

Preferred Customer Status and the Influence of (Non-)Fulfillment of Psychological Contracts – a Case Study with a Multinational Oil and Gas Company

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ABSTRACT,

The concept preferred customer status received increasing attention in academic literature in recent years. If customers can satisfy their suppliers and perform better than their competitors, the supplier assigns a preferred customer status. This preferred customer status will increase the buying firm's performance and can lead to a competitive advantage. Besides the written contract, psychological contracts are present in buyer-supplier relationships. Psychological contracts are necessary for a successful inter-organizational relationship because they define the type of relationship and mutual expectations. This case study investigates the effect of psychological contracts on the preferred customer status based on a case company and five of its suppliers. Financial, innovative, qualitative, operational, and interactional benefits were identified as being awarded to preferred customers of the participating companies. Furthermore, growth potential, profitability, operative excellence, and relational behavior factors were crucial antecedents for supplier satisfaction. All participants recognized the presence of psychological contracts in buyer-supplier relationships. Moreover, the positive effects of psychological contract fulfillment on trust, commitment, supplier satisfaction, and the preferred customer status have been supported in this case study. The negative influence of psychological contract breach on trust was supported, but it was not supported on commitment. Additionally, the negative effect of psychological contract breach on supplier satisfaction and the preferred customer status was partially supported.

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Keywords

Preferred customer status, supplier satisfaction, buyer-supplier relationship, psychological contracts, trust, commitment, case study

1. INTRODUCTION

Traditionally, academic research focused on supplier attractiveness rather than on customers' attractiveness (Schiele, Calvi, & Gibbert, 2012, p. 1179). However, this perspective shifted and increased the attention concerning 'reverse marketing' (Leenders & Blenkhorn, 1988, p. 2). Oligopolistic market structures (Schiele, Ellis, Eßig, Henke, & Kull, 2015, p. 132) caused by a decreasing amount of suppliers in many business-to-business markets (Schiele et al., 2012, p. 1178), as well as events disrupting supply chains such as the tsunami in Japan in 2011 (Schiele et al., 2012, p. 1179) or the COVID-19 pandemic (Park, Kim, & Roth, 2020, p. 2), showed the importance of customer attractiveness. Moreover, buying firms are often limited in the range of possible suppliers to work with (Kull, Oke, & Dooley, 2014, p. 491). If a supplier assists the buyer firm with superior resources, then the buying firm has a preferred customer status with this supplier (Steinle & Schiele, 2008, p. 11). The preferred customer status has been shown to increase the buying firm's performance (Pulles, Schiele, Veldman, & Hüttinger, 2016, p. 129). It can lead to a competitive advantage (Hüttinger, Schiele, & Veldman, 2012, p. 1994).

In the buyer-supplier relationship, the parties involved rely on contracts in written and unwritten form (Lumineau & Malhotra, 2011, p. 532). Such unwritten contracts are often considered psychological contracts and are crucial for a successful inter-organizational relationship (Kaufmann, Esslinger, & Carter, 2018, p. 62). When buyer-supplier relationships face difficulties due to conflicts in their relationships, they often rely on such psychological contracts (Kingshott, 2006, p. 724). However, once a psychological contract is breached, it will lose trust (Kaufmann et al., 2018, p. 71). In the worst case, it will lead to a discontinuation of the relationship (Mir, Aloysius, & Eckerd, 2017, p. 4).

The concept of preferred customer status is of increasing importance in purchasing academic literature. Empirical studies such as Pulles et al. (2016, p. 137) and Vos, Schiele, and Hüttinger (2016, p. 4621) promote the added value of the preferred customer status. However, there is limited practical research conducted on a dyadic inter-organizational relationship level. Moreover, the influence of psychological contracts and psychological contract breaches on the preferred customer status received little attention in the existing literature.

Therefore, the thesis aim is to identify the antecedents of the preferred customer status of a multinational oil and gas company. Moreover, the objective is to explore the dyadic relationship between the buying firm and their suppliers, to investigate the antecedents of those relationships, and to explore the influences of psychological contracts and psychological contract breaches based on a case study.

The following research question is formulated to reflect the research objectives and will be explored in this research:

RQ: *"How are the concepts of the preferred customer status and psychological contracts affecting company X?"*

This research concept is split up into four subsequent research questions, which enable a more concrete assessment of the results.

RQ1: *"What are the antecedents of supplier satisfaction of company X?"*

RQ2: *"What are the benefits of the preferred customer status of company X?"*

RQ3: *"How are psychological contracts affecting the cycle of preferred customership?"*

RQ4: *"How is the fulfillment and breach of psychological contracts affecting supplier satisfaction and the preferred customer status of company X?"*

This study will lead to theoretical and practical contributions by answering the research questions. One proposed theoretical contribution is that the results can either confirm or disagree with the findings that were already established in previous work by Hüttinger, Schiele, and Schröder (2014); Schiele et al. (2012); Vos et al. (2016), and more. In addition, the research can potentially contribute to these findings by adding new insights based on company X. Moreover, another theoretical contribution will be that this paper will lead to new insights regarding the influence and correlation of psychological contracts and their fulfillment/breach on the preferred customer status.

The proposed practical contributions will help managers to evaluate the importance of psychological contracts and their breaches in buyer-supplier relationships. The research will draw connections between psychological contracts and the preferred customer status, which can assist managers in improving the management of their inter-organizational relationships. Furthermore, the study will examine antecedents of supplier satisfaction, which will help managers to understand which aspects are essential to consider in their relationship with the suppliers to satisfy the supplier and achieve preferential treatment.

The thesis will start with a literature review about the preferred customer status and psychological contracts. Followed by the theoretical framework, which combines both concepts and results in a research model and propositions. Next will be the methodology which explains the research design. Then, the results of the interviews are described, analyzed, and discussed. Finally, the paper will conclude with theoretical and practical implications, limitations of this research, and future research suggestions.

2. LITERATURE REVIEW

2.1 The Preferred Customer Status

2.1.1 The cycle of preferred customership: customer attractiveness, supplier satisfaction, and preferred customer status

The underlying framework used in this paper is the "cycle of preferred customership" by Schiele et al. (2012, p. 1180) (see Figure 1). This framework is based on the social exchange theory (SET) because the SET describes the relational interdependence between resource exchange partners (Schiele et al., 2012, p. 1180). As the cooperating firms rely on resource exchange, it can be used for this context of buyer-supplier relationships. The cycle of preferred customership is based on three core elements, 'customer attractiveness', 'supplier satisfaction', and 'preferred customer status' (Schiele et al., 2012, p. 1180). As seen in Figure 1, these concepts are connected cyclically with each other.

To initiate a relationship, the customer first needs to be attractive to the supplier (Mortensen, 2012, p. 1216; Schiele et al., 2012, p. 1179). Expectations that a supplier has about the future relationship with the customer will serve as the basis for the customer's attractiveness (Pulles et al., 2016, p. 137). If the supplier has a positive expectation towards a possible future relationship, the customer is attractive to the supplier (Schiele et al., 2012, p. 1180). Once entered into the relationship, the supplier will judge the exchange based on the comparison level (CI), which is the second key element of the SET (Hüttinger et al., 2014, p. 698). The supplier is satisfied when the customer meets or exceeds the supplier's expectations (Schiele et al., 2012, p. 1181). When the customer cannot meet the supplier's

expectations, the supplier will end the relationship. However, if the customer can satisfy the supplier, then the customer can reach the preferred customer status (Baxter, 2012, p. 1255). The comparison level of alternatives (CI_{ALT}) of the SET will be used to evaluate whether to assign the preferred customer status by the supplier (Hüttinger et al., 2014, p. 698). Next, the supplier will compare the benefits offered by the customer with alternative customers. If these are superior, the customer will be classified with the preferred customer status (Nollet, Rebolledo, & Popel, 2012, p. 1188; Schiele et al., 2012, p. 1181). Then, the supplier will assign the other customers with a regular customer status. Thus, the customer needs to be attractive first. Followed by satisfying the supplier once they enter a relationship. Lastly, the customer needs to offer more excellent benefits than alternative customers to attain the preferred customer status and benefit from the preferential resource allocation of the supplier (Schiele et al., 2012, p. 1181; Steinle & Schiele, 2008, p. 11).

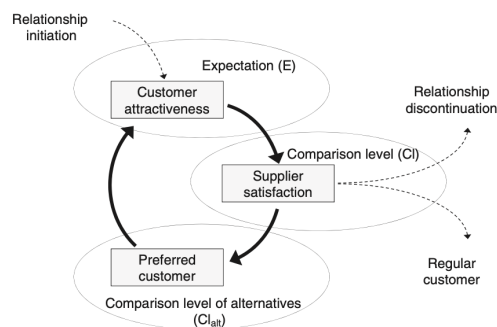


Figure 1: The Cycle of Preferred Customership (Schiele et al., 2012, p. 1180)

Studies by Pulles et al. (2016, p. 137) and Vos et al. (2016, p. 4621) empirically support that the concept of the cycle of preferred customership, customer attractiveness, supplier satisfaction, and preferred customer status positively influence a preferential resource allocation. Therefore, it is crucial to know the antecedents of these concepts to understand how to achieve the status. In this paper, the focus will be on the antecedents of supplier satisfaction because the aim is to investigate existing relationships. Customer attractiveness is seen as the crucial antecedent of entering into a relationship and accordingly, of supplier satisfaction. Thus, it will not be further investigated. Additionally, supplier satisfaction is seen as the necessary antecedent of the preferred customer status (Baxter, 2012, p. 1251; Schiele et al., 2012, p. 1180). Hence, it is considered a crucial factor in the buyer-supplier relationship. However, a supplier can often not assign a preferred customer status to each customer they are satisfied with (Hüttinger et al., 2012, p. 1200). According to the cycle of preferred customership, customers need to be better than the comparison level of other customers of the same supplier to achieve the preferred customer status. (Schiele et al., 2012, p. 1180). This paper will emphasize supplier satisfaction because the supplier's satisfaction is essential for attaining the preferred customer status.

2.1.2 Innovation potential, growth potential, profitability, operative excellence, and relational behavior as antecedents of supplier satisfaction

Supplier satisfaction is crucial for a successful buyer-supplier relationship (Hüttinger et al., 2012, p. 1198). Satisfying the supplier implies that the customer meets or exceeds the supplier's expectations (Schiele et al., 2012, p. 1180). The importance of a satisfied supplier in inter-organizational buyer-supplier relationships got first recognized by Wong (2000, p. 427). Suppliers can help their buyers to build a competitive advantage through a preferred resource allocation compared to other

customers (Pulles et al., 2016, p. 129). The supplier can assist with "resources such as ideas, capabilities and materials" (Pulles et al., 2016, p. 129), which have limited availability. Accordingly, this can lead to a strategic advantage if the buyer's competitors do not receive these resources.

Due to the importance of supplier satisfaction, it is beneficial to know how the customer can achieve this and, more specifically, what the antecedents are. Hüttinger et al. (2014, p. 718) identified growth opportunity, reliability, and relational behavior as antecedents to supplier satisfaction in their empirical study. Another research by Vos et al. (2016, p. 4621) identified profitability as an essential antecedent. Moreover, they concluded that relational behavior is only significant for customers involved in direct procurement. Furthermore, Vos et al. (2016, p. 4621) distinguished between first-tier and second-tier antecedents. First-tier antecedents directly lead to possible supplier satisfaction, while second-tier antecedents influence the first-tier antecedents. Thus, they have an indirect effect on supplier satisfaction and need to be considered as well. Profitability, growth opportunity, relational behavior, and operative excellence were identified as first-tier antecedents. Innovation potential, support, reliability, involvement, and contact accessibility were identified as second-tier antecedents (Vos et al., 2016, p. 4621). Nonetheless, Hüttinger et al. (2014) and Vos et al. (2016) were not the only ones that investigated the antecedents of supplier satisfaction. Other researchers identified further influencing factors, which are essential to consider.

Innovation potential is a necessary antecedent, as identified in several studies. Joint innovation projects, early supplier integration in new product development (NPD), and sharing the know-how with suppliers can facilitate the innovation potential of the buyer (Christiansen & Maltz, 2002, p. 191; Ellis, Henke, & Kull, 2012, p. 1265; Nollet et al., 2012, p. 1189). Financial attractiveness, the potential to grow together and the corporate reputation will influence the perception of the growth potential and, thus, the satisfaction of the supplier (Baxter, 2012, p. 1255; Hald, Cordon, & Vollmann, 2009, p. 964; Ramsay & Wagner, 2009, pp. 130, 131). Further, the profitability of the buyer is vital for the economic satisfaction of the supplier, which is also being influenced through the purchasing volume (Ramsay & Wagner, 2009, p. 130; Vos et al., 2016, p. 4621). Relational behavior of the buyer organization is another antecedent (Vos et al., 2016, p. 4621). This behavior can be promoted through mutual trust, commitment, tight personal relationships, problem solving behavior, and open information exchange (Christiansen & Maltz, 2002, p. 193; Hüttinger et al., 2014, p. 718; Nollet et al., 2012, p. 1190). Furthermore, demand stability and reliable behavior will improve the operative excellence of the buyer and satisfy the supplier (Hüttinger et al., 2014, p. 703; Ramsay & Wagner, 2009, pp. 131, 134). A synthesized overview of the antecedents of supplier satisfaction is presented in Table 1 and a detailed overview including all references in Appendix A, Table 10.

Table 1: Antecedents of Supplier Satisfaction

Innovation Potential	Growth Potential	Profitability
Joint innovation projects, R&D cooperation	Financial attractiveness	Purchasing Volume
Early supplier integration in NPD	Potential to grow together	Contribution to sales and profit of supplier
Sharing know-how	Corporate reputation	Payment terms, fast payment
	Supplier development	

Operative Excellence	Relational Behavior
Demand stability	(Mutual) Trust
Compliance	Commitment
Process management/optimization	Loyalty
Clarity of objectives/requirements	(Tight) personal (employee) relationships
Quality management	Problem-solving, joint problem-solving, evaluation of conflicts
Reliable behavior	Communication: open information exchange & quality
Contact accessibility	Cooperative culture and goals
	Support & Involvement

2.1.3 Financial, innovative, qualitative, operational, and interactional benefits of the preferred customer status

A buyer assigned with the suppliers' preferred customer status is likely to obtain a competitive advantage (Schiele et al., 2012, p. 1178). This competitive advantage will derive from the superior resource allocation through the supplier (Pulles et al., 2016, p. 129). The tie of advantage framework (Figure 2: The tie of advantage) is a novel way to visualize and categorize the customer base. In this model, the supplier classifies its customers in four different categories distinguished based on their relationship and the benefits that the customer receives.

The lowest category (Level -1) is the least valued because the customers need to pay more for the same exchange as other customers or might get less for the standard price. In Level 0, the customers need to pay a standard price and receive a standard product or service for standard conditions. Level 1 customers receive a better service or product than the other customers, but this comes at additional costs. The highest category of the tie (Level 2) will receive the best treatment. The customers do get better service than other customers, and they do not need to pay a premium. The customers situated in level 2 have the preferred customer status assigned (Schiele, 2018, pp. 70,71).

The benefits of a preferred customer can be distinguished into economic and non-economic, which can be further classified into operational, innovational, and interactional benefits. In the following section, they will be described broadly. A synthesized overview of the benefits is presented in Table 2 and a detailed overview including all references in Appendix A, Table 11.

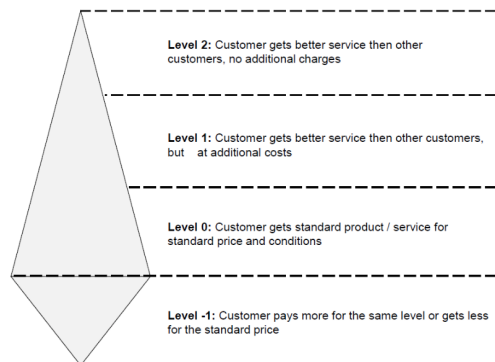


Figure 2: The Tie of Advantage (Schiele, 2018, p. 71)

Financial benefits that a preferred customer is likely to receive are cost reductions of acquisition and operational costs (Bew, 2007, p. 2; Nollet et al., 2012, p. 1187). Moreover, benevolent pricing behavior is another financial benefit, meaning that the

customer will receive the lower purchasing prices (Schiele, Veldman, & Hüttinger, 2011, pp. 15, 16). The preferred customer status also has a strong positive influence on the innovation activity of the buyer due to an early supplier involvement in new product development (Baxter, 2012, p. 1252) and through offering the buyer prioritized access to the innovations of the supplier (Bew, 2007, p. 2; Ellis et al., 2012, p. 1265). Other preferred treatment of the supplier can also result in interactional benefits through improved communication and responsiveness from the supplier (Christiansen & Maltz, 2002, p. 188; Nollet et al., 2012). Moreover, it will also benefit the buyer if the supplier dedicates the best personnel for the exchange partnership (Schiele et al., 2012, p. 1178). Operational benefits are being established through preferred access to resources (Bew, 2007, pp. 1, 2; Schiele et al., 2012, p. 1178; Steinle & Schiele, 2008, p. 11), reliable deliveries (Nollet et al., 2012, p. 1187), and decreased cycle as well as lead times of the deliveries (Christiansen & Maltz, 2002, p. 182; Ulaga, 2003, p. 685).

Table 2: Benefits of the Preferred Customer Status

Financial	Innovative & Qualitative	Operational	Interactional
Cost reduction (acquisition and operational costs)	Supplier involvement in NPD	Preferred resource allocation	Improved communication, responsiveness, and support
Benevolent pricing behavior	Supplier willingness to engage in joint projects	Decreased lead and cycle time	Offering best personnel
	First access to supplier's innovations	Delivery performance (reliability and flexibility)	Commitment, trust and knowledge sharing
	Product quality		

After the concept of preferred customer status, the cycle of preferred customership, the antecedents of supplier satisfaction, and the benefits of the preferred customer status were elaborated, the topic of psychological contracts and psychological contract breaches will be explored in the following.

2.2 Psychological Contracts and Psychological Contract Breaches

2.2.1 Psychological contracts include expectations about reciprocal promises and obligations

In the 1960s, Schein (1965) introduced the term psychological contract. Until today the concept of psychological contracts received considerable interest in academic research, especially to understand employee-employer relationships (Akhtar, Bal, & Long, 2016, p. 536; Botha & Steyn, 2020, p. 1; Kiewitz, Restubog, Zagenczyk, & Hochwarter, 2009, p. 807). However, researchers recently started to recognize the importance of the framework for inter-organizational relationships between buyer and supplier firms as well (Camén, Gottfridsson, & Rundh, 2012, p. 219; Guo, Gruen, & Tang, 2017, p. 371; Johnson & Sohi, 2016, p. 202; Kaufmann et al., 2018, p. 63; Mir et al., 2017, p. 4).

Definitions. In the existing literature, there are several different definitions of psychological contracts existent. The most commonly cited one refers to Rousseau (1989). She defines a psychological contract as "an individual's beliefs regarding the terms and condition of a reciprocal exchange agreement between

that focal person and another party. Key issues here include the belief that a promise has been made and a consideration offered in exchange for it, binding the parties to some set of reciprocal obligations” (Rousseau, 1989, p. 123). In addition, Rousseau (1995, p. 5) defined a psychological contract as terms and conditions of the mutual exchange relationship. Another definition was provided by Morrison and Robinson (1997, p. 228), who defined psychological contracts as a “set of beliefs about what each party is entitled to receive, and obligate to give, in exchange for another party’s contributions”. Finally, in the immediate context of employee-employer relationships, Berman and West (2003, p. 269) defined psychological contracts as “an understanding between an employee and his or her immediate supervisor with the purpose of increasing role clarity and commitment” based on Niehoff and Paul (2001, p. 6) and Rousseau (1996, p. 50). All of those definitions refer in one way or another to the definition by Rousseau (1989, p. 123). However, other definitions were explored due to new organizational forms, which feature triangular and nonstandard relationships (Alcover, Rico, Turnley, & Bolino, 2017, p. 8). For example, Claes (2005, p. 132) classified a psychological contract “as including perceptions of all parties and all aspects constituting the reciprocal promises implied in the employment relationship”. This paper will be based on Rousseau’s (1989, p. 123) definition because the goal is to examine the relationship between two exchange partners on an inter-organizational level and does not reflect new forms of relationships.

An overview of different definitions of psychological contracts is presented in Appendix B, Table 12.

2.2.2 Psychological contracts are frequently present in buyer-supplier relationships

Buyers and suppliers in a business-to-business setting rely on contracts to deal with issues arising in such relationships (A. Eckerd & Girth, 2017, p. 61; Lumineau & Henderson, 2012, p. 382). Next to written contracts, unwritten contracts, in the form of social, relational, and psychological contracts, are often relayed on by the exchange partners of firms (Handley & Benton, 2009, p. 356; Lumineau & Malhotra, 2011, p. 532). In inter-organizational exchange relationships, direct interaction is regularly carried out by individuals, such as purchasing or sales managers. These individuals often form an idiosyncratic interpretation of the exchange obligations, including a psychological element into buyer-supplier relationships (S. Eckerd, Hill, Boyer, Donohue, & Ward, 2013, p. 567).

2.2.3 Psychological contracts can be categorized as relational, transactional, balanced, and transitional

It is possible to distinguish between different types of psychological contracts. Rousseau (1989, p. 137; 1990, pp. 390, 391) initially defined two types of psychological contracts. Relational psychological contracts, usually long-term, involve economic and non-economic aspects, and transactional psychological contracts, usually short-term, are based on economic indicators and have clear boundaries (Rousseau, 1989, p. 137; 1990, pp. 390, 391). Later, balanced psychological contracts were added, which are long-term as relational psychological contracts, but are associated with clear boundaries and expectations, such as in transactional psychological contracts (Alcover et al., 2017, p. 7; Hui, Lee, & Rousseau, 2004, p. 312). The fourth type added is classified as a transitional arrangement, usually when the relationship is ending, transitioning, or not defined. These arrangements are typically only present for a short time frame, and trust or commitment is not present (Hui et al., 2004, p. 312). An overview of the different types of psychological contracts is presented in Appendix B, Table 13.

2.2.4 Psychological contracts define the type of relationship, mutual expectations and serve as a gap-filling mechanism

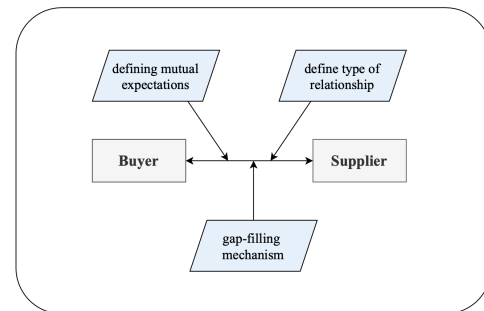


Figure 3: Key Functions of Psychological Contracts

According to Hiltrop (1995, p. 287), psychological contracts serve two key functions. The first one is that they define the type of relationship between the parties involved. The second one is that they define the mutual expectations between the parties, which are responsible for shaping the behavior towards the other party (Hiltrop, 1995, p. 287). Psychological contracts are further responsible for either helping to “fill the gap” when the legal contract is incomplete or will lead to individual interpretations, which can differ depending on the individual, of a well-elaborated legal contract (S. Eckerd et al., 2013, p. 568; Mir et al., 2017, p. 4). This “gap” is also the reason why there is a need for psychological contracts because formal contracts and regulations are often not described in sufficient detail and require interpretation (Berman & West, 2003, p. 270). Furthermore, psychological contracts are crucial for clarifying expectations, addressing ambiguity, and defining obligations, which can be either implicit or explicit (Berman & West, 2003, p. 267; Robinson & Rousseau, 1994, p. 246). However, these obligations do not need to be unanimously accepted or agreed on by both parties and, thus, they only reflect the individual’s subjective interpretation of the obligations (Ng, Feldman, & Lam, 2010, p. 749; Robinson & Rousseau, 1994, p. 246). Figure 3 shows the key functions of psychological contracts influencing the inter-organizational buyer-seller relationship.

2.2.5 Reciprocity, promises, and trusts are key concepts of psychological contracts

The psychological contract is fulfilled for one party when it perceives that the other exchange partner satisfied the obligations and expectations (Birtch, Chiang, & Van Esch, 2016, p. 1219). Therefore, the psychological contract will benefit both parties due to the concept of reciprocity (Shore & Tetrick, 1994, p. 93). Psychological contracts are based on the concept of reciprocity because one party expects that they will receive certain benefits from the other party, and they need to contribute something in return to the other party (Dabos & Rousseau, 2004, p. 67; Parzefall, 2008, p. 1712). Reciprocity can be positive and negative, which means that it can be positive if the other party fulfills their obligations and, thus, you will fulfill yours as well. However, negative reciprocity means that the party will not fulfill its obligations if the other party is not doing so either (Alcover et al., 2017, p. 7).

Furthermore, promises and trust are critical aspects of psychological contracts (Rousseau, 1989, p. 128; 2001, p. 512). The promises involved do not need to be made explicit (Montes & Zweig, 2009, p. 1244) and are defined as “communication of a commitment to a future course of action” (Rousseau & McLean Parks, 1993, p. 6). Accordingly, the promises reflect the strong psychological bonds present in the relationships (Anderson & Schalk, 1998, p. 640) because they show the intentions of a

continuation of the relationship (Morrison & Robinson, 1997, p. 228). Trust, as the other key component, means that the parties trust each other and expect that they will fulfill their obligations and the other party's expectations (Kingshott, 2006, p. 727).

2.2.6 Not fulfilling the obligations of a psychological contract will lead to a breach

A psychological contract breach means that the subjective terms of the idiosyncratic psychological contract were broken (Suazo, 2011, p. 190). The definition by Morrison and Robinson (1997, p. 230) was explored to be used most often in academic literature (Botha & Steyn, 2020, p. 5). Morrison and Robinson (1997, p. 230) refer to a psychological contract breach as "the cognition that one's organization has failed to meet one or more obligations within one's psychological contract". Even though psychological contracts are not legally binding, when they are breached, they can lead to the same negative consequences as associated with breached legal contracts (Zhao, Wayne, Glibkowski, & Bravo, 2007, p. 667). Breaches will have negative consequences for both parties involved and threaten the discontinuation of the relationship (Mir et al., 2017, p. 4; Turnley & Feldman, 1999, p. 917). Through the reciprocity component of psychological contracts, the party who breached the contract in the eyes of the other party will also have to deal with negative consequences (Azeem, Bajwa, Shahzad, & Aslam, 2020, p. 1219; Estreder, Tomás, Ramos, & Gracia, 2021, p. 4).

2.2.7 Effects of psychological contract fulfillment and breach on relationships

Several studies investigated the effect of psychological contracts and their breaches in intra- and inter-organizational contexts on an empirical level. The most important empirical findings are presented in Table 3 and a more detailed overview including references in Appendix B, Table 14

Table 3: Empirical Effects of Psychological Contract Breach and Fulfillment

Intra-Organizational Context	
Psychological Contract Fulfillment	Increases loyalty
Psychological Contract Breach	Increases intentions to quit
	Decreases trust
	Decreases commitment
	Decreases work engagement and leads to negative job attitudes
	Decreases job satisfaction
Inter-Organizational Context	
Psychological Contract Fulfillment	Increases trust
	Increases commitment
Psychological Contract Breach	Leads to relationship dissolution
	Negatively influences ordering behavior
	Decreases trust

Intra-Organizational Effects. In intra-organizational research, empirical findings confirm that the expectations must be fulfilled concerning the behavior and performance (Flood, Turner, Ramamoorthy, & Pearson, 2001, p. 1164). Researchers confirmed through studies that a high fulfillment of psychological contract would increase loyalty (Akhtar et al., 2016, p. 536; Turnley & Feldman, 1998, p. 77; 1999, p. 917; 2000, p. 38). Moreover, it was found that psychological contract breaches are negatively related to commitment (Lester, Turnley, Bloodgood, & Bolino, 2002, p. 49; Raja, Johns, & Ntalianis, 2004, p. 359), work engagement (J. Akkermans, Bal, & De Jong, 2019, p. 7), and negative job attitudes (Zhao et al., 2007, p. 667).

Psychological contract breaches also have shown to lead to an increased intention to quit and employee turnovers (Akhtar et al., 2016, p. 536; J. Akkermans et al., 2019, p. 9; Raja et al., 2004, p. 359; Zhao et al., 2007, p. 662).

Inter-Organizational Effects. Empirical findings in inter-organizational and buyer-supplier research imply that psychological contracts in the case of breaches will lead to trust losses (H. Akkermans & Van Wassenhove, 2018, p. 65; Kaufmann et al., 2018, pp. 71, 73; Tomprou, Rousseau, & Hansen, 2015, p. 573). Furthermore, Kingshott (2006, p. 730) and Kingshott and Pecotich (2007, p. 1062) showed that psychological contracts increase the level of trust in buyer-supplier relationships. Moreover, psychological contracts were positively related to relational commitment (Kingshott, 2006, p. 730; Kingshott & Pecotich, 2007, p. 1062). In addition, breaches negatively influence the continuation of the relationship (Mir et al., 2017, pp. 10, 14) and ordering behavior (S. Eckerd et al., 2013, p. 574).

Based on the elaborating literature and empirical findings of psychological contracts and the preferred customer status, a research model got developed, which is explained in the next section.

3. THEORETICAL FRAMEWORK

The following research model (Figure 4) was developed to explore the influence of psychological contracts on the cycle of preferred customership by Schiele et al. (2012, p. 1180). The psychological contract is added in the middle of the cycle because it influences a buyer-supplier relationship throughout every stage. One function of psychological contracts is to define the mutual expectations involved in the relationship (Hiltrop, 1995, p. 287). Thus, psychological contracts are significantly influencing the *customer attraction* stage, which is formed based on expectations. Further, these expectations are reflected throughout each stage of the cycle as expectations are inevitable in any relationship.

The other function is that psychological contracts define the type of relationship reflected through the elements involved and the type of psychological contract. Transactional, relational, and balanced psychological contracts can be present throughout the cycle of preferred customership. If the customer cannot satisfy the supplier and the relationship will not be continued, there will be a transitional psychological contract present. However, the relationship discontinuation is not further examined in this research because the focus is on existing relationships, satisfying the supplier, and attaining the preferred customer status. This research aims to examine the influence of the expectations underlying the psychological contracts and how the breach and fulfillment influence supplier satisfaction. This model proposes six propositions, which are expected to show during the case study of this research paper.

The first proposition is stating the influencing effect of psychological contracts on the cycle of preferred customership. Existing research of psychological contracts showed that psychological contract fulfillment would increase the likelihood of relationship continuation (Akhtar et al., 2016, p. 536; Turnley & Feldman, 1998, p. 77; 1999, p. 917; 2000, p. 38; Withey & Cooper, 1989, pp. 537, 538). In contrast, breaches will increase the likelihood of relationship discontinuation (Akhtar et al., 2016, p. 536; J. Akkermans et al., 2019, p. 9; Mir et al., 2017, pp. 10, 14; Suazo, Turnley, & Mai, 2005, p. 30). Therefore, it is likely that it will impact the model of the preferred customer status, including customer attractiveness, supplier satisfaction, and the preferred customer status since this model predicts whether the relationship will be continued as a regular customer,

as a preferred customer or the relationship will not continue in the future (Schiele et al., 2012, p. 1180).

P1: Psychological contracts influence expectations and comparison levels in the stages of the cycle of preferred customership in buyer-supplier relationships.

Satisfaction is defined as “an effective state of result that evaluates the performance in the relationship as compared to expected performance” (Mungra & Yadav, 2019, p. 220; based on Wilson, 1995). This performance evaluation includes tangible and intangible aspects within the inter-organizational relationship between a buyer and supplier (Geyskens, Steenkamp, & Kumar, 1999, p. 234; Parsons, 2002, p. 10). A psychological contract is fulfilled when one party can live up to the other party’s expectations (Birtch et al., 2016, p. 1219). Accordingly, the definitions of satisfaction and fulfillment are similar. Both concepts deal with the fulfillment of expectations. However, it is essential to distinguish them because they are two different concepts. Supplier satisfaction deals with fulfilling the supplier’s expectations and includes tangible & intangible, written & unwritten aspects. Psychological contracts, on the other side, only include the unwritten and not explicitly mentioned expectations. Moreover, reciprocity is one underlying concept of psychological contracts, and as such, psychological contracts are focusing on the exchange agreement of obligations. This reciprocity includes that the first party will fulfill the expectations of the second party when the second party is fulfilling the expectations of the first party.

Several studies in an intra-organizational context have shown that psychological contract breach will decrease job satisfaction (Raja et al., 2004, p. 359; Suazo et al., 2005, p. 30; Turnley & Feldman, 1999, p. 908; Zhao et al., 2007, p. 662). This means that the employee who delivers work for his employer is being paid by the company is not satisfied with this relationship. A supplier is delivering work for the buyer and is paid by the buyer. Due to this similarity and the fact that psychological contracts focus on fulfilling unwritten expectations, which is part of the supplier’s satisfaction, it is likely that the fulfillment will increase satisfaction and that a breach will decrease satisfaction. Therefore, the following two propositions are:

P2a: Psychological contract fulfillment will positively influence supplier satisfaction.

P2b: Psychological contract breach will negatively influence supplier satisfaction.

Trust and commitment are two concepts that are essential for successful inter-organizational relationships. Scientific psychological contract literature has shown that the (non-) fulfillment has a strong influence on trust and commitment in such relationships (H. Akkermans & Van Wassenhove, 2018, p. 65; Kaufmann et al., 2018, pp. 71, 73; Tomprou et al., 2015, p. 573). Skarmeas, Katsikeas, Spyropoulou, and Salehi-Sangari (2008, p. 25) state that it is not possible to create a long-term relationship without trust and commitment. Moreover, trust and commitment were also identified as fundamental antecedents of supplier satisfaction and, accordingly, the preferred customer status (Hüttinger et al., 2014, p. 718; Vos et al., 2016, p. 4621). Therefore, trust and commitment might act as mediating variables. MacKinnon and Luecken (2011, p. 538) defined mediation “as a relation such that an independent variable causes a mediating variable, which then causes a dependent variable”.

Trust is crucial for overcoming conflicts and ambiguity in relationships (Mungra & Yadav, 2019, p. 221). Commitment reflects the long-term interest of the relationship with the exchange partner (Morgan & Hunt, 1994, p. 23). The fulfillment of psychological contracts means that the exchange partner fulfilled their obligations to the other party’s expectations (Akhtar et al., 2016, p. 541; Birtch et al., 2016, p. 1219). Thus, trust is strengthened because the party proved reliability. Further, commitment is increased because of the reciprocity aspect of psychological contracts. If one party fulfills its obligations, the other party will also fulfill its obligations (Dabos & Rousseau, 2004, p. 67; Parzefall, 2008, p. 1712). However, when a psychological contract is breached, trust and commitment will be negatively affected. Trust will be reduced because one party will have a decreased belief that the other party is reliable if they cannot fulfill the obligations. Commitment is decreased due to negative reciprocity. Moreover, several empirical studies have shown the effect of fulfillment and breach on trust and commitment in an intra- and inter-organizational context. The overview of the empirical findings is presented in Appendix B, Table 14. Furthermore, several studies demonstrated that relational behavior is an antecedent of supplier satisfaction (Hüttinger et al., 2014, p. 718; Vos et al., 2016, p. 4621). An overview of more studies showing the positive influence of trust and commitment on supplier satisfaction is presented in Appendix A, Table 10. Due to a large amount of empirical evidence, trust and commitment influencing satisfaction are not mentioned as propositions.

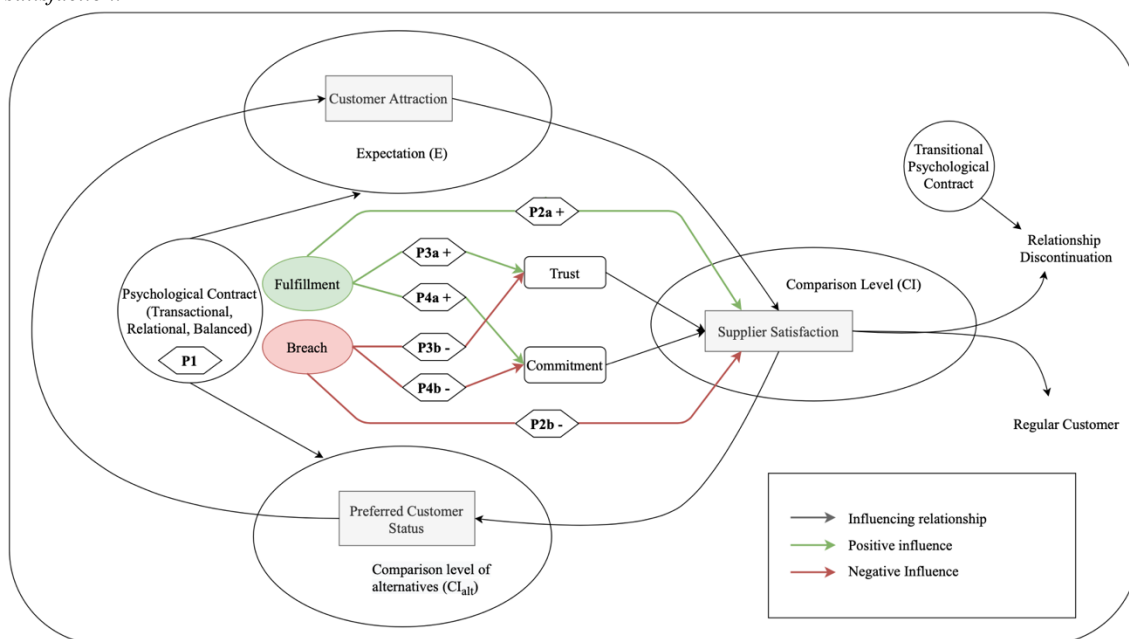


Figure 4: Research Model

P3a: Psychological contract fulfillment will positively influence trust.

P3b: Psychological contract breach will negatively influence trust.

P4a: Psychological contract fulfillment will positively influence commitment.

P4b: Psychological contract breach will negatively influence commitment.

4. METHODOLOGY

4.1 Qualitative research design to explore feelings, motivations, opinions, and reasons of participants

To answer the research question and to contribute to existing literature, a qualitative research design is used. This provides explanatory insights and helps to obtain insights into feelings, motivations, opinions, and reasons (Almalki, 2016, p. 291). A case study is chosen to investigate the dyadic relationship and analyze buyers' and suppliers' relationships. Primary data is collected in this case study in the form of interviews. Thus, it will enable insights into the existing dynamics in this specific context (Eisenhardt, 1989, p. 543). However, the results of the interviews are limited in their generalizability due to the small sample size (Rahman, 2017, p. 105). In comparison, quantitative methods, such as surveys, would offer generalizable and quantitative measurable results (Rahman, 2017, p. 105). Nonetheless, a quantitative research design would not offer the exploratory insights that qualitative methods offer by providing explanations and motivations, which are necessary because the exploration of psychological contracts with the preferred customer status has not been done before (Mack, Woodson, Macqueen, Guest, & Namey, 2005).

Moreover, this study is based on theories of existing literature. For the literature review part of this study, academic literature was examined. Literature search overview tables, which contain the keyword search, are in Appendix D, Tables 15 & 16.

For the purpose of this study, participants from both buyer and supplier side were selected under specific criteria. The criteria were for the buyers that they needed to work in the purchasing department of the case company (X) and need to be in direct interaction with contact persons of suppliers. The interviewees of the suppliers needed to be contact persons of the corresponding supplier of company X. The buyers were selected based on their willingness to participate. Once the buyers were selected, they contacted suppliers, believing they assigned them a preferred customer status. In the case that they were willing to participate, they were contacted.

The sample consisted of male and female participants, and each of them has several years of working experience in their field. Three buyers of company X were interviewed. Buyer P1 identified three suppliers willing to participate, two from Germany (S1A, S1B) and one from Spain (S1C). Buyers P2 and P3 each identified one supplier from Germany (S2 & S3). Overviews of the interviewees and participating companies are presented in Table 4 & 5. A more detailed description is given in Appendix E.

Table 4: Overview Interviewees

Buyer	Supplier
P1	S1A, S1B, S1C
P2	S2
P3	S3

Table 5: Participating Company Characteristics

Company	Country	Industry/Sector	Interviewee
Company X	Multinational (/Germany)	Oil and Gas	P1, P2, P3
Supplier 1A	Germany	Apparatus Construction	S1A
Supplier 1B	Germany	Apparatus Construction	S1B
Supplier 1C	Spain	Large Manufactured Equipment (/Service for Refineries)	S1C
Supplier 2	Multinational (/Germany)	Service provider for recycling, waste and water	S2
Supplier 3	Germany	Steel construction (/environmental services)	S3

4.2 Semi-structured interviews to explore the concepts of the preferred customer status and psychological contracts

The interviews were conducted as semi-structured interviews because this offers flexibility for further explanations of the interview while providing structural guidance for the interviewer (Gill, Stewart, Treasure, & Chadwick, 2008, p. 292). A semi-structured interview guide is used to ensure a consistent internal structure throughout the interviews. Two interview guides were developed, one for the buyers and one for suppliers, which are similar but slightly different depending on the position in the buyer-supplier relationship. The guides are presented in Appendix C. Previous preferred customer thesis circles developed the first three categories of the guide at the University of Twente. The psychological contract category was developed in cooperation with the circle members of the BSc IBA preferred customer circle 2021. Further, the last questions were added to account for the research model developed in this study. For the German participants, the guide was translated into German. The interview with the Spanish supplier was conducted with the original guide in English.

At the beginning of the interviews, the voluntary, informed consent of the research participants that they agree with the anonymous use of their statements throughout the interview was recorded. This and further measures of anonymization were performed to comply with GDPR guidelines.

The interviews were conducted in a one-on-one setting using an online communication tool in May and early June 2021. Further, the interviews were audio-recorded to cite the statements of the interviewees accurately. Later, the interviews were transcribed with the online tool 'Amberscript' and manually checked and improved. Furthermore, the names of the participants are not mentioned, but instead, the buyers are referred to as P1, P2, P3, and the suppliers as S1A, S1B, S1C, S2, and S3 to ensure the subject's anonymity and confidentiality.

Further, a within-case analysis followed by a cross-case comparison was conducted to gain a deeper understanding and analyze the results as proposed by Eisenhardt (1989, pp. 539, 541). First, the results of the interviews were reviewed and then summarized in one document. Next, the cases were analyzed based on a cross-case comparison. This cross-case comparison was based on the semi-structured interview guide, which offered the optimal condition for comparing the different interviews (Yin, 1994, p. 165). The first step of the cross-case analysis was

to compare the results of the buyers with the results of the dedicated suppliers to investigate similarities and differences between their answers. Then, the second step was to compare the answers of all buyers and suppliers to identify broad patterns. Thus, the cross-case analysis helps to reduce the information processing bias and improves internal validity (Eisenhardt, 1989, p. 541).

The following section is presenting the analyzed findings. It will start with the benefits of the preferred customer status, followed by the antecedents of supplier satisfaction, the preferred customer status, and, lastly, psychological contracts.

5. RESULTS

Detailed descriptions of the results of the interviews regarding benefits of the preferred customer status, antecedents of supplier satisfaction, the preferred customer status, and psychological contracts are presented in Appendix F. This result section presents a synthesis of the results and expresses the most important findings.

5.1 Preferred customers receive financial, innovative, qualitative, operational, and interactional benefits

All buyers and suppliers identified benefits, which a preferred customer receives, and regular customers do not receive. The benefits can be categorized as financial, innovative & qualitative, operational, and interactional.

Financial Benefits. P1 identified cost benefits through joint problem solving, in which costs are shared with the supplier. Moreover, P1 argued that open book calculations are very fair. However, none of the suppliers mentioned that any financial benefits are present. P2 also stated that they perceive that the suppliers are often offering better price tables. S2 did not state to provide any financial benefits. S3 explained that, especially regarding receiving a sample offer, they are also very eager to pricing. P3 does not reflect this because their relationship is established for a long time already.

Innovative & Qualitative Benefits. With suppliers, P1 recognizes joint problem solving and know-how sharing in different stages as another benefit, while none of the suppliers is supporting this. Improved access to technologies and innovation is recognized as another benefit by buyers P1 and P2. S1A also mentioned this as a benefit as their preferred customers are the first to access new technologies. Further, S1B reported that the only direct benefit their preferred customers receive is a better service. However, it is crucial to mention that this is the case because their preferred customers are always large customers, which also request a better quality of their services. P3 also states to recognize excellent quality. Moreover, another significant benefit for P1 is that such a supplier is very familiar with factory standards that it happened that they recognize mistakes in specifications and tell the customer. This helps company X a lot because fulfilling their standards is crucial for the refinery's safety.

Operational Benefits. P1 recognized that the initiating periods are shorter in the beginning as an operational benefit. This is the case because the commercial terms of the contract are fixed, and they only need to discuss the technical specifications, prices, and deadlines. Further, S1A and S1B mentioned that their preferred customers receive preferential treatment for inquiries and in the offering phase when their capacities are limited. For S1B, this is the only benefit preferred customers receive because they treat all customers equally. Also, buyers P1 and P2 recognize that their suppliers always try to meet the critical deadlines of the refinery, which sometimes means that they will be flexible and start with

their production even though the contract might not be fixed. Only S3 supports this benefit as it is mentioned that they provide their preferred customers increased flexibility. Moreover, P1 experienced that in case of important orders and deadlines, the suppliers can make it possible that the lead times are sometimes shorter than generally to a certain extent. Also, P2 recognized faster order processing with specific suppliers.

Interactional Benefits. P1 identified improved communication, responsiveness, and support as interactional benefits, which S1A supports. S1A provides their preferred customers faster service, goodwill support, better accessibility, and responsiveness. Further, S1A mentioned that trust and cooperation are strengthened with such customers. Also, P2 recognizes several interactional benefits, such as being served faster and better accessibility. An increased communication, fast responsiveness, increased number of visits, and the provision of more supportive services are identified by S2. For P3, there is a better support and service quality present, while S3 mentions a faster exchange of information, which can be a part of the better service mentioned by P3.

The participants identified benefits that a customer receives once the preferred customer status is attained. An overview of the benefits is presented in Table 6. One necessary condition to attain the preferred customer status is supplier satisfaction. In the following section, the antecedents of supplier satisfaction will be elaborated.

Table 6: Results - Benefits of the Preferred Customer Status

Financial Benefits	
Sharing costs for problem-solving	P1
Open calculations	P1
Better price tables	P2
Better pricing for sample orders	S3
Innovative & Qualitative Benefits	
Joint problem-solving	P1
Know-how involvement of suppliers	P1
Earlier (/first) access to new technologies and innovations	P1, S1A
Suppliers can point out mistakes in specifications	P1
Access to better technologies	P2
Better quality	P3, S1C
Operational Benefits	
Shorter initiating periods	P1
Flexible delivery performance	P1, P2
Shorter lead times	P1
Faster order processing	P2
Preferential treatment for inquiries & in the offering phase	S1A, S1B
Increased flexibility	S3
Interactional Benefits	
Communication	P1, S2
Faster responsiveness & service	P1, P2, P3, S1A, S2
Improved support	P1, P3
Knowledge-sharing	P1
Being served faster	P2
Trust & Cooperation	P2, S1A
Accessibility	P2, S1A
Goodwill support for services, providing more supporting services,	S1A, S2
Increased visits	S2
Faster exchange of information	S3

5.2 Antecedents of supplier satisfaction are growth potential, profitability, operative excellence, and relational behavior

Supplier satisfaction was mentioned as an essential aspect in a buyer-supplier relationship by P1. S1A, S1B, and S1C are all satisfied with the relationship with company X. S1A is satisfied when there are permanent sales. Moreover, it is mentioned by P1 and S1A that payment terms can lead to dissatisfaction of the supplier. P1 and S1C identified that the process management by the customer could lead to dissatisfaction if not adequately planned and communicated with the supplier. P1 mentioned the specification of the scope as a factor leading to dissatisfaction. The personal relationships between the contact persons are the reason for S1B, S1C, and P1. Also, joint problem-solving increases the suppliers' satisfaction, as mentioned by P1, S1A, and S1C. The communication between a buyer and supplier is responsible for the satisfaction or dissatisfaction of P1, S1A, and S1C. Further, a general cooperative attitude of customers is increasing the satisfaction of S1A, and support of customers is mentioned by S1A and S1C. In general, relational behavior is an important aspect that leads to (dis-)satisfaction by P1, S1A, S1B, and S1C.

P2 believes that company X can satisfy suppliers, which S2 also supports. According to P2, profitability aspects, such as contribution to profit and payment terms, are essential for suppliers' (dis-)satisfaction. However, by S2, these aspects are not mentioned. Also, compliance with problems is mentioned by P2, but not by S2. For S2, relational behavior is crucial for their satisfaction, which is recognized by P2 as well. Trust and loyalty are identified by S2, but not P2. Both P2 and S2 mention personal relationships, problem-solving behavior, and communication to be crucial factors for the (dis-) satisfaction of the supplier.

P3 argues that the suppliers are satisfied because they can use company X as a reference and advertising. After all, company X is known for their excellent work and high requirements. For S3, the profitability aspect of a customer is crucial for satisfaction. Especially the purchasing volume and contribution to the profit are essential for S3. However, P3 does not mention factors regarding the profitability of the customer. S3 is getting dissatisfied with a relationship because of often changing contact persons. Further, the clarity of specifications is often not given, leading to dissatisfaction, according to S3. For P3, their suppliers are also satisfied because suppliers can use their location to have a container village there with workers, enabling them to serve other customers nearby very efficiently. Further, the systemic relevance of company X is given, which makes it safer for suppliers in crises such as the COVID-19 pandemic.

Table 7 presents an overview of all antecedents of supplier satisfaction mentioned by the interviewees. The following section elaborates how company X achieved the preferred customer status, how a customer, in general, can achieve the preferred customer status, what company X could improve, and what measures company X is planning for the future with other suppliers.

Table 7: Results - Antecedents of Supplier Satisfaction*

Innovation Potential	
Growth Potential	
Company's reputation	<u>P3</u>
Profitability	
Payment terms	<u>P1, S1A, P2</u>
Receive inquiries	<u>S1A</u>

Purchasing volume, sales, and profit	<u>S1A, P2, S3</u>
Operative Excellence	
Specification of requirements	<u>P1</u>
Permanent sales	<u>S1A</u>
Reliable planning & behavior	<u>S1C</u>
Compliance with treaties	<u>P2</u>
Negative (one-sided) contracts	<u>P2</u>
Amount of documentation requirements	<u>S3</u>
Relational Behavior	
Personal relationship	<u>P1, S1B, S1C, P2, S2, S3</u>
(Joint) Problem-solving behavior	<u>P1, S1A, S1C</u>
Intensive communication	<u>P1, S1B, S1C, P2, S2</u>
Cooperation (partnership-based)	<u>S1A, S2</u>
Fairness	<u>S1A, S1C, S3</u>
Help of the customer, availability of support	<u>S1A, S1C, P2</u>
Customer is listening to them	<u>S1C</u>
Respect	<u>P2</u>
Trust	<u>S2</u>
Honesty	<u>S2</u>
Providing feedback	<u>S2</u>
Other	
Container Village	<u>P3</u>
Systemically relevant & safe	<u>P3</u>

* Satisfaction, Dissatisfaction

5.3 The Preferred Customer Status

Antecedents of the Preferred Customer Status of Company X. Buyer P1 has mainly made supplier reductions to improve the status and relationship with suppliers. This allows the buyer to pay more attention to each supplier. The relationship is also reflected by the suppliers' answers to their motivations for assigning company X the preferred customer status. Next to the turnover and wish to expand, the behavior in the relationship in case of a problem is a motivation for S1A to assign them the preferred customer status. For S1B, the many years of cooperation, in which they grew together, and the effort of the customer to keep a good relationship, is essential. Further, for S1C the easy cooperation and effort in the relationship are crucial. Also, for P2, an excellent relationship with suppliers is very important, establishing open communication. However, for S2, the primary motivation is that they provide many services to the customer and, thus, the customer's satisfaction is crucial. Nonetheless, S2 mentioned that open communication is crucial for a company to become one of their preferred customers. This is reflecting the effort of P2. Buyer P3 mentions that communication and personal interaction is influencing the relationship. However, at the same time, the buyer is trying to enhance competition to increase the flexibility and performance of suppliers. Further, for S3, the reason to assign a preferred customer status is the potential of company X and that they would like to expand the business with other locations further.

Measures to achieve the Preferred Customer Status. For S1A, it is essential that customers who want to achieve a preferred customer status distribute orders regularly and only concentrate on a few suppliers. Further, a partnership alike behavior, intensive communication, openness, fairness, and transparency are crucial in the relationship for S1A. Likewise, S1B stresses

that cooperation, personal relationships, and conversations are fundamental elements to establish preferred customer relationships. Also, for S2, the expansion of cooperation and open communication is crucial. However, for S3 paying on time and having clear and reasonable specifications is necessary to achieve a preferred customer status.

Improvements for Company X. In general, all suppliers mention being satisfied with company X's relationship. However, there were a few aspects, which company X could improve. For S1A, there could be more communication at the moment. Supplier S1B also mentions that they could improve their internal communication. Further, S1C and S2 would like to receive more feedback from all their customers in general. Finally, for S3, company X could improve two aspects. One is to pay more, relates to all their customers, and second, that they could value their innovations more.

Table 8: Results - the Preferred Customer Status

Antecedents of the Preferred Customer Status of Company X & in General	
Supplier Segmentation & Reduction	<u>P1, S1A</u>
Supplier Satisfaction	<u>P1</u>
Personal relationship (based on trust)	<u>P2, P3, S1B</u>
Open communication	<u>P2, P3, S1B</u>
(Regular) Sales & Profit	<u>S1A, S1A</u>
Maintain and expand the relationship	<u>S1A, S3</u>
Problem-solving behavior	<u>S1A, S1B</u>
Long-term relationship	<u>S1B</u>
Cooperation	<u>S1C, S2</u>
Interlinked with a range of services provided	<u>S2</u>
Trust	<u>S1A</u>
Communication (openness, fairness, transparency)	<u>S1A, S1B</u>
Partnership alike behavior	<u>S1A</u>
Providing feedback	<u>S2</u>
Paying on time	<u>S3</u>
Reasonable specifications and requirements	<u>S3</u>
Improvements for Company X	
More communication	<u>S1A</u>
Improving internal communication	<u>S1B</u>
Providing more feedback	<u>S1C, S2</u>
Pay more	<u>S3</u>
Value innovations more	<u>S3</u>

Future Measures with other Suppliers. P1 is, on the one hand, trying to make supplier reeducations and receive a more strategic position with specific customers. On the other hand, P1 states that diversity and variance of suppliers are necessary to increase competition and do not rely too much on one single supplier. P2 believes that long-term contracts and improved payment terms can help to achieve a better status. However, there is often not enough time to improve relationships, and it is necessary to have some competition to receive the best performance possible. Further, the aim of P3 is also to increase the competition to challenge suppliers.

All in all, the interviews have shown that the preferred customer status is a crucial factor in the buyer-supplier relationships of company X. The preferred customer status provides a variety of different benefits. However, the buyers must know the antecedents to achieve the preferred customer status and, thus,

the benefits. The following section explores the influence of psychological contracts on buyer-supplier relationships and the preferred customer status.

5.4 Psychological Contracts

5.4.1 Psychological contracts are prevalent in buyer-supplier relationships

All interviewees recognized psychological contracts in buyer-supplier relationships, and six of the eight participants experienced them themselves. In addition, S1B, S1C, P2, S2, P3, and S3 acknowledged that their expectations in buyer-supplier relationships are formed through psychological contracts. Accordingly, this is influencing the cycle of preferred customership as the cycle is based on expectations. Further, these expectations form the comparison level, which is the basis for evaluating the customer's performance and the future of the relationship. Therefore, the general assumptions of the research model, which are based on theory and previous findings, are supported in this case study.

Nonetheless, P1 never experienced a psychological contract but only did recognize them being present with associates. P1 explains this with the safety aspect of the purchased equipment as there must be no room for expectations and interpretations since otherwise, an accident might happen. Thus, it might be possible that it depends on the kind of product or service bought, whether psychological contracts are present and how they affect buyer-supplier relationships.

Accordingly, psychological contracts are influencing expectations and perceptions in the buyer-supplier relationships of company X. The following section elaborates on the effect of the fulfillment and breach of these psychological contracts on relationships. Table 9 presents an overview of the answers of the participants.

5.4.2 The interviewees recognized the effect of psychological contract fulfillment and breach on supplier satisfaction, the preferred customer status, trust, and commitment

Influence on Supplier Satisfaction & the Preferred Customer Status. For S1B, psychological contract fulfillment positively influences the overall relationship with the customer and the preferred customer status. Further, S1C supported this as it was mentioned that it is always preferred to work with customers fulfilling psychological contracts because this increases satisfaction. For S2, the psychological contract fulfillment is one aspect that the relationship functions correctly, and the business partners perceive each other as partners. This partnership-like behavior is an influential factor for the satisfaction of S2. When the psychological contract is fulfilled, S3 is more satisfied with the relationship, and the status of the customer is improved. P2 and P3 did not explicitly mention that the fulfillment is influencing supplier satisfaction, but both recognized that it would have, in general, a positive effect on the relationship. Therefore, it can be argued that psychological contract fulfillment positively influences supplier satisfaction and, thus, the preferred customer status.

Influence of Breach. S1B, S1C, and S3 mentioned that a psychological contract breach negatively influences their relationship, satisfaction, and whether it is preferred to work with this customer. However, S1A reported that a breach does not affect the relationship. For S1A, the cooperation is rather positively strengthened when problems arise because they are solved on goodwill and cooperation with the customer. P2 argues the same because the relationship is rather strengthened after such a crisis instead of having negative consequences.

Table 9: Results - Psychological Contracts

	P1	S1A	S1B	S1C	P2	S2	P3	S3
Experienced a Psychological Contract?								
In General?	✗	✗	✓	✓	✓	✓	✓	✓
With the other interviewee?	✗	✓	✗	✓	✗	✓	✗	✓
Psychological Contract Breach								
Experienced?	✗	✗	✓	✓	✓	✓		✓
Influence on trust (<i>NEGATIVE</i>)	-	-	✓	✓	✗	✓	✓	
Influence on commitment (<i>NEGATIVE</i>)	-	-	✗	✗	✗	✗	✓	✗
Influence on the preferred customer status (<i>NEGATIVE</i>)	-	-	✓	✓	✗	-	-	✓
Psychological Contract Fulfillment								
Experienced?	✗	✓	✓	-	✓	✓	✓	✓
Influence on trust (<i>POSITIVE</i>)	-	✓	✓	-	✓	✓	✓	✓
Influence on commitment (<i>POSITIVE</i>)	-	✓	✓	-	✓	✓	✓	✓
Influence on the preferred customer status (<i>POSITIVE</i>)	-	-	✓	✓	-	-	-	✓

Consequently, the proposition of the research model that the breach negatively influences supplier satisfaction and accordingly the preferred customer status does not hold for all participants and is partially supported by some interviewees.

Trust. All participants who mentioned to had experienced psychological contract fulfillment stated that this increases trust in the relationship. S1B, S1C, S2, P3, and S3 confirmed that a psychological contract breach decreases trust levels in the relationship. P1 and S1A stated to have not experienced a psychological contract breach and, thus, they also could not have experienced a negative effect on trust. P2 stated that a breach in direct relationships is not influencing trust because of the importance of open communication, which is present in the relationships. However, P2 experienced that it can reduce trust with other employees in both organizations. Accordingly, the propositions in the model that fulfillment positively and breach negatively influence trust hold in this case study.

Commitment. All interviewees who experienced psychological contract fulfillment (S1A, S1B, P2, S2, P3, and S3) recognized that the buyer-supplier relationship's commitment increases because it is strengthening the bond. P1 and S1A did not experience a psychological contract breach and, thus, they were not able to argue whether it would be affecting the commitment. S1B denied that commitment would be reduced in the event of a breach. Instead, it would increase because they would try to eliminate such misunderstandings in the future. S1C, P2, and S2 disagreed that commitment would be reduced in the relationship. S2 argued that they are very customer-oriented, and as such, a breach would affect the supplier's commitment. S3 stated the same since no matter whether there was a breach, they treat all customers with the best service possible. P3 did not mention whether the supplier's commitment would be negatively affected. Respectively, it can be argued that the positive effect of fulfillment on commitment of the research model is supported in this case study. However, the negative effect of a breach has not been shown to hold for the participants.

The results have shown that psychological contracts are essential to consider in inter-organizational relationships. Their fulfillment and breach influence trust, commitment, supplier satisfaction, the preferred customer status, and the general

attitude in the relationship. Figure5 presents the updated research model reflecting the results. The subsequent section elaborates aspects, which were not expected based on the research model. However, they were mentioned by participants as influential factors and, thus, are essential to consider for future research.

5.4.3 Communication, long-term relationships, and the type of psychological contract as important considerations in the relationship of psychological contracts and the preferred customer status

One factor is that communication in the relationship might be an influencing factor. For example, for S1A, a breach is not considered a breach because it is more perceived as a misunderstanding, which is quickly resolved with a phone call. Thus, such a breach does not lead to problems in relationships and, according to S1A, does not hurt relationships. Also, S1C stresses that with customers with whom they are in daily exchange, misunderstanding will be addressed immediately. Then they will look for a solution, and it will not result in a conflict or bear a problem for the relationship. Further, P2 never experienced breaches to be a problem in a relationship. P2 reasoned this because of the importance of open communication, which increases cooperation and honesty in relationships with suppliers. Moreover, S2 also suggested that honest communication with customers reduces the risk of misunderstandings. Thus, S2 is not concerned that there are any differing understandings or expectations because of the communication. Accordingly, open, frequent, and honest communication in buyer-supplier relationships might be a factor that weakens or even eliminates the adverse effects on relationships.

A second aspect got mentioned by two of the suppliers. S1C referred to that when one is used to working with a customer, and the relationship is established for a longer time, they are usually not experiencing conflicts with them even in a psychological contract breach, which is often just a misunderstanding. Further, S2 also communicated to have never experienced a breach with long-term customers and only with other customers at the beginning of the relationship. Therefore, respectively, a further

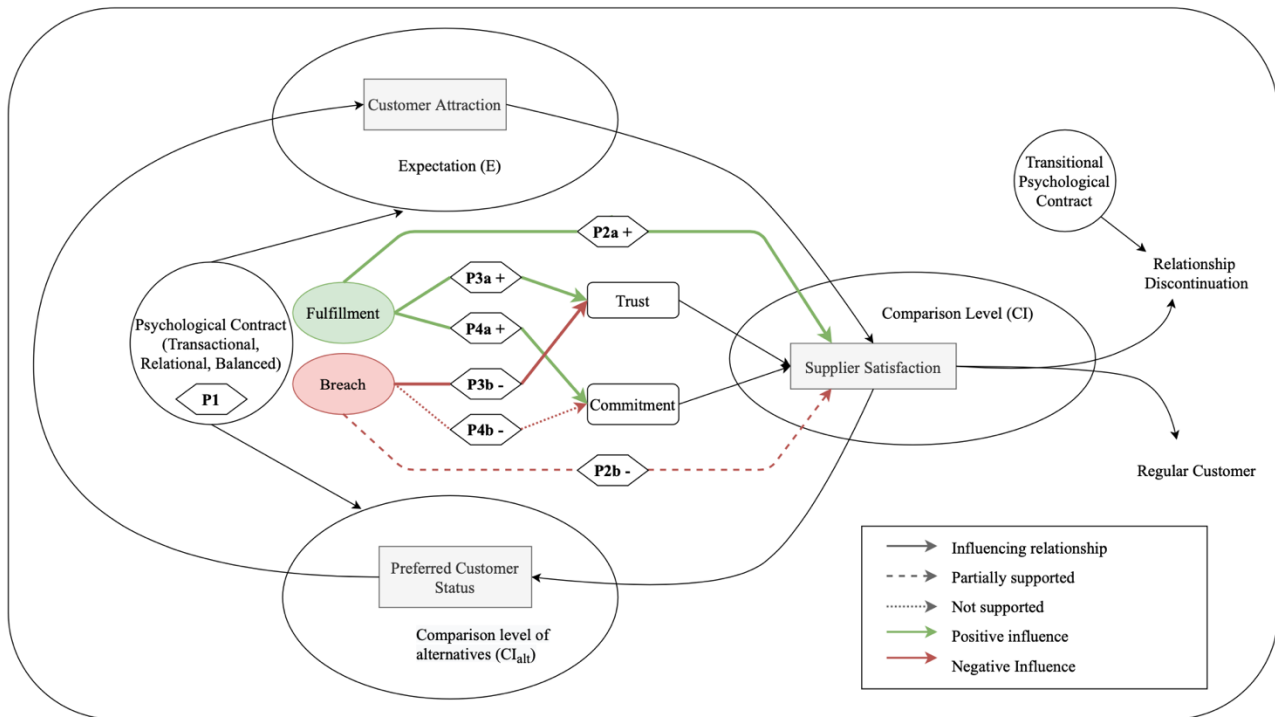


Figure 5: Updated Research Model

suggestion resulting from this case study is that long-term cooperation in buyer-supplier relationships might not be strongly affected by breaches or breaches are not existing as such. Moreover, all suppliers have long-term relationships with company X, and most of them never experienced a breach with them. Thus, this might be the result because of the long-term cooperation.

S1A and P2A mentioned a third consideration. Both participants stated that they experienced that a psychological contract breach strengthened their relationships. They argued that one gets to know the other party better through a minor conflict, enhancing the relationship. These statements contradict the assumptions of the research model that a breach harms the relationship. Nonetheless, other participants were supporting the assumptions. Accordingly, this aspect needs further exploration to examine the reason for the differing effects of breaches. A possible explanation might be that relationships are strengthened with a relational psychological contract, while transactional psychological contract breaches harm the relationship. This might be the case because relational contracts are focused on long-term relationships, and both sides are interested in the relationship's success. Thus, in case of a breach, the parties involved might evaluate the misunderstanding and try to improve the relationship for the future because both are interested in continuing a good relationship. In contrast, the parties in transactional psychological contracts have a limited relationship in terms of the time frame and clearly defined obligations.

6. DISCUSSION

Tables 19 & 20 (Appendix G) represent an overview of which interviewee confirmed which benefits and antecedents identified in literature based on the tables created in the literature review section.

6.1 Financial, innovative, qualitative, operational, and interactional benefits are confirmed and extended by the interviewees

The interviewed buyers and suppliers identified several benefits that a preferred customer receives. For example, one buyer identified cost reduction through joint problem-solving, in which costs are shared with the supplier. In addition, as mentioned by Nollet et al. (2012, p. 1187) and Schiele et al. (2011, pp. 15, 16), benevolent pricing was identified by three interviewees.

The majority referred to innovation and qualitative benefits. Supplier's willingness to engage in joint projects to solve problems and to gain early access to supplier's innovations were identified by one buyer. Also, 25% mentioned earlier access to supplier's innovations as a benefit. This is in line with academic literature (Bemelmans, Voordijk, Vos, & Dewulf, 2015, p. 193; Ellis et al., 2012, p. 1265). Improved product quality is identified by empirical literature (Nollet et al., 2012, p. 1187; Ulaga & Eggert, 2006, p. 122), and two participants reported this as a benefit as well. However, one supplier mentioned that this is the case because their preferred suppliers are always large suppliers, which request a better quality of their services.

One supplier declared that all their customers would receive the same service and that there are no benefits. However, in case of limited capacity and when they cannot serve all inquiries, they always prefer their preferred customers. Academic literature supports this preferred resource allocation (Bemelmans et al., 2015, p. 193; Schiele et al., 2012, p. 1178). Moreover, a buyer experienced that the suppliers can make it possible that the lead times are sometimes shorter than usual for crucial orders and deadlines. Christiansen and Maltz (2002, p. 182) and Ulaga (2003, p. 685) identified decreased lead and cycle times as a benefit of the preferred customer status. Also, academic literature states delivery performance in terms of reliability and flexibility (Nollet et al., 2012, p. 1187; Ulaga & Eggert, 2006, p. 122). Two buyers mentioned that they experienced that the suppliers always try to meet the critical deadlines of the refinery, which sometimes means that they will be flexible and start with their production

even though the contract might not be fixed. In addition, one supplier communicated better flexibility.

None of the buyers and suppliers pointed out that the best personnel was offered by the supplier as recognized by Bemelmans et al. (2015, p. 193) and Schiele et al. (2012, p. 1178). On the other hand, commitment, trust, and an enhanced knowledge sharing were observed by three interviewees and in academic literature by Christiansen and Maltz (2002, pp. 184, 187). Furthermore, improved communication, responsiveness and support is the benefit reported by most interviewees. Two suppliers did not mention this benefit, but these two also mentioned that the status of the customer does not influence their behavior, and none of the customers receives any extra benefits. Moreover, 75% of the interviewees mentioned improved communication, responsiveness, and support as identified in academic literature (Christiansen & Maltz, 2002, p. 188; Nollet et al., 2012, p. 1187).

One buyer recognized two benefits, which were not identified in academic literature. The first benefit is that the initiating periods are shorter in the beginning. This is the case because the commercial terms of the contract are fixed, and they only need to discuss the technical specifications, prices, and deadlines. The second benefit mentioned is that such a supplier is very familiar with factory standards that it happened that they recognize mistakes in specifications and tell the customer. This helps company X a lot because fulfilling their standards is crucial for the refinery's safety.

To attain the benefits, customers must attain the preferred customer status, which requires supplier satisfaction. The following section discusses the antecedents of supplier satisfaction with regards to academic literature.

6.2 Confirmation, rejection, and extension of antecedents of supplier satisfaction

Joint innovation projects, R&D cooperation, early supplier integration in NPD, and sharing know-how were not mentioned by any of the participants even though these are identified in academic literature as antecedents (Ellis et al., 2012; Hüttinger et al., 2014, p. 718). Accordingly, innovation potential was not reported as being an antecedent to supplier satisfaction.

Financial attractiveness, potential to grow together, and supplier development, which relate to growth potential as an antecedent, were also not observed to be antecedents of supplier satisfaction in this case study. However, one buyer identified corporate reputation as an antecedent of supplier satisfaction as the suppliers can use company X as a reference for their work. The reputation of the company was also identified by Hüttinger et al. (2014, p. 718) as being an antecedent of supplier satisfaction.

Half of the participants mentioned profitability as an antecedent of supplier satisfaction. For one supplier, the purchasing volume is an essential factor, which was also identified in academic literature (Hüttinger et al., 2012, p. 1201; Vos et al., 2016, p. 4621). Three interviewees recognized that the contribution to sales and the supplier's profit would increase their satisfaction and is supported by Vos et al. (2016, pp. 4618, 4620). Further, three of eight participants referred to supplier dissatisfaction as being the result of inadequate payment terms. Hald (2012, pp. 1236, 1237) and Xiong et al. (2014, p. 489) identified payment terms as an antecedent to supplier satisfaction, which one buyer also recognized.

75% of the participants mentioned operative excellence factors as antecedents of supplier satisfaction. Ramsay and Wagner (2009, p. 134) identified demand stability as an antecedent, also stated by one supplier. Other antecedents mentioned by the interviewees and supported by academic literature are the

compliance of treaties (P2 and Kumar, Stern, and Achrol (1992, p. 248)), process management and planning (P1, S1C, and Hald (2012, pp. 1236, 1237)), clarity of requirements (P1, S3, and Xiong et al. (2014, p. 488)), and reliable behavior (by S1C, Hüttinger et al. (2014, p. 703); Vos et al. (2016, pp. 4618, 4620)).

The majority of interviewees mentioned several factors of relational behavior as being an antecedent to supplier satisfaction. Further, this was identified as an antecedent by Hüttinger et al. (2012, p. 1201) and Vos et al. (2016, p. 4621). One supplier states that trust is a factor that will lead to satisfaction and that they would be dissatisfied if company X would switch the supplier without giving them the chance to improve if they dislike something. Accordingly, loyalty is identified as another antecedent, which was not explicitly stated in academic literature before. Furthermore, fairness was reported by three participants as being another factor of relational behavior that is important for their satisfaction. So far, this antecedent was not mentioned explicitly, but fairness can be perceived as part of relational behavior. According to one buyer, dissatisfaction is caused when the contracts are negative and one-sided. When contracts are one-sided, they are not fair and, thus, this can be associated with relational behavior.

One buyer mentioned another factor influencing supplier satisfaction, which relates specifically to the case company's characteristics. Company X is systemically relevant, which led to the fact that they did not face issues during the recent COVID-19 pandemic. They were not forced to cancel the contract of any supplier and did not dismiss their contractors. Therefore, it is safer for suppliers to have company X as a customer than another company, which is not systemically relevant.

6.3 Verification, denial and expansion of the relationship of psychological contracts and the preferred customer status

As suggested in academic literature (A. Eckerd & Girth, 2017, p. 61; Lumineau & Henderson, 2012, p. 382), psychological contracts influence buyer-supplier relationships, which did show in this case study. Further, the underlying assumption of the research model in this paper, that psychological contracts exist and affect the cycle of preferred customership, has shown to hold. Academic literature supports that psychological contracts are essential for forming the expectations in inter-organizational relationships (S. Eckerd et al., 2013, p. 567; Rousseau & McLean Parks, 1993, p. 21). Also, this was backed by the interviewees.

Certain propositions did show to hold in this case study, while others were only partially or not at all supported. Some of the participants only supported the negative influence of psychological contract breaches on satisfaction. So far, this effect was only supported in an intra-organizational context regarding job satisfaction of the employee (Raja et al., 2004, p. 359; Suazo et al., 2005, p. 30; Turnley & Feldman, 1999, p. 908; Zhao et al., 2007, p. 662) and not in an inter-organizational context. Thus, this correlation might not be transferable into a buyer-supplier context. Further, the possible differentiated effects of long-term partnerships and different types of contracts require further investigation to explore correlations between psychological contract breaches and supplier satisfaction.

Propositions P2a and P2b, that psychological contract fulfillment/breach and positively/negatively influencing trust, are supported by the interviewees in this case study. Moreover, Kingshott (2006, p. 730) and Kingshott and Pecotich (2007, p. 1062) also identified that the fulfillment of psychological contracts increases trust in inter-organizational relationships. Furthermore, academic literature also supported the negative effect of a breach on trust in an inter-organizational context

empirically (H. Akkermans & Van Wassenhove, 2018, p. 65; Kaufmann et al., 2018, pp. 71, 73; Kingshott & Pecotich, 2007, p. 1062; Tomprou et al., 2015, p. 573).

Additionally, most participants in this case study supported that psychological contract fulfillment is positively influencing commitment. Also, this is supported by academic literature in inter-organizational relationships (Kingshott, 2006, p. 730; Kingshott & Pecotich, 2007, p. 1062). This case study did not show the negative influence of a psychological contract breach on the commitment between buyer and supplier. Previously, this negative influence of psychological contract breaches on commitment was empirically supported in an intra-organizational context (Bunderson, 2001, p. 736; Coyle-Shapiro & Kessler, 2000, p. 918; Lester et al., 2002, p. 49; Raja et al., 2004, p. 359). Thus, this case study did not reflect the intra-organizational into an inter-organizational context. Most of the suppliers mentioned that their commitment would not be reduced because they do not let such conflicts affect their business relationships. Further, some suppliers elaborated that they always try to compromise with the customers because they are still required to help them as they are their customers.

7. IMPLICATIONS

7.1 Theoretical Implications

This study is confirming and verifying existing theoretical findings as well as identifying new correlations. It is supported in this research that customers receive benefits if they attained a preferred customer status in the supplier's organization. These benefits are financial, innovative, qualitative, operational, and interactional and strengthening findings in academic literature (e.g., (Bemelmans et al., 2015, p. 193; Bew, 2007, pp. 1, 2; Nollet et al., 2012, p. 1187; Schiele et al., 2012, p. 1178; Steinle & Schiele, 2008, p. 11). The findings extended the academic findings with two benefits. The initiating periods are shorter as most terms are fixed in the contract – the second one being that the supplier is able and willing to detect mistakes in requirements and specifications.

Furthermore, this study contributes to the academic literature regarding supplier satisfaction. Growth potential, profitability, relational behavior, and operative excellence are identified by (Hüttinger et al., 2014, p. 718; Vos et al., 2016, p. 4621) and supported by this research. Innovation potential could not be supported with this research. Moreover, fairness and loyalty are added as an antecedent of supplier satisfaction by this study. Further, negative and one-sided contracts are identified as an antecedent of supplier dissatisfaction. During the ongoing COVID-19 pandemic, another antecedent of supplier satisfaction is that a customer is systemically relevant and, thus, relatively safe for the supplier.

Additionally, this study validates that psychological contracts are present and influence buyer-supplier relationships as identified in academic literature (Handley & Benton, 2009, p. 356; Lumineau & Henderson, 2012, p. 389; Lumineau & Malhotra, 2011, p. 532). Further, it is the first time that the influence of psychological contracts on the cycle of preferred customership was explored. The findings show an interconnection between the two concepts, which is significantly important for buyers and suppliers. This study partially confirms the mediating effect of trust and commitment between psychological contract fulfillment/breach and supplier satisfaction. Academic literature examined a positive/negative effect of psychological contract fulfillment/breach on trust within an inter-organizational relationship (H. Akkermans & Van Wassenhove, 2018, p. 65; Kaufmann et al., 2018, pp. 71, 73; Kingshott & Pecotich, 2007, p. 1062; Tomprou et al., 2015, p. 573), which is supported in this study. This research reinforced existing theories and observed

new associations between the concepts of the preferred customer status and psychological contracts. For example, that communication and long-term relationships are essential factors to consider in the context of buyer-supplier relationships with regards to psychological contracts and the preferred customer status.

7.2 Practical Implications

Moreover, this study has practical implications, which apply to the case companies specifically. Factors that influence satisfaction and dissatisfaction of the suppliers are presented in this research and the antecedents of the preferred customer status. Company X and the buyers can use this information to ensure that these factors are fulfilled and improved to enhance the relationship. The suppliers primarily addressed relational behavior factors as antecedents of supplier satisfaction and the preferred customer status. The personal relationship with the contact persons is an important factor for suppliers, which the buyers should consider. A cooperative and proactive problem-solving behavior is beneficial for the buyer-supplier relationship. Further, the communication should be frequent, honest, and fair with the suppliers to increase their satisfaction. Cooperation and helping the supplier in case any issues arise will be beneficial for the buyer-supplier relationship. However, not only relational behavior aspects but also growth potential, operative excellence, and financial factors, such as the payment terms and the contribution to the profit of the supplier, influence the satisfaction of suppliers and the preferred customer status.

Furthermore, the suppliers mentioned what they would like company X to improve for enhancing the relationship. Company X could communicate more with suppliers and internally between the different departments according to the suppliers. Additionally, they should provide more feedback to suppliers and tell them what they like and dislike to know what they can improve. Also, company X should value the innovations more that the suppliers develop.

Moreover, this study has shown that psychological contracts are often present in buyer-supplier relationships. They are defining the type of relationship and influencing the expectations in the relationship. Education and training can help buyers recognize the existence and impact of psychological contracts as well as helping them to know how to deal with them in the interaction with the supplier. The buyers of company X must recognize psychological contracts next to the written contract. Furthermore, the suppliers mentioned open, frequent, and honest communication to increase their satisfaction, positively influence the preferred customer status, and as essential regarding psychological contracts and their breaches. Communication throughout the relationship can decrease the risk of psychological contract breaches, while communication after a breach can affect that the breach is not negatively affecting the relationship. Instead, with honest and frequent communication, a breach can even strengthen the relationship. Accordingly, the buyers of company X should communicate honestly and frequently with their suppliers to achieve a desirable relationship.

8. LIMITATIONS & FUTURE RESEARCH SUGGESTIONS

The findings in this case study need to proceed with caution because they cannot be generalized due to the small sample size of eight participants (Rahman, 2017, p. 105). Three employees were interviewed from company X, and each of them is responsible for different categories. Moreover, only one employee of each supplier was interviewed. The results apply to these interviewees and do not need to apply to everyone in each organization. Even though the buyers were perceived as talking

honestly, they might perceive that their supervisor gets access to the results and, thus, they might have only reported good behavior.

Further, the study has a decreased validity, and there are two limitations regarding the suppliers. The first limitation is that the buyers selected the suppliers, and accordingly, they are likely only to select suppliers with a good relationship. A further research suggestion is to collect data of more suppliers and not only the ones recommended by the buyers to analyze how company X could improve their status with other suppliers and retrieve a larger picture of antecedents of supplier satisfaction. Additionally, the suppliers may perceive that the buyer gains access to interview, which might result, consciously or unconsciously, in only talking in the best manner and reporting good behavior only. Nonetheless, all participants were informed about anonymization measures taken and that the data of all interviewees is protected under the GDPR. Accordingly, the risk is reduced to a minimum.

This study is based on qualitative research methods and focuses on motivations, reasoning, and aims to retrieve detailed answers from respondents. Therefore, the results are not measurable and quantifiable, which does not allow conclusions about the magnitude of the results. In addition, there are always ambiguities present in the language (Ochieng, 2009, p. 17), which leads to the interviewer interpreting the interviewee's answers differently than what the interviewee tried to communicate. Moreover, the interviews were semi-structured, and some aspects were not elaborated more because no follow-up questions were asked, or follow-up questions were formulated in another direction. Also, the results need to be interpreted as subjective statements, and the self-report bias is possibly present due to the research method.

Furthermore, psychological contracts are often present in the sub-consciousness, and individuals might not be aware of them or their consequences. The self-report bias needs to be considered concerning the interpretation of the results. To further explore the results of this study and to generalize the results, further quantitative research on a large scale should be conducted. This research should include various buying and supplying companies from different industries, countries, and sizes to increase the diversity. Moreover, the mediating effect needs to be explored with quantitative research to investigate whether it can be supported or whether other correlations or moderating effects are present.

Additionally, the different types of psychological contracts and whether they have different effects on the cycle of preferred

customership can be explored in future research. Also, this study focused on trust and commitment as relational behavior factors, and future research could test and analyze different variables. Further, the influence of communication could be analyzed as this research has shown that a frequent and honest communication can eliminate the negative effects and might even strengthen the relationship after a psychological contract breach.

9. CONCLUSION

Summing up, this study investigated the preferred customer status, supplier satisfaction, and psychological contracts based on six participating companies and eight participants. The antecedents of supplier satisfaction identified in this research for the case companies are growth potential, profitability, relational behavior, and operative excellence. This research shows that the case company and other preferred customers of the interviewed suppliers receive several benefits. Financial, innovative, qualitative, operational, and most often, interactional benefits are classified by the interviewees.

This case study has demonstrated that psychological contracts are an essential factor present in buyer-supplier relationships. Psychological contracts form the expectations in the relationship for most participants and partly affect buyers' and suppliers' behavior. Psychological contract fulfillment has shown to influence positively, while psychological contract breach is only partially supported to influence supplier satisfaction and the preferred customer status negatively. Moreover, trust and commitment are identified as mediating variables. Fulfillment influenced trust positively and breach negatively in this case study. Fulfillment affects commitment positively, but the breach is not negatively affecting commitment. Further, this study identified communication as an important factor influencing the relationship between psychological contracts and the preferred customer status.

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APPENDICES

Appendix A: Literature Review – Antecedents of Supplier Satisfaction and Benefits of the Preferred Customer Status

Table 10: Antecedents of Supplier Satisfaction with References

Antecedents	Sources
Innovation Potential	
Joint innovation projects, R&D cooperation	(Backhaus & Büschken, 1999, p. 248; Christiansen & Maltz, 2002, p. 191; Hüttinger et al., 2014, p. 718)
Early supplier integration in NPD	(Ellis et al., 2012, p. 1265; Moody, 1992, p. 52)
Sharing know-how	(Hald, 2012, pp. 1236, 1237; Nollet et al., 2012, p. 1189)
Growth Potential	
Financial attractiveness	(Baxter, 2012, p. 1255)
Potential to grow together	(Christiansen & Maltz, 2002, p. 188; Hald et al., 2009, p. 964; Hüttinger et al., 2014, p. 703; Kumar et al., 1992, p. 248; Ramsay & Wagner, 2009, p. 131)
Corporate reputation	(Hüttinger et al., 2014, p. 718; Ramsay & Wagner, 2009, p. 130)
Supplier development	(Ghijsen, Semeijn, & Ernstson, 2010, p. 22)
Profitability	
Purchasing Volume	(Hüttinger et al., 2012, p. 1201; Moody, 1992, p. 52; Ramsay & Wagner, 2009, p. 130; Vos et al., 2016, p. 4621)
Contribution to sales and profit of supplier	(Kumar et al., 1992, p. 248; Vos et al., 2016, pp. 4618, 4620)
Payment terms, fast payment	(Hald, 2012, pp. 1236, 1237; Xiong et al., 2014, p. 489)
Relational behavior	
(Mutual) Trust	(Benton & Maloni, 2005, p. 16; Hansen, Morrow, & Batista, 2002, pp. 49, 54; Jiang, Henneberg, & Naudé, 2012, p. 11; Mohr & Spekman, 1994, pp. 144, 145; Moody, 1992, p. 52; Mungra & Yadav, 2019, p. 223; Nyaga, Whipple, & Lynch, 2010, p. 107; Roberts-Lombard, Mpinganjira, & Svensson, 2017, p. 9; Sales-Vivó, Gil-Saura, & Gallarza, 2020, p. 949; Svensson, Mysen, & Payan, 2010, p. 1213; Voldnes, Grønhaug, & Nilssen, 2012, p. 1086; Williamson, 1991)
Commitment	(Benton & Maloni, 2005, p. 16; Mohr & Spekman, 1994, pp. 144, 145; Moody, 1992, p. 52; Mungra & Yadav, 2019, p. 223; Nyaga et al., 2010, p. 107; Roberts-Lombard et al., 2017, p. 9; Sales-Vivó et al., 2020, p. 949; Svensson et al., 2010, p. 1213; Williamson, 1991; Wong, 2000, pp. 430, 431; 2002, p. 575)
Loyalty	(Kumar et al., 1992, p. 248)
(Tight) personal (employee) relationships	(Ellegaard, Johansen, & Drejer, 2003, p. 354; Forker & Stannack, 2000, p. 35)
Problem solving, joint problem solving, evaluation of conflicts	(Backhaus & Büschken, 1999, p. 248; Benton & Maloni, 2005, p. 16; Hüttinger et al., 2014, p. 718; Mohr & Spekman, 1994, pp. 144, 146)
Communication: open information exchange & quality	(Christiansen & Maltz, 2002, p. 193; Mohr & Spekman, 1994, pp. 144, 145; Moody, 1992, p. 52; Nollet et al., 2012, p. 1190; Voldnes et al., 2012, p. 1086)
Cooperative culture and goals	(Benton & Maloni, 2005, p. 16; Wong, 2000, pp. 430, 431; 2002, p. 575)
Support & Involvement	(Vos et al., 2016, pp. 4618, 4620)
Operative Excellence	
Demand stability	(Ramsay & Wagner, 2009, p. 134)
Compliance	(Kumar et al., 1992, p. 248)
Process management/optimization	(Forker & Stannack, 2000, p. 35; Hald, 2012, pp. 1236, 1237)

Clarity of objectives/requirements	(Xiong et al., 2014, p. 488)
Quality management	(Forker & Stannack, 2000, p. 35)
Reliable behavior	(Hüttinger et al., 2014, p. 703; Ramsay & Wagner, 2009, p. 131; Vos et al., 2016, pp. 4618, 4620)
Contact accessibility	(Vos et al., 2016, pp. 4618, 4620)

Table 11: Benefits of the Preferred Customer Status with References

Benefit Category	Benefit	Source
Economic Benefits		
Financial Benefits	Cost reduction (acquisition and operational costs)	(Bew, 2007, p. 2; Nollet et al., 2012, p. 1187; Ramsay, 2001, p. 42; Ulaga & Eggert, 2006, p. 122)
	Benevolent pricing behavior	(Moody, 1992, p. 57; Nollet et al., 2012, p. 1187; Schiele et al., 2011, pp. 15, 16)
Non-Economic Benefits		
Innovation and qualitative Benefits	Supplier involvement in NPD	(Baxter, 2012, p. 1252)
	Supplier willingness to engage in joint projects	(Carter, Slaughter, & Blascovich, 2007, p. 47; Nollet et al., 2012, p. 1187; Schiele & Vos, 2015, p. 144)
	First access to supplier's innovations	(Bemelmans et al., 2015, p. 193; Bew, 2007, p. 2; C.V & Routroy, 2016, p. 1171; Carter et al., 2007, p. 47; Ellis et al., 2012, p. 1265)
	Product quality	(Nollet et al., 2012, p. 1187; Ramsay, 2001, p. 42; Ulaga & Eggert, 2006, p. 122)
Operational Benefits	Preferred resource allocation	(Bemelmans et al., 2015, p. 193; Bew, 2007, pp. 1, 2; Nollet et al., 2012, p. 1187; Schiele et al., 2012, p. 1178; Steinle & Schiele, 2008, p. 11)
	Decreased lead and cycle time	(Christiansen & Maltz, 2002, p. 182; Ulaga, 2003, p. 685)
	Delivery performance (reliability and flexibility)	(Nollet et al., 2012, p. 1187; Ramsay, 2001, p. 42; Ulaga, 2003, p. 684; Ulaga & Eggert, 2006, p. 122)
Interactional Benefits	Improved communication, responsiveness and support	(Ballou, Gilbert, & Mukherjee, 2000, p. 16; Christiansen & Maltz, 2002, p. 188; Nollet et al., 2012, p. 1187; Schieritz & Grobler, 2003, p. 6; Ulaga & Eggert, 2006, p. 122)
	Offering best personnel	(Bemelmans et al., 2015, p. 193; Schiele et al., 2012, p. 1178; Ulaga & Eggert, 2006, p. 122)
	Commitment, trust and knowledge sharing	(Christiansen & Maltz, 2002, pp. 184, 187)

Appendix B: Literature Review - Psychological Contracts

Table 12: Definitions of Psychological Contracts

Definitions	Source
Psychological contract as “an individual’s beliefs regarding the terms and condition of a reciprocal exchange agreement between that focal person and another party. Key issues here include the belief that a promise has been made and a consideration offered in exchange for it, binding the parties to some set of reciprocal obligations”	Rousseau (1989, p. 123)
Psychological contract involves “individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organizations”	Rousseau (1995, p. 9)
Psychological as: “an individual’s belief in mutual obligations between that person and another party”	Rousseau and Tijoriwala (1998, p. 679)
Psychological contracts as a “set of beliefs about what each party is entitled to receive, and obligate to give, in exchange for another party’s contributions”	Morrison and Robinson (1997, p. 228)
Psychological contract as “the beliefs held by individuals that each is bound by a promise or debt to an action or course of action in relation to the other party”.	Robinson and Rousseau (1994, p. 138)
Psychological contracts as “an understanding between an employee and his or her immediate supervisor with the purpose of increasing role clarity and commitment”	Berman and West (2003, p. 269), based on Niehoff and Paul (2001, p. 6) and Rousseau (1996, p. 50)
Psychological contracts “as including perceptions of all parties and all aspects constituting the reciprocal promises implied in the employment relationship”	Claes (2005, p. 132)

Table 13: Types of Psychological Contracts

Type of PC	Situation	Elements	Time-frame	Literature
Transactional PC	Time limited relationship with clearly defined obligations	Financial, economic, material components	Short-term, closed end	Rousseau (1989, p. 137; 1990, pp. 390, 391)
Relational PC	Long-term relationship with interest from both sides	Social & Symbolic, economic & socio-economic components	Long-term, Open-ended time frame	Rousseau (1989, p. 137; 1990, pp. 390, 391)
Balanced PC	Includes clearly defined obligations (transactional) and open-ended time frame (relational)	Financial with social & symbolic components, Performance demands and clear expectations	Long-term, Open-ended time frame	(Alcover et al., 2017, p. 7; Hui et al., 2004, p. 312)
Transitional PC	Relationship is ending, transitioning, or not defined	Undefined	Very Short-term	(Hui et al., 2004, p. 312)

Table 14: Empirical Evidence - Effects of Psychological Contract Fulfillment and Breach

Influence of Psychological Contracts	Source	
	Intra-Organizational Context	Inter-Organizational Context
Psychological Contract Fulfillment (PCF)		
PCF will increase loyalty	(Akhtar et al., 2016, p. 536; Turnley & Feldman, 1998, p. 77; 1999, p. 917; 2000, p. 38; Withey & Cooper, 1989, pp. 537, 538)	
PCF will increase trust		(Kingshott, 2006, p. 730; Kingshott & Pecotich, 2007, p. 1062)
PCF will increase commitment		(Kingshott, 2006, p. 730; Kingshott & Pecotich, 2007, p. 1062)
Psychological Contract Breach (PCB)		
PCB will increase intentions to quit/relationship dissolution	(Akhtar et al., 2016, p. 536; J. Akkermans et al., 2019, p. 9; Raja et al., 2004, p. 359; Robinson & Rousseau, 1994, p. 252; Suazo et al., 2005, p. 30; Turnley & Feldman, 1999, p. 908; Zhao et al., 2007, p. 662)	(Mir et al., 2017, pp. 10, 14)
PCB will negatively influence ordering behavior		(S. Eckerd et al., 2013, p. 574)
PCB will decrease trust	(J. Akkermans et al., 2019, p. 7; Robinson & Rousseau, 1994, p. 252)	(H. Akkermans & Van Wassenhove, 2018, p. 65; Kaufmann et al., 2018, pp. 71, 73; Kingshott & Pecotich, 2007, p. 1062; Tomprou et al., 2015, p. 573)
PCB will decrease commitment	(Bunderson, 2001, p. 736; Coyle-Shapiro & Kessler, 2000, p. 918; Lester et al., 2002, p. 49; Raja et al., 2004, p. 359)	
PC breach will decrease work engagement and lead to negative job attitudes	(J. Akkermans et al., 2019, p. 7; Alcover et al., 2017, p. 20; Bal, De Lange, Jansen, & Van Der Velde, 2008, p. 151; Conway & Briner, 2005; Morrison & Robinson, 1997, p. 248; Zhao et al., 2007, p. 667)	
PCB will decrease job satisfaction	(Raja et al., 2004, p. 359; Suazo et al., 2005, p. 30; Turnley & Feldman, 1999, p. 908; Zhao et al., 2007, p. 662)	

Appendix C: Interview Guide

Interview for Purchasers

Classification

- 1) Is there management commitment to achieving preferred customer status with strategic suppliers? If so, how does this show? If not, how could management commitment help in this matter?
 - 2) Whom do you have a preferred customer status with?
-

Benefits

- 3) Which benefits do you notice from having a preferred customer status?
-

Antecedents

- 4) What have you done in the past to become a preferred customer of strategic suppliers? Are there other actions you did not undertake that could have helped in reaching a preferred customer status?
 - 5) 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?
 - 6) Are there measures that are planned to be undertaken to become a preferred customer of other suppliers?
-

Psy contract

- 7) Have you ever had the belief that there are expectations outside of the legal contract regarding your obligations towards each other?
 - i) *(get first answer respondent)*
 - ii) *(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. So, on the one hand, it is about the things written in the contract, which can and might get interpreted differently. On the other hand, also regarding aspects, which are not explicitly mentioned in the contract, but might be agreed on orally or might be expected because they were always expected).
- 8) How did psychological contracts affect your relationship with each other?
- 9) Have you ever had the belief that supplier Y had expectations outside of the legal contract regarding your obligations towards Supplier Y?
- 10) Have you ever experienced a psychological contract breach?
 - (1) If yes, what was the effect on the relationship?
 1. How did you react?
 2. How did the counterpart react?
 3. Do you think that the psychological contract breach influence the trust and the commitment in your relationship?
 4. How did such a psychological contract breach influence the preferred customer status?
 - (2) If No:
 1. Would say that your psychological contracts are fulfilled in your relationships? And what effect does this have?

2. Do you think that this influence the trust and commitment in your relationship?
3. How did this psychological contract fulfillment influence your satisfaction and the preferred customer status?

Questionnaire for suppliers

Classification

- 1) Do you assign different status types to customers? Which status types do you assign?
 - 2) Have you assigned a preferred customer status to Company-X?
-

Benefits

- 3) How do the status types influence your behaviour towards customers?
 - (a) What benefits do you offer to a preferred customer? (Remember the pyramid, check for logistics / production planning, innovation, special services, flexibility, earlier information etc.)
-

Antecedents

- 4) Are you satisfied with the business relationship with Company-X?
 - (a) What factors are affecting your satisfaction or dissatisfaction in this relationship?
 - 5) What are your company's motivations for doing giving Company-X a preferred customer status?
 - (a) What did Company-X do to achieve the status?
 - (b) What could Company-X do to further improve its status?
 - 6) What are measures that customer must undertake to achieve a preferred customer status and what is the necessary behaviour they must show?
 - 7) What do customers generally do to achieve preferred customer status? Does this differ from the behaviour you would like them to show?
-

Psy contract

- 8) 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. So, on the one hand, it is about the things written in the contract, which can and might get interpreted differently. On the other hand, also regarding aspects, which are not explicitly mentioned in the contract, but might be agreed on orally or might be expected because they were always expected.
- 9) How did such psychological contracts affect your relationship with each other?
- 10) Have you ever experienced a psychological contract breach?
 - (a) If yes, what was the effect on the relationship?
 - (i) How did you react?
 - (ii) How did the counterpart react?
 - (iii) Do you think that the psychological contract breach influence the trust and the commitment in your relationship?
 - (iv) How did such a psychological contract breach influence the preferred customer status?

- (b) If No:
- (i) Would say that your psychological contracts are fulfilled in your relationships? And what effect does this have?
 - (ii) Do you think that this influence the trust and commitment in your relationship?
 - (iii) How did this psychological contract fulfillment influence your satisfaction and the preferred customer status?

Appendix D: Literature Search Overview

Table 15: Literature Search Overview - Preferred Customer Status

Keywords	Initial Hits	Limit to: 2017-2021	Limit to: Subject area: <i>Business, Management and Accounting;</i> Publication stage: <i>final;</i> Document type: <i>Article;</i> Languages: <i>English & German</i>	Accessible, Usable and assessed papers	Search Key
Preferred Customer Status	73	-- *	24	10	TITLE-ABS-KEY (preferred AND customer AND status) AND (LIMIT-TO (SRCTYPE , "j")) AND (LIMIT-TO (PUBSTAGE , "final")) AND (LIMIT-TO (DOCTYPE , "ar")) AND (LIMIT-TO (SUBJAREA , "BUSI")) AND (LIMIT-TO (LANGUAGE , "English") OR LIMIT-TO (LANGUAGE , "German"))
Preferred customer	2, 395	773	201	0 **	TITLE-ABS-KEY (preferred AND customer) AND (LIMIT-TO (SRCTYPE , "j")) AND (LIMIT-TO (PUBSTAGE , "final")) AND (LIMIT-TO (DOCTYPE , "ar")) AND (LIMIT-TO (SUBJAREA , "BUSI")) AND (LIMIT-TO (PUBYEAR , 2021) OR LIMIT-TO (PUBYEAR , 2020) OR LIMIT-TO (PUBYEAR , 2019) OR LIMIT-TO (PUBYEAR , 2018) OR LIMIT-TO (PUBYEAR , 2017)) AND (LIMIT-TO (LANGUAGE , "English") OR LIMIT-TO (LANGUAGE , "German"))
Supplier satisfaction	25,415	533	171	0 **	TITLE-ABS-KEY (supplier AND satisfaction) AND (LIMIT-TO (SRCTYPE , "j")) AND (LIMIT-TO (PUBSTAGE , "final")) AND (LIMIT-TO (DOCTYPE , "ar")) AND (LIMIT-TO (SUBJAREA , "BUSI")) AND (LIMIT-TO (PUBYEAR , 2021) OR LIMIT-TO (PUBYEAR , 2020) OR LIMIT-TO (PUBYEAR , 2019) OR LIMIT-TO (PUBYEAR , 2018) OR LIMIT-TO (PUBYEAR , 2017)) AND (LIMIT-TO (LANGUAGE , "English") OR LIMIT-TO (LANGUAGE , "German"))

Buyer supplier relationship	27,674	847	584	8	TITLE-ABS- KEY (<i>buyer</i> AND <i>supplier</i> AND <i>relation ship</i>) AND (LIMIT- TO (SRCTYPE , "j")) AND (LIMIT- TO (PUBSTAGE , " <i>final</i> ")) AND (LIM IT- TO (DOCTYPE , " <i>ar</i> ")) AND (LIMIT- TO (SUBJAREA , " <i>BUSI</i> ")) AND (LI MIT- TO (PUBYEAR , 2021) OR LIMIT- TO (PUBYEAR , 2020) OR LIMIT- TO (PUBYEAR , 2019) OR LIMIT- TO (PUBYEAR , 2018) OR LIMIT- TO (PUBYEAR , 2017)) AND (LIMIT - TO (LANGUAGE , " <i>English</i> ") OR LIM IT-TO (LANGUAGE , " <i>German</i> "))
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* Not limited to years because this is the main term for the thesis and there are already limited papers available

** No new ones

Table 16: Literature Search Overview - Psychological Contracts

Keywords	Initial Hits	Limit to: 2017- 2021	Limit to: Subject area: <i>Business, Management and Accounting; OR Social Sciences</i> Publication stage: <i>final;</i> Document type: <i>Article;</i> Languages: <i>English & German</i>	Accessible, usable, and assessed papers	Search Key
Psychological Contracts	4,130	973	486	9	TITLE-ABS-KEY (<i>psychological</i> AND <i>contracts</i>) AND (L IMIT- TO (PUBYEAR , 2021) OR LIMIT- TO (PUBYEAR , 2020) OR LIMIT- TO (PUBYEAR , 2019) OR LIMIT- TO (PUBYEAR , 2018) OR LIMIT- TO (PUBYEAR , 2017)) AND (LIMIT - TO (PUBSTAGE , " <i>final</i> ")) AND (LIM IT- TO (DOCTYPE , " <i>ar</i> ")) AND (LIMIT- TO (SUBJAREA , " <i>BUSI</i> ") OR LIMIT- TO (SUBJAREA , " <i>SOCI</i> ")) AND (LI MIT- TO (LANGUAGE , " <i>English</i> ") OR LIM IT- TO (LANGUAGE , " <i>German</i> ")) AND (LIMIT-TO (SRCTYPE , "j"))
Psychological Contract Breaches	546	220	131	5	TITLE-ABS-KEY (<i>psychological</i> AND <i>contract</i> AND <i>brea ches</i>) AND (LIMIT- TO (PUBYEAR , 2021) OR LIMIT- TO (PUBYEAR , 2020) OR LIMIT- TO (PUBYEAR , 2019) OR LIMIT- TO (PUBYEAR , 2018) OR LIMIT- TO (PUBYEAR , 2017)) AND (LIMIT -

					TO (PUBSTAGE , " <i>final</i> ")) AND (LIM IT- TO (DOCTYPE , " <i>ar</i> ")) AND (LIMIT- TO (SUBJAREA , " <i>BUSI</i> ") OR LIMIT- TO (SUBJAREA , " <i>SOCI</i> ")) AND (LI MIT- TO (LANGUAGE , " <i>English</i> ") OR LIM IT- TO (LANGUAGE , " <i>German</i> ")) AND (LIMIT-TO (SRCTYPE , " <i>j</i> "))
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Appendix E: Organizations & Interviews

Table 17: Overview Participating Companies

Left out due to confidentiality.

Table 18: Overview Interviews

Left out due to confidentiality.

Interviewees and their Organizations

Left out due to confidentiality.

Appendix F: Detailed Results Description

Benefits

Buyers recognize financial, innovation, qualitative, operational, and interactional benefits

There are numerous benefits, which Purchaser P1 recognizes because of a preferred customer status in the supplying companies. P1 states that one very important benefit is that the suppliers sometimes already start working even though the contract is not fixed yet. This is necessary the process of an order processing takes very long in such a large corporate and is crucial “in order to keep the delivery date and, thus, the refinery running” (P1). Moreover, the initiating periods are shorter because the commercial terms of the contract are fixed and no longer need to be figured out. Joint problem solving with regards to the know-how as well as in monetary terms is another benefit as the purchaser states, “shared pain is half pain” (P1). However, not only in the problem-solving stage, but also in general, a customer can profit from the know-how of the supplier if a preferred customer status is present. The purchaser P1 also suggests that they believe that when they do open book calculations with such suppliers, that at a certain level in the relationship, they are honest to the customer and get to the market prices. According to P1, company X also benefits from new technologies and innovations earlier than other customers might. Further, such a supplier “already knows our factors standards so well that he may even point out errors in our specifications” (P1), which other suppliers probably would not do.

Purchaser P2 suggest that the preferred customer status “is like a VIP status” (P2). This shows that you are being served faster, have access to other technologies and other price tables. As PA already mentioned, P2 also recognizes that a lot is initiate outside of the contract in advance because it is often needed that the supplier starts working before the actual order is in place. P2 argues that this can only be realized because of trust in the relationship, which has grown over the years and the preferred relationship. Especially with S2, P2 recognize a very good accessibility and very fast responsiveness of the supplier.

Purchaser P3 recognizes overall a very good support of the suppliers. Moreover, the service quality is perceived to be very good with suppliers that view company X as a preferred supplier.

Suppliers provide financial, innovation, qualitative, operational, and interactional benefits to their preferred customers

Supplier S1A provides their preferred customers generally a faster service and a “preferential treatment for inquiries” (S1A). They receive “goodwill support for services at the edge of the range of services” (S1A) and innovations will first be communicated with preferred suppliers. “Accessibility is a very, very important point” (S1A) as they will receive a better accessibility, which means that they can reach them on weekends and at any time during the day. This is of crucial importance for refineries “because every day counts, you can say that one day of standstill will cost one million-euro loss” (S1A). The supplier S1A concludes that the “trust and simply cooperation have been strengthened” (S1A) with this kind of customers.

Supplier S1B argues that they would not differentiate in terms of their service provision to customers and that their behavior does not change depending on the customer. “No, so in terms of behavior in no way, of course not” (S1B). A preferred customer is only treated preferentially in the project planning phase, i.e., offering phase. This is the case when the supplier cannot serve every customer for limited capacity reasons. However, once an order was placed, every customer will be treated the same “because we want to serve every customer well and maintain our delivery reliability” (S1B).

Supplier S1C argues the same way, that they do not show a differentiating behavior to their preferred customers, as “we need to give them what they want, and we are always trying to provide them solutions for their problems and needs” (S1C). Nonetheless, “you do need to make an extra effort to comply with better standards, to comply with the requirements” (S1C) of company X, but this is due to the requirements of the customer and not because of their preferred customer status because for S1C, “in the end, a client is a client”.

S2 is trying to deliver to their preferred customers a very good accessibility. “Trying to react very quickly and process the requests very promptly” (S2). For S2 all customers enjoy the same advantages because S2 only works with A and B customers of the company. Moreover, they have “specified a visit frequency, which we should keep to the corresponding customers and with the A customers it is at least once in a month” (S2). However, on requests and other occasions this will also be the case more often. They are also communicating with the customer more often. Further, the supplier is providing more services to major customers, such as informing about current legislations and providing waste balance sheets. However, these services are only provided to larger customers because they have more requirements that they need to meet than small customers and is not related to the status in the company.

Supplier S3 also states that the status of the customer is influencing the behavior. There is more effort in the beginning to get a sample order from a strategic new customer with a lot of potential also in terms of pricing. “Nevertheless, we are happy about every customer who fits into our strategy” (S3). Regarding the benefits, S3 mentions that there is a slightly better customer support just as P3 also recognized. Moreover, a better flexibility and faster exchange of information is provided to customers with a large business volume.

Supplier Satisfaction

Buyers suggest that to a large extent profitability, operative excellence, and relational behavior factors are responsible for supplier satisfaction

Supplier satisfaction was mentioned as an important aspect in a buyer-supplier relationship by P1. For P1 supplier satisfaction means “smoothly working with each other” (P1). In inter-organizational relationships, there are always problems arising because many interfaces were created. These problems might lead to a dissatisfaction with suppliers. However, P1 can always clarify such issues with the strategic suppliers because there is a good connection between the supplier and the purchaser. This means that they are “almost every in contact with the supplier at some point” (P1) and that there needs to be a good connection of the personal level.

Purchaser P1 states that one of the main reasons for dissatisfaction is the specification of the scope because this often requires many revisions, which means a lot of work for the supplier. Moreover, such a large multinational organization, has very long approval times till the funds are released and the actual order can take place. This will lead to dissatisfaction because the supplier needs to wait until they receive the money and often does not have enough time to be finished on time, even though there would have been enough time if the approval times would be shorter.

According to P1, company X is able to satisfy strategically important suppliers. Moreover, suppliers S1A, S1B, and S1C support this argument with “Absolutely” (S1A), “Very much” (S1B), and “Yes” (S1C).

Purchaser P2 argues that company X can satisfy suppliers, but from a differentiated point of view. “No because they always say the process are too low and there is always a little something. But basically yes, because the companies that have been working with us for 20 years are satisfied, no matter what they say” (P2). For the purchaser, P2, satisfaction is influenced by factors related to the payment morale, appreciation, which is expressed in personal interaction within the departments, and the compliance with treaties.

P2 suggest that bad payment ethics and establishing negative or only one-sided contract will lead to a dissatisfaction of suppliers. Moreover, this buyer also states that “you always have to give and take” (P2) and that it is important to not only ask for help but also to give help if needed. Moreover, no lack of appreciation and respect should be present throughout the organization as there were already complaints of the supplier about “how your people talk to my people” (P2).

Purchaser P3 thinks that company X is able to satisfy their suppliers, which is supported by S3, “Overall, yes” (S3). P3 believes that the suppliers can be satisfied because they can use them as a customer as a reference and make advertising to third parties. Moreover, the location of the refinery is very large, which has the possibility for large contractual service providers to have their container village there. Due to the location of the refinery in the “*Ruhrgebiet*”, the supplier can use this “like a mini branch, and then they can also serve other customers nearby” (P3). Moreover, P3 states that it is safe to a certain extent for their suppliers to work with them because they are systemically relevant, and it was possible to go through the recent COVID-19 pandemic without much trouble.

Suppliers are satisfied with a customer because of profitability, operative excellence, and relational behavior factors

For S1A it is important for the satisfaction to have permanent sales, to be taken into account in all requests, and to receive inquiries. “Cooperation and fairness play a very important role” (S1A), which is reflected in how they are treated with as a supplier. They are extremely satisfied with this because there is goodwill presents and in case of problems on the side of the supplier, they are dealing fairly with each other. “It is a give and take” (S1A), for S1A it is important that both, the supplier and the buyer, are there to help each other even if it is not regulated by the contract. S1A concluded that the “cooperation with the purchasing department and with the engineers is exemplary” (S1A).

Furthermore, for S1B, the contact persons are the main reasons for their satisfaction. The supplier appreciates that there is an adequate and qualified contact person for each area (such as technology, commercial or quality). Moreover, it is the intensive communication which is influencing the satisfaction.

Supplier S1C from Spain is satisfied with the relationship because they are working together on a daily basis and are always supportive and fair. They like that the customer is open to listen to them as a supplier when they have suggestions, which is not the case with all suppliers. Also, the way the employees working in the refinery is a large factor to them. “In this refinery, the people on the side are amazing to us” (S1C). Moreover, the supplier S1C is satisfied because the employees are always available to help, open to find solutions together, supportive, and fair.

S1A can get dissatisfied because of “the payment terms are getting worse and worse”, which is a standard problem and does not relate to P1. The supplier S1B would be dissatisfied if company X would not continue the communication as it is currently and possibly if the contact persons would change because they have a good relationship and “get along with each other” (S1B). Communication would also be a factor that could lead to dissatisfaction of supplier S1C. Furthermore, no information exchange, bad planning, and not informing in case of changes are more reasons for dissatisfaction for S1C.

Also, supplier S2 is satisfied with the relationship. “Yes, we have a very good relationship”. S2 also mentions that they have a very good personal relationship with the customer personally, especially with the purchasing and operational areas “because we really maintain a very, very good relationship of trust, very open communication, and deal honestly with each other” (S2). The authentic appearance and partnership-based cooperation is stressed in this context, which makes the relationship good.

The partnership-based relationship is very important for S2 and as such, this supplier would be dissatisfied if this partnership would no longer be maintained. If company X would not keep the communication as it is and if they would not tell them, as the supplier, if they dislike something or if something does not fit. "This is the only way we can get better" (S2) is added by the supplier.

For S3 the main factors leading to satisfaction are business volume, sales, and fair dealings. Factors resulting in dissatisfaction are applicable for all customers and not just company X. Often changing contact persons are one factor because "this results in discussions, which are completely unnecessary, time-consuming, and stand in the way of lean processing" (S3). Another factor of dissatisfaction is that "the documentation obligations are getting bigger and bigger" (S3), but this is not related to the company itself and rather has a lot to do with regulations and laws.

Preferred Customer Status

Purchasers have done supplier reduction, improved the relationship, and communication to reach the status in the supplier organizations

Purchaser P1 has mainly done supplier reduction to improve the status and relationship. For some components company X only has one supplier because of a joint technological development history, which ties them together. However, other product areas have a large variance of possible suppliers. In these categories they make a "supplier segmentation, where you really make use of the specialties or capability of the supplier in the area where we then have the corresponding needs" (P1). This is reducing the amount of supplier, which gives the purchaser the ability to improve the existing supplier relationships. Moreover, supplier satisfaction is a factor for P1, which is influencing the status.

Purchaser P2 differentiates it from a company perspective and the buyer's personal point of view. From a company perspective, "I have a customer who gets to know me better, responds more to my needs and you grow with each other and then coordinate the processes with each other" (P2). While as a buyer "I am also interested in having a good relationship with my suppliers because a good relationship means less work for me" (P2). P2 tries to establish the relationship through a good and open communication. This starts with a lot of communication at the beginning and establishes trust in the relationship.

For P3 it relates to the communication and personal relationship as well. "If it works well on a personal level, then you call each other more often and if there is a problem, you do not hold it back for a long time but talk about it openly" (P3). This is also supported through the culture at company X, which is in general "pretty straight ahead" (P3). At the same time, P3 wants to enhance the competition that the supplier "does not feel too sure" (P3) that the supplier will receive the order. This will make the supplier "very flexibly, very smart and very innovative" (P3) once they realize that they can lose a large order. However, for P3, "this classic relationship, where the customer develops together with his supplier in a close bond is not existing here" (P3). P3 states that for company X it is important to always have the best suppliers and to challenge them through competition. Moreover, "some [suppliers] don't want that much business with us because they don't want us to become too dominant in their sales, which would be too risky and dangerous for them" (P3).

Suppliers attach the preferred customer status because of past relationship performance, turnover and wish to expand the relationship

The motivation of S1A to provide company X with the preferred customer status is "basically the turnover of the last few years and the order quantity" (S1A). This supplier also "would like to maintain and expand them further" (S1A) as a customer. Moreover, personal aspects are influencing the status especially because of the behavior in case of a problem. "Always trying to reach a good compromise, that we do not tear each other apart, but sit down at the table for a moment of pick up the phone and say, *watch out, that's our problem now, how do we solve this?* And there is simply goodwill on both sides, and we always find a compromise" (S1A).

S1B's motivation is that S1B was able to "deliver the appropriate quality, which [company X] demands, and on the basis of which many years of cooperation grew" (S1B). S1B also recognizes that company X is interested in keeping a good relationship because they helped the supplier once when there was a problem with material availability. "We sat together to find a solution together, which was very, very communicative and very helpful" (S1B).

For S1C the main motivation to assign company X as a preferred customer is that "it is easy to work with them and the effort they put into the relationship" (S1C). Moreover, company X is "always looking to improve and they are really good at safety, which is very important for us" (S1C).

S2 offers a variety of services for company X, as they are very broadly positioned. The supplier is very interlinked with the customer and "that's why it's important that the customer is also satisfied with our service and accordingly he also has this status with us, that he also receives a special importance" (S2).

S3's motivation is also due to the wish "to further expand the business with [company X]" (S3). Company X is a "strategic customer in the petrochemical industry with even more potential than we serve today and the better we serve the customer, the more satisfied is the customer, and the sooner we can be recommended within the group to other locations" (S3). This will help the supplier to displace competitors and to acquire new projects.

Company X can improve the communication, provide more feedback and value innovations more to improve its status

All suppliers are generally satisfied with the relationship with company X but there are a few things mentioned, which could get improved to improve the relationship. Supplier S1A mentions that there could be more

communication, “which unfortunately has moved a bit into the background at the moment” (S1A). Besides this “we have already achieved everything, basically to have a top-level business relationship based on partnership” (S1A). S1B recognizes that the case company could improve their internal communication, but that there is nothing related to the purchasing department itself.

For Supplier S1C, it is not solely related to company X, but rather applies to all of their customers, to receive more feedback and “to have discussions about what is good, what is not, and where we need to improve” (S1C). For supplier S2 this is similar because “we are always working on improving ourselves and our services accordingly”. Therefore, it is important to them to know when customers dislike something and what they could improve.

Supplier S3 suggests that company X could primarily pay more, but that this is related to all companies in generally and always the case. Moreover, an important aspect is that “they could value innovation more” (S3). The supplier developed one of the best products on the product for cleaning “some really nasty things, which is a sensitive aspect” (S3) because it is protecting the environment and society in general.

Purchasers try to expand relationships with suppliers, while keeping a competitive supplier market

Purchaser P1 states that it needs to be viewed differentiated whether they are planning to achieve the preferred customer status with supplier in the future. “Yes, because we are trying to position ourselves strategically for certain areas and we still try to make a supplier reduction” (P1). However, for company X the diversity and variance of suppliers is important because “challenging the individual suppliers against each other” (P1) might result in better outcomes and it is important that they do not rely too much on one supplier in case a problem will arise. “The more strategic, the more important the supplier is, the more I am bound to it and the bigger is my problem if something goes wrong at some point” (P1). Therefore, it is crucial to “always satisfy everyone a little bit at some point” (P1).

For Purchaser P2, long-term contracts and adjusted (shorter) payment terms would help to achieve a better status in the supplier’s company. However, for company X it is “also about new people, new thoughts, and new technologies” (P2). In the end “it faces up to the competition and [the supplier] must make itself technically as well as financially interesting” (P2). Moreover, P2 has the aim to improve the status with existing supplier, but “it is often difficult to implement because there is not enough time” (P2).

There are not any specific measures planned to improve the existing relationship with suppliers for P3. “In my head it is more like that you want to get competition to the table” (P3). The buyer suggests that there are many suppliers that want to work with the refinery and that “this refinery does not know this situation” (P3) that they could not get qualified suppliers. Therefore, P3 wants to increase competition to challenge the suppliers rather than improving the relationship with one specific supplier.

To achieve a preferred customer status, customers need to distribute orders regularly, cooperate with the supplier, establish a partnership kind of relationship and build a relationship based on trust, transparency and fairness

For Supplier S1A it is important that the customer concentrates on a few suppliers and that the basis of trust is always continued to expand in the relationship. To achieve this, it is needed that the customer “distributes orders to us regularly” (S1A). Also, the behavior should be partnership alike, which is important, and shows through an intensive communication, “more openness, more fairness, and more transparency” (S1A).

For supplier S1B it is important that there is a lot of cooperation with the customer because “only together we are strong” (S1B). The behavior of their customers ranges from considering the supplier as a business partner to purely a delivery of goods. The “personal relationship and personal conversations are actually worth a lot, and you shouldn’t let them get lost in this difficult phase due to the pandemic” (S1B).

Also, for supplier S2, the cooperation is an important factor. “For us it is important that the customer informs us in case he has any concerns, so that we can react accordingly” (S2). For this supplier the open communication is very important and that both sides want the expansion of cooperation.

Paying on time is an important aspect for S3 as well as providing the supplier with “reasonable specifications and reasonable factory standards because the supplier often gets contradictory or not reasonably coordinated regulations” (S3), which result in a lot of extra work for the supplier.

Psychological Contracts

Psychological contracts in buyer-supplier relationships

CASE 1 participants experience psychological contracts as empowering the relationship

Buyer P1 did never notice any expectations that were outside of the legal contract and states that there was never an experience of a psychological contract. “When such expectations arise, they are usually always resolved in the direct negotiations and then the wording will get changed” (P1). P1 states to always be very meticulously with the negotiation protocols and that they are always very exact because his very first supervisor did teach this to the buyer. However, “I have certainly noticed this from one or two colleagues that something like this has happened” (P1).

Furthermore, supplier S1A never noticed expectations and in case there was something not contractually stipulated, “you talk to each other, and it is then simply regulated on goodwill. That’s actually not a problem at all” (S1A). Regarding psychological contracts, S1A states that they are affecting the relationship positively because “that’s exactly where the basis of trust begins, and this is the partnership with each other” (S1A).

S1B clearly denies that there are expectations or psychological contracts with company X. However, with other companies “you expect things in addition to contractual ones that have to be fulfilled” (S1B). In the case that something like this arises, which can be the case from both sides, then there is “always the possibility of making mutual agreements” (S1B). S1B mentions that a strong basis of trust is helping to deal with such issues and come to a solution, which is not possible with all customers.

Supplier S1C agrees with the statement that there are expectations outside of the contract. “I would say that there are so many things that are not included in the contract that are expected from us, but also from the client” (S1C). For the supplier these expectations are reasonable and are not a problem in the relationship. There is a daily exchange and if problems arise, they are addressed immediately, and a solution is found. With company X, the supplier argues that “when you are used to work with a client, you are not usually finding problems with them, and you always want to work with them more often” (S1C). Moreover, they never experience strong discrepancies and perceive company X as being fair and reasonable.

CASE 2 participants encounter psychological contracts in buyer-supplier relationships

Purchaser P2 permanently experiences such expectations, but not in particular with S2 because this contract is established for quite a long time, and everything is clear. “But basically, there is always this expectant feeling, expectations from the suppliers as well as from us, which is not written down and everyone thinks that everything is clear and then we have to talk again afterwards” (P2). This is often the case when the description was not precisely defined. For P2 the effects of a psychological contracts are depending on the suppliers. With some suppliers there is a lot of understanding and it is always possible to find a compromise. While with other suppliers, it is not that easy and “sometimes you almost end up in court, because the points of view differ so much that one or the other contract was in danger” (P2). For P2 this relates to the communication of personal attitude of the individuals involved. “Sometimes I find these aspects (psychological contracts) even greater than the written ones” (P2) and in a contract “there is always interpretation and a grey area” (P2).

Supplier S2 states that the normal service is fixed in the contract, but that the service for the turnaround is not mentioned in the contract. “That’s something I think the customer expects and we try to fulfill it accordingly” (S2). In such an event, the closely cooperation and direct communication is very important. For S2, this supports the relationship and lets them “grow much closer together” (S2). Further, this will build trust on the relationship with the customer because you get to know the customer better and the customer “can rely on us blindly” (S2).

CASE 3 participants recognize effects of psychological contracts in their interactions with other parties

Purchaser P3 experiences expectations that are not part of the contract because of misunderstandings and communication issues. “Of course, this can happen because we are so many people in the company” (P3). There are always many individuals involved that have contact with the supplier and sometimes an employee might tell the supplier to do something without having the authorization and permission for this. “Then the agreements are not clear and unambiguous” (P3) and this will lead to conflicts because there was never a clear order. In most of the cases it is always possible to find a compromise for such issues. Furthermore, the specifications need to be clear, because if there is a lot of freedom, the supplier might deliver something that was not asked for. However, with the supplier S3, P3 never experienced such issues because S3 “is a very flexible supplier and does everything possible and listens very well” (P3).

Supplier S3 agrees, that “it is very difficult to regulate everything in the contract” (S3). In the relationship with company X this can also result in potential conflicts because for them it is not possible to plan precisely in advance how much of the supplier’s service is need. Moreover, S3 also recognizes psychological contracts effecting the relationship because they have different contact persons and need to deal with different stakeholders with different interests. This can sometimes result in varying instructions. In such a case, the supplier is “trying to compromise because we value the business relationship” (S3). However, this is only possible to a certain extent and “we have to appeal for fairness on both sides” (S3). “These psychological contracts are based on trust and cooperation, which sometimes work better, sometimes less well” (S3).

Psychological Contract Fulfillment and Breach

P1 and S1A never experienced a breach, while S1B and S1C recognized breaches that affected their relationships

Purchaser P1 had never experienced a psychological contract breach. For P1 it is crucial that there is no room for interpretation because “third parties must also understand what is actually meant” (P1) in case there are discussions, which might end up in court. In the category of purchased equipment of P1 there is no room for interpretations because the supplier is not allowed to interpret the factory standards. If these factors standards are not fulfilled, “then the supervisory authority might shut down the refinery or an accident happens, and no one wants this” (P1). Even though this is a very extreme case, P1 is always very exact about the wording of the contracts that no expectations or beliefs arise outside of the contract.

Supplier S1A never experienced a psychological contract breach with P1, but with other customers there are some misunderstandings sometimes. “Yes, something like that happens all the time, that one or the other thing is differently interpreted by one side or the other” (S1A). However, for S1A, “the word contract breach is too hard for me” (S1A) because such misunderstandings can be clarified quickly through a phone call and never lead to problems.

With P1, S1A argues that the psychological contracts are always fulfilled and that there are never real disputes. Such a psychological contract fulfillment “can only strengthen trust, cooperation, and simply strengthen the bond” (S1A). A “breach of contract basically does not exist” (S1A) and, thus, any kind of misunderstandings have no positive nor negative effect on the relationship and the status of the customer. “These things are solved on goodwill, and I do not see it negative at all, but rather positive and it strengthens the connection” (S1A).

Supplier S1B experienced psychological contract breaches with some of their customers but never with company X. Such a breach happens when there are misunderstandings when the technical expertise of the counterpart is limited. The effect on the relationship after such a breach is that “you have to approach it differently in the future, pay attention to certain points, and you actually have a closer look” (S1B). However, even though there is an effect on the relationship, S1B argues that this “does not destroy the relationship forever” (S1B), but “that you can build an appropriate relationship with each other” (S1B).

Further, a psychological contract breach will also reduce the trust in the relationship. Commitment would not be reduced, but rather “the commitment on our part would certainly grow, in order to then clear these things out of the way, even in the future” (S1B). For S1B, a breach will also negatively affect the satisfaction and preferred customer status.

A psychological contract fulfillment has a “positive influence on the relationship and definitely a positive effect on trust” (S1B) as well as on the satisfaction and preferred customer status.

Supplier S1C, “not had any huge problems with [company X]” (S1C). The supplier mentions that there were discussions about certain aspects, but this is typical and needed for the execution of the project. Further, this had no consequences as they “always reached an agreement for everyone” (S1C). S1C agrees that this is a sort of psychological contract fulfillment with company X and that this strengthened the trust and commitment in the relationship.

S1C did experience psychological contract breaches with other customers. The effect was that there were many discussions, and that the relationship is different with those customers. Moreover, the supplier mentions that the trust is reduced in such relationships and that “when you make comments to the contract, you are more strict and are more demanding on the modifications of your reporting” (S1C). Nonetheless, S1C tries “to leave the past on the past” because the business relationship should not be modified by discussion from the past, but that this “is difficult” (S1C).

For S1C, the psychological contract fulfillment or breach it is basically not influencing the relationship, but “everyone would want to work with the ones that help you” (S1C) and that the “internal feeling of the person that is working with that client or with the project is different” (S1C). Nonetheless, “in the end, it is your client, and you need to do work for them, help them and provide solutions, although you would prefer to work with another one” (S1C).

P2 and S2 encountered psychological contract breaches and fulfillment, which influenced their relationships

For P2 there were disagreements with some suppliers, but which were clarified with a few conversations and after both sides made improvements there was no longer a problem and “it has not absolutely escalated” (P2). P2 also argues that there was never a reduced trust after such a breach “because I like a very open communication” (P2), but “partly with the people underneath with whom this communication does not take place like that” (P2). There were cases in which other employees told P2 that they do not want to work with a supplier anymore because there was a breach of trust between them, but that this was “never so severe that people no longer spoke to each other or that a contract was dissolved because of it” (P2).

According to P2, such a breach is also not having a negative effect on the preferred customer status, but rather the opposite because “every small crisis has tended to strengthen the relationship” (P2).

Supplier S2 never experienced a psychological contract breach with company X nor with any other major customer. However, S2 mentioned that this happened quite often in the construction industry. In such cases it often happens that the supplier is trusting the customer and already starts working before the contract is established and later no one wants to pay them. “This is something that is a breach of trust and if it happens more often, then you kind of see it with all companies, which is actually a real pity” (S2). However, S2 mentions that with the major customers, such as company X something like this is not happening because they have been working together for a long time.

Such a breach is also affecting the relationships of S2 because the bond and trust is no longer there and “then you go in much more carefully” (S2). The breach is affecting the trust, confidence and behavior of the supplier in a way that they will not immediately start working, but rather wait till the contract is safe and checked. However, the commitment is not influenced “because I am basically set up in such a way that I always tend to be customer-oriented” (S2).

Further, with the major customers, S2 experiences a psychological contract fulfillment. S2 states that “I never need to worry about any of my customers that something will somehow pass me by” (S2). The fulfillment “helps to have such a good relationship” (S2), which is supporting the honesty and “the partnership and friendship on both sides” (S2).

P3 and S3 experienced positive and negative effects of psychological contract fulfillments and breaches

P3 already experienced psychological contract breaches with suppliers, but not with S3. For a special service they once switched the supplier because they offered a cheaper price, but in the end, they were not cheaper, but more expensive. This was the case because the employees took longer to do the tasks and they were used that the old supplier brought different adapters to the equipment for free. They expected the new supplier to also include them for free, but this was not the case and the new supplier wanted to get paid for it. This breach effected the trust and commitment in the relationship. "This special service area from this group is now mercilessly under observation" (P3).

Nonetheless, there are also supplier with whom P3 has psychological contract fulfillments. These suppliers "surprise us with presentations, analyses, and show us improvement options" (P3) and "we received things on top that were not asked" (P3). Such a case is strengthening the trust and the commitment in the relationship with the supplier.

A psychological contract breach was experienced by S3 once when they "were caught between different departments and people who did not want to take responsibility" (S3). They needed to make a compromise, which "we did not like at all and was unfair" (S3). The effect on the relationship is "that you might trust a little less in the future" (S3) and that you have conversations earlier and clarify everything immediately. Even though the trust is decreasing in such a scenario, the commitment is not affected. The supplier is still "fulfilling all services in the best possible way" (S3) because it is important to not take such negotiations personally and to not let them effect the business relationship.

Moreover, such a breach is also influencing the preferred customer status for S3 because "if you have a customer with whom you get along great, who is fair, who pays sensibly, who keeps his promises, Then, of course, you are more and more quickly ready to" (S3) help the customer in case of problems. S3 is supporting the statements that a psychological contract fulfillment is positively influencing trust and the preferred customer status.

Appendix G: Discussion Tables

Table 19: Discussion - Benefits of the Preferred Customer Status

	P1	S1A	S1B	S1C	P2	S2	P3	S3
Financial Benefits								
Cost reduction	X							
Benevolent pricing	X				X			X
Innovation & Qualitative Benefits								
Supplier involvement in NPD								
Supplier willingness to engage in joint projects	X							
First access to supplier's innovations	X	X			X			
Product quality				X			X	
Operational Benefits								
Preferred resource allocation		X	X					
Decreased lead and cycle time	X				X			
Delivery performance (reliability and flexibility)	X				X			X
Interactional Benefits								
Improved communication, responsiveness and support	X	X			X	X	X	X
Offering best personnel								
Commitment, trust and knowledge sharing	X	X			X			

Table 20: Discussion - Antecedents of Supplier Satisfaction

	P1	S1A	S1B	S1C	P2	S2	P3	S3
Innovation Potential								
Joint innovation projects, R&D cooperation								
Early supplier integration in NPD								
Sharing know-how								
Growth Potential								
Financial attractiveness								
Potential to grow together								
Corporate reputation							X	
Supplier development								
Profitability								
Purchasing Volume								X
Contribution to sales and profit of supplier		X			X			X
Payment terms, fast payment	X	X			X			
Relational behavior								
(Mutual) Trust						X		
Commitment								
Loyalty						X		

(Tight) personal (employee) relationships	X		X X	X	X	X X		X
Problem solving, joint problem solving, evaluation of conflicts	X	X		X	X X	X		
Communication: open information exchange & quality	X		X X	X X	X X	X X		
Cooperative culture and goals		X						
Support & Involvement		X		X				
Operative Excellence								
Demand stability		X						
Compliance					X			
Process management/optimization	X			X				
Clarity of objectives/requirements	X							X
Quality management								
Reliable behavior				X X				
Contact accessibility								

X: Satisfaction

X: Dissatisfaction