998, p. 81). From this, justice plays a large role in the way in which a psychological contract breach recovery is perceived. Furthermore, the definition of supplier satisfaction is on a large part based on the perceived justice done by the customer. This can then also be an explanation why a contract breach can have a positive influence on supplier satisfaction, and which this indirectly a positive result on PCS, as the feeling of justice done is increased. This is contradicting with the hypothesis that a breach will always result

in a decreasing form of commitment in a relationship, as it shows that a stronger bond has been formed between the buyer and supplier.

5.3 Results from a waste trading organization might not be applicable in all industry sectors.

The limitation of this research is that the case scenario has been done in a trading organization. Here, they are depending on their client way more as there are not many alternatives available. Furthermore, the trading organization has many relations that need to be kept satisfied. This as if one part of the chain is not being held satisfied, they will lose satisfaction on the other part of the chain as well. What is also interesting is that some partners can simultaneously be their biggest competitors. It is then also worth noting that the results that have been found in this research do not necessarily be transferable to other industry sectors.

6. KEY SUPPLIERS ARE DIFFERENTLY INFLUENCED THAN PREFERRED CUSTOMER STATUS.

Overall, the factors that connect the theories were in this research mainly based on the definition regarding trust and expectations. A start has been made by linking the conservation of resources theory with the breach and bringing the concept to an organizational level. Where the individual handling the breach is influenced by the service recovery paradox to measure the degree of satisfaction that is present after a PsyCon breach and period of stress. Measurement and impact of the breach on the stress are thus not due to the type of breach only. Based on these findings the answer to the research questions "*In what way are psychological breaches harmful to key supplier relations*" and "*Which type of influence does a psychological contract breach have on the PCS?*" For both can be said that PsyCon breaches are harmful in a way that there is less trust and commitment in the relationship. However, the distinction is that key supplier relations might be harmed by either discontinuation or not, based on the severity of the breach. Whereas the PCS is mainly impacted based on the way of repair that has been given after a failure occurs which impacts satisfaction and with that PCS can be either positively or negatively influenced depending on the type of alteration in the satisfaction. For managers and buyers, it shows managers should remember that trust and financial aspects are the two most important factors in the relationship and expectations. Thus, by maintaining a good relationship, managers should acknowledge and pay close attention towards giving the right information and making payments according to the agreements, will they act according to the expectations given to them by the suppliers. Furthermore, these findings show managers that breaches are repairable if there is still enough trust to make the supplier willing to continue the collaboration. This trust and feeling of satisfaction can be influenced by the way in which the breach is handled, where it is recommended to take culture and individual characteristics into account.

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9. APPENDIX

9.1 Table 1

9.1.1 Questionnaire for suppliers

| | |
|----------------|---|
| Classification | 1. Do you assign different status types to customers? Which status types do you assign? |
| Benefits | 2. Have you assigned a PC status to Company-X? |
| Antecedents | 3. How do the status types influence your behaviour towards customers? What benefits do you offer to a PC? (Remember the pyramid, check for logistics / production planning, innovation, special services, flexibility, earlier information etc.) |
| | 4. Are you satisfied with the business relationship with Company-X? What factors are affecting your satisfaction or dissatisfaction in this relationship? |
| | 5. What are your company's motivations for doing giving Company-X a PC status? |
| | 6. What are measures that customer must undertake to achieve a PC status and what is the necessary behaviour they must show? |
| | 7. What do customers generally do to achieve PC status? Does this differ from the behaviour you would like them to show? |
| Psy contract | 1. Have you ever had the belief that there are expectations outside of the legal contract regarding your obligations towards each other? |
| | a. (get first answer respondent) |
| | b. (Then, say definition of Rousseau) Psychological contracts are defined as "an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party." (p. 123). Meaning explicit and implicit promises made in the relationship. (Later in the interview emphasize more the implicit area of promises). |
| | c. And this is the definition which the following interview questions will be based on |
| | 2. How did psychological contracts affect your relationship with each other? |
| | 3. Have you ever experienced a psychological contract breach? |
| | a. If yes, what was the effect on the relationship? |
| | b. How did you react? |
| | c. How did the counterpart react |
| | d. How was PC status influences or how did the PC status influence the reaction to a breach? |

9.1.2 Questionnaire for buyers

| | |
|----------------|---|
| Classification | 1. Is there management commitment to achieving PC status with strategic suppliers? If so, how does this show? If not, how could management commitment help in this matter? |
| Benefits | 2. Which benefits do you notice from having a PC status? (pyramid) |
| Antecedents | 3. What have you done in the past to become a PC of strategic suppliers? Are there other actions you did not undertake that could have helped in reaching a PC status? |
| | 4. Is your company able to provide supplier satisfaction with important suppliers in exchange relationships? Which factors induce satisfaction in these relationships? And which cause dissatisfaction? |
| | 5. Are there measures that are planned to be undertaken to become a PC of other suppliers? |
| Psy contract | 1. Have you ever had the belief that there are expectations outside of the legal contract regarding your obligations towards each other? |
| | a. (get first answer respondent) |
| | a. (Then, say definition of Rousseau) Psychological contracts are defined as "an individual's beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party." (p. 123). Meaning explicit and implicit promises made in the relationship. (Later in the interview emphasize more the implicit area of promises). |
| | b. And this is the definition which the following interview questions will be based on |
| | 2. Have you ever experienced a psychological contract breach? |
| | a. If yes, what was the effect on the relationship? |
| | b. In the case, you breached the psychological contract: How did the counterpart react? |
| | c. How was PC status influences or how did the PC status influence the reaction to a breach? |

9.2 Table 2

| | Preferred customer status | Supplier satisfaction | Literature source |
|--|---------------------------|-----------------------|---|
| Growth opportunity | X | X | (Walter, Ritter, & Gemünden, 2001, p. 368) (Huttinger, Schiele, & Schröer, 2014, p. 699) |
| Innovation potential | X | X | (Schiele, Veldman, & Hüttinger, 2011, p. 18) |
| Reliability | X | X | (Vos, Schiele, & Hüttinger, 2016, p. 4614) (Nollet, J., Rebolledo, C., & Popel, V., 2012, p. 1187) (Schiele, Hüttinger, & Veldman, 2012) |
| Support of suppliers | X | X | (Vos, Schiele, & Hüttinger, 2016, p. 4614) |
| Supplier involvement | X | X | (Vos, Schiele, & Hüttinger, 2016, p. 4614) |
| Contact accessibility | X | X | (Vos, Schiele, & Hüttinger, 2016, p. 4614) |
| Relational behavior | X | X | (Vos, Schiele, & Hüttinger, 2016, p. 4614) |
| Operative excellence | X | X | (Vos, Schiele, & Hüttinger, 2016, p. 4614) |
| Profitability | X | X | (Vos, Schiele, & Hüttinger, 2016, p. 4614) |
| Payment policy | | X | (Meena & Sharmah, 2012, p. 1238) |
| Purchasing policy | | X | (Essig & Amann, 2009, p. 105) (Meena & Sharmah, 2012, p. 1238) |
| Long term contract possibilities | | X | (Maunu, 2002, p. 30) |
| Distance | X | | (Steinle, C. & Schiele, H., 2008) |
| Cluster membership | X | | (Steinle, C. & Schiele, H., 2008) |
| Purchasing volume | X | | (Steinle, C. & Schiele, H., 2008) (Williamson O. , 1985, p. 1) (Williamson P. , 1991, pp. 79-80) (Huttinger, Schiele, & Schröer, 2014, p. 699) |
| Perceived maturity (Defined as the level of professionalism in purchasing where the purchasing stage is thus at an advanced level. (Rozemeijer, Van AJ, & Weggeman, 2003, p. 5)) | X | | (Bemelmans, Voordijk, Vos, & Dewulf, 2015, p. 183) |
| Value creation | X | | (Schiele, Hüttinger, & Veldman, 2012) |
| Loyalty | X | X | (Williamson O. , 1985, p. 1) (Williamson P. , 1991, pp. 79-80) (Schiele, Hüttinger, & Veldman, 2012) |
| Commitment | X | X | (Williamson O. , 1985, p. 1) (Williamson P. , 1991, pp. 79-80) (Schiele, Hüttinger, & Veldman, 2012) (Benton & Maloni, 2005, p. 5). (Essig & Amann, 2009, p. 104) |
| Trust | | X | (Benton & Maloni, 2005, p. 5). (Essig & Amann, 2009, p. 104) (Essig & Amann, 2009, p. 104). |

| | | | |
|----------------------------------|---|---|--|
| Primary supplier | | | (Williamson O. , 1985, p. 1) (Williamson P. , 1991, pp. 79-80) |
| Share of sales | X | | (Huttinger, Schiele, & Schröder, 2014, p. 699) |
| Conflict handling | | X | (Essig & Amann, 2009, p. 104) |
| Internal organizational strength | X | | (Steinle, C. & Schiele, H., 2008) |

9.3 Table 3

| Key words | Results in University of Twente |
|---|---------------------------------|
| Preferred customer status | 11,460 results |
| psychological contracts | 36,836 results |
| psychological contracts in supply | 3,748 results |
| antecedents psychological contracts in supply | 798 results |
| antecedents preferred customer status | 1,382 results |
| service recovery paradox | 2,273 results |
| supply chain cultures | 20,541 results |

9.4 Table 4

| | Nationality | Sex | Organization | Location | Distance | Years of collaboration | Operations |
|----|-------------|------|--------------|-----------------|----------|------------------------|-----------------|
| B1 | Dutch | Male | Buying | The Netherlands | 0Km | | Worldwide |
| B2 | Dutch | Male | Buying | The Netherlands | 0Km | | Worldwide |
| S1 | Dutch | Male | Product | The Netherlands | 10Km | 12 | The Netherlands |
| S2 | Dutch | Male | Service | The Netherlands | 110Km | 5 | Benelux+Germany |
| S3 | Dutch | Male | Service | The Netherlands | 240Km | 8 | Worldwide |

9.5 Table 5

| | interview supplier answers Gr=39 | Interview answers Gr=13 | Totals |
|-------------------------------|--|----------------------------|--------|
| o Financial | 6 | 5 | 11 |
| o Trust | 8 | 3 | 11 |
| o Long term contracts | 7 | 0 | 7 |
| o price | 4 | 2 | 6 |
| o Reliability | 6 | 0 | 6 |
| o Type of individual | 4 | 2 | 6 |
| o unintentional mistake | 2 | 2 | 4 |
| o Volume | 2 | 2 | 4 |
| o Additional services | 3 | 0 | 3 |
| o Capabilities | 3 | 0 | 3 |
| o Communication | 2 | 1 | 3 |
| o Dependability | 3 | 0 | 3 |
| o improvement of relation | 2 | 1 | 3 |
| o Intentional mistake | 2 | 1 | 3 |
| o type of material | 1 | 2 | 3 |
| o Culture | 1 | 2 | 2 |
| o Exit of relation | 2 | 0 | 2 |
| o profit | 1 | 1 | 2 |
| o alteration of relation | 0 | 1 | 1 |
| o Continuation of relation | 0 | 1 | 1 |
| o Logistics | 0 | 1 | 1 |
| o No alternative | 0 | 1 | 1 |
| o Quantity | 1 | 0 | 1 |
| o reputation | 1 | 0 | 1 |
| o Access to information | 0 | 0 | 0 |
| Totals | 61 | 28 | 88 |

9.6 Table 6

| Classification | | | | | |
|-----------------------------|----|----|----|----|----|
| Relationship | | B2 | S1 | S2 | |
| Materials | B1 | B2 | S1 | S2 | S3 |
| Collaboration possibilities | | B2 | | | S3 |
| Profit | B1 | B2 | | | |
| Volume | | B2 | | S2 | S3 |

| Benefits | | | | | |
|---------------------|--|----|----|----|----|
| Price | | B2 | S1 | S2 | |
| Attention | | | | | S3 |
| New materials | | | S1 | S2 | |
| Project involvement | | | | | S3 |

| Antecedent | | | | | |
|--|----|----|----|----|----|
| Status | | | | S2 | |
| Dependability | B1 | B2 | S1 | S2 | S3 |
| Financial stability | | | | S2 | S3 |
| Profitability | B1 | | | | |
| Trustworthy | | B2 | S1 | S2 | S3 |
| Preference big collaboration partner | | B2 | | S2 | |
| Preference small collaboration partner | | | S1 | | |

| Psychological contract | | | | | |
|------------------------|----|----|----|----|----|
| Contract | B1 | B2 | S1 | S2 | S3 |
| Trust | | B2 | S1 | S2 | S3 |

| Breach reaction | | | | | |
|---------------------|----|----|----|----|----|
| Failures can occur | B1 | B2 | S1 | S2 | S3 |
| Communication | B1 | B2 | S1 | S2 | |
| Human sympathy | | | | | S3 |
| Discontinuation | | B2 | S1 | S2 | |
| Situation depending | B1 | B2 | S1 | S2 | S3 |

9.7 Table 7

| | price | profit | quantity | reliability | reputation | trust | type of individual | type of material | unintentional mistake | volume |
|--------------------------|-------|--------|----------|-------------|------------|-------|--------------------|------------------|-----------------------|--------|
| access to information | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Additional services | 2 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 |
| Alteration of relation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Communication | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 3 |
| Continuation of relation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Culture | 1 | 1 | 0 | 0 | 0 | 0 | 3 | 1 | 1 | 0 |
| Dependability | 0 | 1 | 0 | 3 | 0 | 1 | 1 | 1 | 0 | 0 |
| Exit of relation | 0 | 1 | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 0 |
| Financial | 4 | 1 | 0 | 3 | 1 | 7 | 1 | 2 | 1 | 3 |
| Improvement of relation | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 3 | 0 |
| Intentional mistake | 0 | 1 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 0 |
| Logistics | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Long term contracts | 4 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 2 | 1 |
| No alternative | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Price | 0 | 1 | 0 | 0 | 0 | 2 | 2 | 1 | 1 | 2 |
| Profit | 1 | 0 | 0 | 0 | 0 | 4 | 1 | 1 | 0 | 1 |
| Quantity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reliability | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 0 | 0 | 0 |
| Reputation | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Trust | 2 | 4 | 0 | 2 | 1 | 0 | 3 | 2 | 0 | 2 |
| Type of individual | 2 | 1 | 0 | 1 | 0 | 3 | 0 | 1 | 2 | 1 |
| Type of material | 1 | 1 | 0 | 0 | 0 | 2 | 1 | 0 | 0 | 1 |
| Unintentional mistake | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 |
| Volume | 2 | 1 | 0 | 0 | 0 | 2 | 1 | 1 | 0 | 0 |