

# Best Practices in Mitigating the Impact of Customer-Induced Psychological Contract Breaches on the Performance of a Supplier's Organization: a Case Study

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## ABSTRACT

This thesis investigates the main forms of customer-induced psychological contract breach, its effect on the performance of a supplier's organization and the 'best practices' suppliers can employ to cope with the impact of aforementioned breach. A group of supply chain managers on the subject of PCB, working at the same company, were questioned about their expertise in semi-structured, qualitative interviews. This research aims to both shed light on the various forms of PCB, caused by the customer, suppliers have to deal with on a regular basis, as well as investigate what suppliers can do to diminish the impact of this PCB. Four key forms of PCB, caused by the customer, were identified by the supplier's organization: insufficient sharing of information, balance of power, testing the supplier and lying/reneging. Four key categories of initiatives/efforts, managers can employ to prevent and/or mitigate the effect of this PCB, were identified: control, coordination, documentation and support. Two key moderators were also identified and explored: interpersonal relationships and reparation efforts. Existing interpersonal relationships are a key moderator for customer-switching behavior and the effect of customer-induced PCB. Reparation efforts are a key moderator for the effect of customer-induced PCB, and are important for restoring interorganizational trust. All in all, this thesis provides an in-depth analysis of the common forms of PCB, caused by a customer, encountered by a typical supplier organization in the Dutch transport sector. This thesis provides insights in the various ways managers can counter the effects of aforementioned PCB, thereby offering a valuable addition to the field of purchasing and supply chain management.

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## Keywords

Psychological Contract Breach, Supplier, Customer, Interpersonal Relationships, Best Practices, Reparation Efforts, Reneging, Disruption

## 1. INTRODUCTION

In order to conduct business effectively, organizations throughout history have strived to make their various business dealings with others as predictable as possible. One way organizations attempt to do this, is through the employ of binding, written interorganizational agreements, commonly referred to as ‘contracts’. However, not all elements of interorganizational agreements can be put in writing, which forces the involved parties to rely on *psychological contracts* (Eckerd et al., 2016). Psychological contracts are hard to define, but are commonly understood as “the unwritten mutual beliefs, implied obligations and expectations between one party and another” (Rousseau, 1989). Because these agreements are vague in their very nature, organizations view their obligations to other organizations differently: when one organization perceives that their psychological contract with another organization has been infringed upon, tensions may arise as a result (Robinson, 1996): this is called *psychological contract breach*. A psychological contract breach (henceforth referred to as “PCB”) may cause the wronged organization to feel resentful, angry and slighted towards the organization, who they perceive as having wronged them (Rousseau, 1989). As a result, it is important for organizations to manage psychological contracts carefully, as breaches to them have been shown to impact (inter)organizational performance negatively (Tomprou et al., 2015).

In terms of the existing literature on the subject of interorganizational PCB, supply chain literature seems to focus largely on the short-term economic impact (Atkinson, 2007) of PCB on buyer-supplier relationships. This impact is brought about by the supplier being either unable, or unwilling, to fulfill their obligations to the psychological contract with the buyer (Blancero & Ellram, 1997). Less studied seems to be the long-term, relational impact of PCB on buyer-supplier relationships, because its various consequences on the relationship are not immediately apparent (Blessley et al., 2018). Nevertheless, research exists that shows relational PCB to have just as much of a negative effect on buyer-supplier relationships as economic PCB (Kingshott, 2006), because of general satisfaction and trust loss (Gillani et al., 2021) – managers, it seems, should therefore not neglect one in favor of the other.

In the available supply chain literature, various perspectives on PCB in an interorganizational context exist. However, one of these perspectives seems to have not been focused upon much regarding buyer-supplier PCB. This perspective is *collaborative*, which holds a rather optimistic view of buyer-supplier relationships, characterized by high general trust and collaboration (Fan & Stevenson, 2018). The dominant themes arising from this perspective are concerned with the various efforts towards the restoration of buyer-supplier relationships, when faced with PCB caused by the supplier (Dirks et al., 2009; Mir et al., 2021). Research performed within this perspective shows, that the interpersonal relationship between managers on both sides of the buyer-supplier relationship seem to play an important role in preventing PCB from occurring (Gligor & Autry, 2012). Moreover, managers also seem to play an important role in repairing a damaged buyer-supplier relationship, caused by PCB from the supplier. Research shows that suppliers want to make up for their mistakes by compensating the buyer (Aslam et al., 2022), and managers from both sides seem to play an important role in facilitating these reparations efforts.

All in all, research on the subject of interorganizational PCB, and the effect it has on buyer-supplier relationships is extensive. It has shown that the interpersonal relationship(s) between

managers on both sides of the buyer-supplier relationship play a key role in dampening the effect of aforementioned PCB. Furthermore, the effect of these interpersonal relationships seems to be significant in restoring a buyer-supplier relationship, otherwise damaged by PCB caused by the supplier. Nevertheless, there is an element to these that seems to have not been explored much. These are the strategies the managers at a buyer’s organization could employ to help prevent, or otherwise mitigate, the effects of PCB caused by the supplier on that organization. A research direction, not explored but instead proposed by Aslam et al. (2022), was: “What are the ‘best practices’ for mitigating the effects of a breach of a contract in supply chain contexts?”. Drawing on this same research, this thesis will focus on the ‘best practices’ and/or strategies/initiatives managers at a Dutch transport organization can employ to help mitigate the effects of PCB, caused by the supplier – both pre- and post-breach (Q2). In order to answer this question effectively, a cursory research question was developed. This research question (Q1) aims to gather an understanding of the various forms of PCB, caused by a supplier, perceived by a typical buyer in the Dutch transport sector.

As such, the research question for this thesis is therefore two-fold:

Q1: Which forms of PCB, caused by a major customer, impact a supplier’s organization in the Dutch transport sector?

Q2: What are the ‘best practices’ in preventing and/or mitigating the impact of PCB, caused by a major customer, on a supplier’s organization?

In the literature below, buyer-supplier breaches are mentioned, where buyers experience PCBs caused by the supplier. However, in the research questions, supplier-customer breaches are explored, where the supplier in this research experiences PCBs caused by the customer. In order to avoid confusion regarding this difference in terminology, supplier-customer breaches are regarded the same as buyer-supplier breaches in the literature. This thesis does not distinguish between the two.

In this research, it was found that there are four distinct forms of PCB that impact a supplier’s organization, caused by a major customer. These are: *insufficient sharing of information* with the supplier; a skewed *balance of power* between the supplier and the customer; the customer *‘testing’ the supplier*; the customer *lying* to and/or *reneging* on their obligations to the supplier. Furthermore, it was also found that there are four distinct categories of ‘best practice’ strategies, able to be employed by managers of the supplier’s organization to help prevent and/or mitigate PCB caused by the customer. These cover *control* and *coordination* strategies, both aimed at prevention, and mitigation of the impact of, customer PCB; *documentation* and *support* strategies, aimed at preventing customer PCB from occurring.

## 2. LITERATURE BACKGROUND

As mentioned in the introduction, not all elements of interorganizational agreements can be put in writing. This means that the parties involved also have to rely on psychological contracts (Eckerd et al., 2016). A psychological contract refers to “an individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party” (Rousseau, 1989). PCB occurs when one party reneges on another party’s contract, as evaluated by a neutral third party (Morrison & Robinson, 1997). PCB also occurs in the absence of an actual breach, because it is dependent on the perception of the wronged party, which may differ from the perception of another evaluator (Robinson, 1996). After a PCB has been perceived, the wronged party’s emotional state may also change. This change is defined as a psychological contract

violation (Robinson & Morrison, 1997) and can, depending on the individual, cause anger, resentment, moral outrage, a sense of injustice and wrongful harm (Rousseau, 1989). As such, mitigating PCBs wherever possible seems to be very important to overall relational health, as violations of it have been shown to be detrimental to the relationship and performance of all parties involved (Tomprou et al., 2015).

In a buyer-supplier context, PCBs can further be defined as occurring “when the supplier fails to fulfil the buyer’s perceived obligations” (Blessley et al., 2018). Research has shown that psychological contracts “inevitably lead to breaches” (Kaufmann et al., 2018), because every party involved in these contracts perceives the obligations to other parties differently (Blessley et al., 2018). In a wider, international context, it is argued that cross-cultural differences have a significant impact on PCB, as different cultural backgrounds perceive and act upon obligations differently (Coyle-Shapiro et al., 2019; Eckerd et al., 2016). In supply chain literature, two PCB dimensions have largely been focused on in an interorganizational context. These are *transactional* and *relational*: transactional PCBs are concerned with the perceived unfulfilled obligations associated with economic exchange (Atkinson, 2007) and relational PCBs are concerned with the perceived unfulfilled obligations associated with social exchange (Blessley et al., 2018). Two distinct forms within both dimensions of PCB can be identified. Firstly, there is *disruption*: disruption refers to the incapability of a supplier in fulfilling the obligations of the buyer, because the situation is beyond the control of the supplier. Secondly, there is *reneging*: reneging refers to the refusal of a supplier in fulfilling the obligations of the buyer, the terms of which were previously agreed upon (Blancero & Ellram, 1997; Eckerd et al., 2013). In a transactional context, both forms of PCB have been shown to cause direct and immediate (negative) consequences for both the buyer and the supplier (Eckerd et al., 2013; Mir et al., 2017). As a result, managers largely focus on the transactional dimension of PCB, because of the immediate necessity to deal with its various forms when they occur. However, this does not mean that the relational dimension of PCB is to be neglected: while the immediate consequences of relational disruption and/or reneging may not be apparent (Blessley et al., 2018), it has been shown that they do lead to reduced satisfaction, loss of general trust and supplier-switching behaviour (Gillani et al., 2021; Kaufmann et al., 2018). Kingshott (2006) argues that the long-term consequences of relational PCBs have the same end-effect as the short-term consequences of transactional PCBs – worse interorganizational performance; it seems then, that managers at companies need to manage both dimensions accordingly if they want to maintain healthy interorganizational performance.

Within the supply chain literature on PCB and its various forms, several perspectives have been explored within a buyer-supplier context. One of these perspectives seems to have not been focused upon much in research: the *collaborative* perspective. the collaborative perspective focuses largely on the causes for and restoration of buyer-supplier relationships, when faced with PCBs (Dirks et al., 2009; Mir et al., 2021). Because the collaborative perspective on interorganizational PCB has not been researched as much as other perspectives, the overall view of buyer-supplier relationships in available literature has become skewed. As a result, supply chain literature on PCB and its various forms tends to view buyer-supplier relationships as low-trust and highly competitive in nature, the so-called “dark side” of interorganizational relationships (Gillani et al., 2021). However, research shows that, when given the chance, suppliers generally want to make up for their PCBs – by means of compensating the buyer (Kramer & Lewicki, 2010; Aslam et al.,

2022). Furthermore, research also shows that managers on both sides of the buyer-supplier relationship, the so-called ‘boundary spanner’, play a large role in overcoming interorganizational PCBs as well. They do this through the employ of interpersonal relationships (Gligor & Autry, 2012). Managers use existing interpersonal relationships as a point of reference for managing and repairing incidents with suppliers (Ring & van de Ven, 1994; Aslam et al., 2022), and will trust the other party accordingly to provide adequate benefits and/or compensation, when faced with PCBs (Lambe et al., 2001). When these are not perceived as adequate after a PCB has been perceived, they may result in heightened tensions and lessened overall confidence and/or trust in the supplier (Bottom et al., 2002). All in all, research shows that managers from both sides in a buyer-supplier relationship, the so-called ‘boundary spanners’ (Gligor & Autry, 2012; Aslam et al., 2022), can and will repair the relationship when given adequate means to.

The table below shows a quick overview of the main concepts explored in this thesis, with links to relevant literature.

**Table 1. Concept Overview and Literature Link**

Concept	Explanation	Relevant Literature
Psychological Contract (PC)	The unwritten mutual beliefs, perceptions, obligations and expectations between one party and another, e.g. a buyer and a supplier.	Rousseau (1989)
Psychological Contract Breach(es) (PCB)	The deliberate renege of one party on another party’s contract, as evaluated by a neutral third party and perceived by the wronged party.	Morrison & Robinson (1997) Robinson (1996)
PCB Dimensions	Transactional PCB: the perceived unfulfilled obligations associated with economic exchange.  Relational PCB: the perceived unfulfilled obligations associated with social exchange.	Atkinson (2007) Blessley et al. (2018)
PCB Forms	Disruption: the incapability of a supplier in fulfilling the obligations of the buyer’s contract, because the situation is beyond the control of the supplier.  Reneging: the refusal of a supplier in fulfilling the obligations of the buyer.	Blancero & Ellram (1997) Eckerd et al. (2013)
PCB Moderator – Interpersonal Relationships	The existing various relationships between a buyer’s and a supplier’s organization that affect the ability to manage PCB conflict effectively.	Gligor & Autry (2012) Ring & van de Ven (1994) Aslam et al. (2022)
PCB Moderator – Reparation Efforts	The attempt(s) to remedy a damaged relationship with the other party to a PC, by means of active and thorough compensation.	Kramer & Lewicki (2010) Aslam et al. (2022)

### 3. METHODOLOGY

#### 3.1 Research Design

Research on the subject of interorganizational PCB is often performed through large-scale (scenario-based) role-play, survey and/or vignette analysis (Blessley et al., 2018 ; Eckerdt et al., 2013). This helps paint a clear picture in theoretical, technical terms, but often times leaves out the thoughts and/or motivations of managers/boundary spanners on the ground. An outlier to this rule is a recent study on interorganizational PCBs, which employed interviews as the main method of analysis (Gillani et al., 2021). It employed a grounded theory approach (Strauss & Corbin, 1998; Charmaz, 2005) in order to build the interview protocol and analyze the results. However, grounded theory uses an inductive approach, which was, due to the nature of this research, not adopted.

Because this research builds on research that has not been able to be analyzed to the fullest extent, it was decided to adopt a qualitative, deductive approach (Elo & Kyngäs, 2007; Hyde, 2000). The interviews collect qualitative data (Malterud, 2001), because they are based on past (and present) experiences, gathered through talk and observation. The aim is to provide a comprehensive analysis of these real-life elements with their various theoretical implications and applications in an intra-organizational context. This research aims to answer the research question(s) through semi-structured interviews, where the Interview Protocol will function as a guiding tool, along which the researcher can both improvise follow-up questions as well as enable reciprocity between himself and the interviewee (Galletta, 2012) to ultimately allow for the interviewee to answer questions as detailed as possible (Kallio, 2016; Mashuri et al., 2022).

**Table 2. Interview Protocol – Question Overview and Concept Link**

Question Focus	Questions	Concept Link
General Understanding - Introductory and Clarification	<ul style="list-style-type: none"> <li>• What is your name/age?</li> <li>• What is your position at this firm?</li> <li>• For how long have you worked at this firm?</li> <li>• Have you ever heard of the term “psychological contract? (If not, explain thoroughly and ask follow-up question “Could you give me an example of a psychological contract &amp; PCB?” in order to gauge the interviewee’s knowledge level and elaborate where necessary)</li> </ul>	Psychological Contract(s) (PC) Psychological Contract Breach(es) (PCB)
Relationship with Customer’s Organization – Forms of PCB encountered by Supplier	<ul style="list-style-type: none"> <li>• Could you give me an example of customer PCB?</li> <li>• In what way(s) did this breach impact your firm?</li> <li>• What other examples of customer PCB, or related impacts, could you give?</li> <li>• Does there exist an imbalance of power?</li> <li>• In what way(s) do these breaches impact the relationship with the customer?</li> </ul>	Psychological Contract Breach(es) (PCB) PCB Forms PCB Dimensions
Relationship with Customer’s Organization – Interpersonal Relationships between Managers	<ul style="list-style-type: none"> <li>• How do you evaluate the relationship between this firm and that of the customer’s? Do you think it helps prevent PCB?</li> <li>• Are you in regular contact with the customer’s focal point(s)?</li> <li>• How do you evaluate your relationship with him/her?</li> <li>• Do you think this relationship prevents PCB?</li> <li>• Has an interpersonal relationship between your organization and that of the customer ever served to stop a PCB from occurring?</li> <li>• Are there any measures implemented to safeguard your interpersonal relationship(s) with suppliers against PCB and the potential consequences?</li> </ul>	Psychological Contract Breach(es) (PCB) PCB Moderator – Interpersonal Relationships
Relationship with Customer’s Organization – Reparation of the Relationship between the Supplier & Customer	<ul style="list-style-type: none"> <li>• How would you approach a damaged relationship with the customer?</li> <li>• Has a damaged relationship with the customer ever been successfully fixed?</li> <li>• Has a damaged relationship, when fixed, been largely fixed by you or has the supplier also put in effort?</li> <li>• Research shows that a supplier generally wants to compensate for damages done – have you experienced this phenomenon? If yes/no, why do you think that is?</li> <li>• Would you trust a supplier to repair the damaged relationship? On what is it dependent?</li> <li>• In terms of scenarios, what would be the cut-off/breaking point for relationship restoration with or by the supplier (the point of no return)?</li> </ul>	Psychological Contract Breach(es) (PCB) PCB Moderator – Reparation Efforts
‘Best Practices’ Employed – Strategies, Initiatives and Efforts Prevention and/or Mitigation of Impact of PCB on Supplier’s Organization	<ul style="list-style-type: none"> <li>• Considering your position and the forms of PCB you encounter, what are the ‘best practices’ to help prevent PCB from having an effect on your organization?</li> <li>• Considering your position and the forms of PCB you encounter, what are the ‘best practices’ to help prevent PCB from occurring?</li> <li>• (Improvisation based on the interviewee, his/her position and expertise)</li> </ul>	Psychological Contract(s) (PC) Psychological Contract Breach(es) (PCB) PCB Moderator – Interpersonal Relationships PCB Moderator – Reparation Efforts

### 3.2 Interview Protocol

As mentioned in the Research Design, the interviews were conducted by using an interview protocol as a guiding tool for questions asked, but also to keep track of the general line of questioning. This Interview Protocol is visible above.

Firstly, general questions were asked about the age, occupation and years worked at the supplier's organization. After establishing an initial rapport, questions were asked about the interviewee's understanding of psychological contracts. These questions were asked, so that the researcher could gauge the interviewee's knowledge on the subject, and clarify if deemed necessary.

Secondly, the interviewees were asked about their knowledge about PCB and its various forms, encountered by the supplier's organization and caused by the customer's organization.

Thirdly, the interviewees were asked about their personal involvement in not just mitigating the eventual effects of PCBs, but also preventing them from occurring outright. Research has shown that Interpersonal Relationships between managers are an important moderator variable on the impact of interorganizational PCB, which is why questions on them were included in the protocol.

Fourthly, the interviewees were asked about their personal involvement in restoring the relationship between the interviewee's organization and that of the customer; specifically, when that relationship was damaged because of a perceived PCB by the customer. Research has shown that Reparation Efforts by managers are also an important moderator variable on the impact of interorganizational PCB, which is why questions on them were included in the protocol as well.

Lastly, questions were asked about the 'best practices' managers at the supplier's organization could employ, to prevent and/or otherwise mitigate the effects of PCB, caused by the customer. These were not linked to literature, because the questions asked were dependent on the influence of the single manager on the subject of 'best practices' within the supplier's organization. Because the gathered knowledge was heavily dependent on their respective positions, the questions could not be standardized for each one – without making them very general. As a result, it was decided to 'fill in the blanks' of a general line of questioning by means of improvisation.

### 3.3 Case Study

The organization of choice/unit of analysis is a Dutch transport organization (the supplier), that specializes in both (semi-)long distance transport as well as home delivery for another Dutch organization (the customer), active in the food industry. Due to the fact that confidentiality is important to the supplier's organization, with regard to the answers they give, all personal names have been omitted from this thesis. Titles are kept in the text, because the manager names are a bit too generic to stand out and because the supplier's organization allowed it to be so. The interviewees, who can be seen in the table below, were all between 30 and 60, and were enthusiastic to talk about their various job functions. Interviewees were handpicked by the researcher and the Operational Manager, to ensure that every department in the organizational structure was included and the best possible spread guaranteed. The interview times stayed about the same length as expected before, 30 to 60 minutes. An unforeseen change occurred, because the Garage Manager was unable to be interviewed. After the first few interviews, it was realized that the original line of questioning was too narrow: the various forms of PCB caused by the customer were clear, but it became evident that internal tensions within the supplier's organization were a non-factor in the end effect of the perceived

PCB. It was therefore decided to widen the line of questioning to also include the strategies and/or 'best practices' managers at the supplier's organization can/have employ(ed) to help prevent, or otherwise mitigate, PCB caused by the customer.

**Table 3. Case Study – Overview of Interviewees at the Supplier's Organization.**

Managerial Role	Interviewed	Boundary Spanner	Time
Operations	X	X	34:25
Business Control	X	X	52:13
Head Planner	X		26:07
Fleet & Innovation	X	X	46:13
Human Resources	X		54:30
Financial	X	X	1:05:54
Sales & Acquisition	X		50:14
Garage			N/A

### 3.4 Data Analysis

In terms of data analysis, every interview has been recorded on the researcher's phone, and was transcribed afterwards. To make sense of the transcribed data, notes were written down during the interview and the data was reorganized, filtered and analyzed afterwards based on pattern recognition (Drever, 2003).

## 4. RESULTS

**Table 4. Overview of Results**

Forms of Customer PCB encountered by the Supplier's Organization	
Category	Explanation
Insufficient Sharing of Information [4.1.1]	<ul style="list-style-type: none"> <li>Ignoring the supplier</li> <li>Not taking the Supplier seriously</li> <li>Delaying reactions to the supplier</li> </ul>
Balance of Power [4.1.2]	<ul style="list-style-type: none"> <li>Perception of being treated as "non-equal"</li> <li>Unwillingness to solve problems</li> <li>General arrogant and/or dismissive reactions to problems</li> </ul>
'Testing' the Supplier [4.1.3]	<ul style="list-style-type: none"> <li>Evading responsibility to obligations</li> <li>Making 'mistakes' in invoices</li> </ul>
Lying / Reneging [4.1.4]	<ul style="list-style-type: none"> <li>Lying to the supplier</li> <li>Reneging on previously agreed upon agreements</li> </ul>

‘Best Practices’ to Prevent and/or Mitigate the Impact of Customer PCB on Supplier’s Organization	
Category	Explanation
Control Efforts [4.2.1]	<ul style="list-style-type: none"> <li>Performing due diligence at the supplier.</li> <li>Knowing what is going on before accusing the customer of PCB</li> <li>Not being in the crosshairs of the customer</li> </ul>
Coordination Efforts [4.2.2]	<ul style="list-style-type: none"> <li>Change in company culture</li> <li>Focus on employee retention</li> <li>Driver happiness</li> <li>Being ‘one step ahead’ by being the best supplier</li> <li>General pro-activity</li> </ul>
Documentation Efforts [4.2.3]	<ul style="list-style-type: none"> <li>Shared paper trail with customer</li> </ul>
Support Efforts [4.2.4]	<ul style="list-style-type: none"> <li>Innovative recruitment and selection processes</li> <li>Employee retention</li> </ul>
Moderators on the Impact of Customer PCB on Supplier’s Organization	
Category	Explanation
Interpersonal Relationships [4.3.1]	<ul style="list-style-type: none"> <li>Long history</li> <li>Reluctance to switch customers</li> <li>Lessened effect of PCB on supplier</li> </ul>
Reparation Efforts [4.3.2]	<ul style="list-style-type: none"> <li>Penance</li> <li>Reconciliation</li> <li>Compensation</li> <li>Cessation</li> </ul>

As can be seen in the table above, four forms/categories of encountered PCB were identified: insufficient sharing of information, balance of power, ‘testing’ the supplier and lying/renegeing. *Insufficient Sharing of Information* covers the customer ignoring the supplier, not taking the supplier seriously and/or delaying reactions to the supplier. *Balance of Power* covers the customer treating the supplier as non-equal; general unwillingness to solve problems of the supplier; the supplier having to deal with general arrogance and dismissive reactions. *Testing the Supplier* covers the customer changing bilateral agreements, thereby evading their responsibility to the supplier. *Lying and Renegeing* covers the customer renegeing on their previously agreed upon obligations to the supplier; the customer lying to the supplier about the cause(s) of the renege.

Secondly, four categories of efforts/initiatives, so-called ‘best practices’, were identified: control, coordination, documentation and support efforts. *Control* covers checking invoices; knowing you have not done wrong before accusing the customer of PCB; performing managerial due diligence. *Coordination* covers the various changes in company culture; employee retention; special coordinators for drivers; being the ‘best boy in class’. *Documentation* covers the shared paper trail between the

organizations. *Support* covers the recruitment and selection processes.

Two moderator variables were also identified and explored throughout the interview process: interpersonal relationships and reparation efforts. Existing *Interpersonal Relationships* were found to play an important role in stopping the supplier from switching to another customer, as well as mitigating the effect of PCB caused by a major customer. *Reparation Efforts* were found to play an important role in mitigating the effect of PCB caused by a major customer, and restoring interorganizational trust.

## 4.1 PCB encountered by the Supplier’s Organization

### 4.1.1 Insufficient Sharing of Information

The supplier in this research has indicated that PCB by a major customer often times involves the customer ignoring the supplier, not taking him seriously or stalling for time in terms of necessary reactions. Interviewees, most of whom are in regular contact with the focal points of the supplier’s customer, have all indicated that there are some matters that are mostly, if not always, ignored, when raised.

Contact with the supplier’s customer either happens in the form of e-mail contact or face-to-face contact, at quarterly meetings designed specifically for raising points of contention. The supplier’s customer can be divided into two departments; Store Distribution and Home Delivery, where store distribution has been a continual customer since the early 2000s, and home delivery since the last 5/6 years. The Fleet & Innovation Manager of the supplier mentioned that, with regard to the contact with home delivery, “*ignoring occurs mostly in the form of ‘being strung along’*”, i.e. no clear answer, or sometimes even no answer. “*Everything has to be followed up upon with at least 4 to 5 e-mails, and is sometimes met with a big mouth...*”. He also argued that this was due to the relative novelty of the home delivery department compared to store distribution – in his words, their operations had exceeded their capacity, which hampered their ability to give adequate answers to the supplier, something which is further elaborated upon in 4.1.4. On the other hand, store distribution does not seem to have this same problem.

In the case of not being taken seriously, the Business Controller, who used to go to the quarterly meetings, mentioned that “*one is always received with a warm coffee and a warm welcome, by normal people just like you and me; one always has the feeling he is being listened to on certain matters.*” The Fleet & Innovation Manager agrees with this, stating that “*store distribution has much more experience, more structure and more self-reflection [in dealing with points of contention]*”. Nevertheless, there are some points of contention that are almost always not being taken up by the store distribution. For instance, the Head Planner of the supplier for store distribution mentioned that he, since he began working at the supplier 2/3 years ago, had continuously submitted critical points with the Operational Manager to be discussed at the quarterly meeting(s), but he has yet to see a single point be addressed by the customer. These points mostly revolve around start & end and loading & unloading times for drivers. A week plan is given one week in advance to the head planner, who has to plan drivers accordingly. He states that “*usually, this is not a problem. But sometimes, the customer has made a week plan with unrealistic expectations; on Monday and Tuesday, we have a ‘late’ plan, 12pm to 6am, for example. If you look a day later, you see that you have an ‘early’ plan – so you get into trouble with the required 9-11 hours of rest for drivers. Sometimes you require 3 to 4 more drivers than you have at your disposal - it does occur sometimes that it does not work out. But we are contractually bound to drive all of the week*

plan...". All in all, while important points of contention are being raised at the quarterly meetings with the customer, they are not all addressed in turn.

Another common form of PCB, mentioned by the interviewees, is stalling for time. Stalling for time is very similar to ignoring, in that the motivations are the same, yet the time frame is not; stalling implies that a reaction will happen at some point in the future. The Financial Manager states that *"stalling is a common theme within large organizations dealing with smaller organizations, because time is on their side. When someone does react, that is usually deliberately so; you let someone take the blame, while the actual responsible people stay behind, out of harm's way."* The Fleet & Innovation Manager agrees with this, stating that *"within the customer's organization transport department, it seems very 'messy' internally – lots of turnover, knowledge that is walking away. These people have worked there for 20 to 25 years. The newer ones all seem to hide behind a certain 'veil'... 'We do not know' and 'We have never known this' are common answers when asked for clarification at the home delivery department. People are continuously being replaced, experience and continuity is severely lacking in that department"*.

#### 4.1.2 Balance of Power

Another common form of PCB caused by the customer, and perceived and indicated by the managers at the supplier's organization, is a skewed power relationship between the organizations. In this instance, the supplier is not necessarily treated as "non-equal" by the focal points of the customer, but feels that way because the organization of the customer is so large, that it has become bulky and sluggish in its various business dealings with its suppliers. This in turn causes the supplier to feel neglected and/or passed over, which negatively affects tensions within the supplier's organization and outside.

As mentioned in 4.1.1, the supplier's organization is contractually bound by the customer to deliver their products according to the customer's plan. However, the supplier is not always able to adhere to the plan, because of a lack of drivers or because of plans with unrealistic expectations. The Head Planner of the supplier's organization for the store distribution, mentions the following with regard to his fellow colleague planners: *"Of course, this sometimes causes considerable tensions. It does not result in fights or anything, but naturally, comments are made. When I am not present, I see things happen at times of which I think: 'Why, guys?'. They cannot look further than one day, no foresight; only tackling Problem A, not seeing what that does with your week plan as a result"*. The Head Planner also gets into trouble with drivers, as they are wedged between his wants and the customer's needs: *"... we talk a lot with our drivers, and they like to indicate their preferred begin and end times, start times, when their wives get pregnant, etc., and we try to take this into account as much as possible. But that causes tensions as well; when I cannot complete my required drives, I will shrink my week plan – this means that I cannot fulfill every obligation, which causes frustration among drivers. And that has to be tackled before you throw a new week plan out of the door, for everybody to see"*. This is closely linked to the subject of not being taken seriously, described in 4.1.1: the customer might know that problems are occurring, but simply do not want to do anything about it.

##### 4.1.2.1 Organizational Layers within the Customer

Decision-making processes are slow, owing to the fact that the supplier has a rigid hierarchy, which causes the supplier to feel as if he is being "left hung out to dry". The Business Controller, who had a lot of contact with the customer's different organizational layers in the past, puts it aptly: *"The 'normal'*

*people we get to talk to about our various problems are not the same as the ones who actually have the deciding power. Those people are the 'invisible men in suits', who have their seat of power at the Head Office somewhere else. They decide what points to give in to and what points to ignore. Even our Sales & Acquisition Manager, who has contacts at a high level, cannot penetrate this 'veil', because the levels of upper management at the customer go even higher than that"*. He elaborates on this, by giving a personal anecdote: *"Regarding the payment by the customer, and we are talking a while ago, we always had massive problems. This was a large yearly payment, very important to us because the [survival of the] business was largely dependent on it; so they sent me there. 6 people had to authorize it, from all layers of management, always around the holiday period of June-August. 5 signatures would be in my hands, and the last one? 'Oh, he is on holiday in Italy, he will not be back for another two weeks'. That's how it went back in the day."* The Financial Manager of the supplier elaborated on the current day (see also 4.1.1): *"I have only been here for a few years, but this organization has always had good contact with the focal point of the customer regarding tariffs. That man is now gone, and the person who has replaced him is a 'staller'; he may not decide anything on his own, which negatively affects us. When we really press for answers, he will be giving a pre-meditated answer; the real responsible people stay out of harm's way"*.

##### 4.1.2.2 Arrogance and Dismissal

Due to the relative size of the customer's organization compared to the supplier, a common way in which the customer shows it has the upper hand in the relationship is through arrogance. The Financial Manager, who has worked with other, equally large or larger organizations in the past, states that *"these organizations all have a similar way of operating. A few people in these organizations, or entire departments, feel as though they are smarter and/or better and believe that they can do just a tiny bit more... A common theme is also the underestimation of organizations on the other side of the business table"*. On the theme of inter-organizational transparency, he added: *"Organizations such as these come to the table, with grand stories about 'Transparency': 'We have to be transparent to each other about the new tariff, let's put everything side by side'... but when you ask them for their underlying model(s) and calculations? How did they reach the numbers they proposed? They ask for all the details and expect us to give them on a silver platter, yet give none themselves"*.

##### 4.1.3 "Testing" the Supplier

Another common form of PCB caused by the customer, and perceived and indicated by the managers at the supplier's organization, is 'testing' the supplier's organization. In this instance, testing the supplier means changing up commonly agreed upon arrangements and/or amounts to try and see if the supplier notices, or not. The Financial Manager states about this: *"When we, the supplier, notice it, we become distrustful and the customer of course tries to evade responsibility. However, if we do not notice it, we open the doors to future 'tests' and other tricks"*.

In the case of the supplier in this research, testing is commonly (and knowingly) done through the use of pro forma, "self-billing", invoices with "mistakes" in them. These mistakes are most commonly in the form of changes to hourly tariffs, the main way the supplier makes money; the negotiated hourly tariff times the budgeted number of annual hours is the amount of money the supplier receives from the customer for work performed. Pro forma invoices are preliminary invoices that are not legally binding per se, but include all the necessary information about a sale already to a buyer. According to the Financial Manager, it is

considered standard practice to send a pro forma invoice ahead of one's actual invoice, as sign of "good faith" negotiating; except here, it's not in good faith. The Fleet & Innovation Manager put it aptly: *"Over one single truck, the number of annual hours is being calculated for the year, on the basis of which the hourly tariff is also being recalculated. Every quarter, this number of annual hours is being revised, and the hourly tariff accordingly. I have fixed costs, overhead and such... they do not change much in a given year; but the variable costs, the ones I just mentioned, those I want to earn back. If a truck runs for 1000 hours, the hourly tariff – the costs I want to earn back – is high. But when the fixed costs stay the same, and that same truck runs for 4000 hours instead, the hourly tariff drops. And yes, in a lot of those instances, we can see that the customer tries to 'sneak' in 100 or 200 more hours than have actually been driven. You always have to be vigilant for things like that"*.

Another way the customer can use pro forma invoices to their advantage, is by treating it as the final invoice to "save" the supplier time: *"The customer knows exactly which drives we did, and on the basis of those, we get paid. They have exact data on everything we, and other suppliers, do, ranging from the required driving time to the necessary unloading time of the roll containers at any given location, so they are basically saying: 'We know what you did and what you want, so here is a complete overview of what you get'. Anything more you want, you need to claim through a lengthy process. So we basically do not even have to send an invoice – but we do need to check it."*

The customer can also make "mistakes" with the hourly tariffs in certain cases, namely with regard to overtime, week-end workdays and holiday workdays. In the Netherlands, drivers generally earn 130% with overtime hours, 150% on Saturdays and 200% on Sundays and holiday workdays. Such cases are well-known at the supplier in this research, where the Operational Manager and the Business Controller both mentioned that pro forma invoices over the Easter Holidays were found to have a lot of "mistakes" in them, with regard to these mark-ups. To elaborate on aforementioned remarks, the Business Controller mentioned that *"during Christmas season, they paid all of the mark-ups accordingly, and then during Easter season, they did not. So naturally, you go after that; and the customer says: 'We had clear agreements, remember?'. And you do not agree, so you go higher up in the chain, where the upper management of the customer says: 'Pardon, should not have been that way, that is going to be corrected'. But before it is corrected, 5 to 6 weeks have passed; and then you get into trouble with the monthly end closing of the business accounts, because the books for that month have long been closed, but you suddenly get revenue..."*.

#### 4.1.4 Lying and Reneging

Two less common, but equally severe, forms of PCB encountered by the supplier's organization and caused by the customer's, are lying and renegeing.

In this instance, the supplier was asked to partake in the construction and exploitation of a new distribution center for home delivery, to be constructed in the east of the Netherlands. The customer would build the distribution center, and the supplier would exploit it, i.e. operationalize it with its own employees and resources. The center has since been built, but the supplier is not allowed to exploit it; the Board of Directors of the customer has blocked every attempt to do so, stating that the project has been put "on indefinite hold". The Fleet & Innovation Manager elaborated on this: *"This is an internal struggle within the customer. What I said before, about the relative novelty of the home delivery department (see 4.1.1)... A Board of Directors finds itself very important, and likes to be seen as such; taking*

*decisions, and what not. The home delivery department has grown explosively the last 5/6 years, but have always had different priorities than say, for example, informing the Board about their growth potential and strategies. So... Now that the Board has a chance to make themselves known, they do so the way they can do best – by stalling a lot, asking questions and having opinions about everything. This is a "relational" issue there internally, which they have to solve, but we bear the brunt"*.

Reparation efforts in the form of financial compensation were identified to be a key moderator on the possible outcome of a renege of this size; the Fleet & Innovation Manager stated that *"over the course of 2/3 months, the customer has compensated and/or paid back all costs made, including, but not limited to: start-up costs; transitional costs; training costs... We supplied them with a full overview of all costs made, and we were able to send them a weekly invoice of that, divided over 2/3 months. Sure, we still have some costs related to operating the building, but we can manage a few hundred euros every month. Of course, if the Board says they're going to pull the plug after all and/or we, the supplier, are not going to be exploiting it anymore, we are going to have to have a very terse discussion with them"*.

Knowing 'that' the distribution center has been blocked by the Board of Directors, does not mean the supplier necessarily knows 'why' it was blocked by them. In an effort to not have to answer that question, the Board lied to the supplier about their motivations – with an answer related to the supplier itself. The Fleet & Innovation Manager explained: *"... yes, we heard a distinct reason at the time. The customer outsources the exploitation of an x-percentage of distribution centers to various transport organizations, but a large part of those they exploit themselves. We as a transport organization have a different Collective Bargaining Agreement ([CBA], CAO in Dutch) than the customer. So, the Board of Directors at the time stated quite bluntly, that "you, but all the other transport organizations as well, have a different CBA – it is worse than ours, so... we do not want this [arrangement] anymore". When asked about whether this was true or not, he replied: "We looked through everything and put it all together, and there is next to no difference between the two. So, we returned that as feedback, and, well... it has been 2/3 months, and we still do not have a reaction"*.

## 4.2 'Best Practices' for Preventing and/or Mitigating the Effects of PCB

### 4.2.1 Control Efforts

#### 4.2.1.1 "Trusting is Good, Knowing is Better"

As a result of 4.1.3, the supplier has implemented several control mechanisms to effectively evaluate and monitor the incoming invoices. Because the customer uses pro forma, "self-billing", invoices, mistakes are made which the supplier has to address in turn. In the case of the supplier, both the Fleet & Innovation and Operations Manager refer to the Business Controller as the final checkpoint, whose desk every aforementioned invoice has to pass by. These invoices are cross-referenced with the latest agreements the supplier has with the customer; if a discrepancy is discovered, the afore-mentioned managers are informed immediately. This level of control serves to weed out problems, before they become a problem, and helps managers to come prepared in subsequent tariff meetings with the customer.

#### 4.2.1.2 Self-Responsibility

The Operational Manager stated that, in order to effectively mitigate the effects of PCB caused by a customer, one must be able to look oneself in the mirror. He elaborates: *"... one must always look at his own 'sphere of influence'. On what can we exert influence? As Operations Manager, I'm in regular contact with the focal point for Operations on the other side. Those trucks*

have to leave in a timely manner, personnel problems have to be sorted out. People pay for just-in-time delivery, so you make sure that they get it; that's what I can exert influence on. If the focal point of the customer calls me, and says: "What are you doing? People are paying for stuff that is not coming on time", then I am doing something wrong. There are organizational norms for that – 96-98%, I want to sit on that norm. I always say to my guys: "There are some lists you never want your name to be on". This was further elaborated upon by the Fleet and Innovation Manager, who stated: "In order to blame someone, you first have to know if you did not do something wrong as well. Sure, the reference to the biblical 'mote and beam' might be cliché, but I think it holds true. You have to have your own stuff in order, before you start accusing another party of any wrongdoing. Not from a moral point of view, but because they could accuse you back of wrongdoing; thereby straining the relationship but not actually gaining any result."

#### 4.2.2 Coordination Efforts

##### 4.2.2.1 "Best Boy in Class"

In the sense of being generally pro-active, the HR Manager talked about being 'one step ahead' all the time: not against the customer, but in accordance with the customer's (unspoken) wishes. How can the supplier help the customer and become the 'best boy in class', thereby becoming mutually dependent on one another and indispensable? She stated, that "a lot of our drivers for the home delivery recently went to the south of the Netherlands, to support the customer there. What is nicer than being able to support the customer in their time of need, especially when the current labor market is tight and you hear that they have problems with their weekly plannings? When you support them, you put yourself in the spotlight with them: by being able to show that you have it together, both financially and performance-wise, you can make yourself the 'best boy in class'".

##### 4.2.2.2 Driver-Coordination

As mentioned before in 4.1.1 and 4.1.2, drivers are wedged between the wants of the planner and the needs of the customer. As such, they are likely to come out on the losing end, meaning that their needs are considered less important than that of the customer's; this causes frustration among the drivers, who feel left out of a discussion they very much play a role in. In an effort to make drivers feel heard and coordinate the process between planners and drivers better, the HR Manager implemented a mediator role, known as "Driver-Coordinator".

Two driver-coordinators are now employed at the supplier, the first of which started in July 2023 and the last of which in January 2024. These driver-coordinators both have a transport history, and are considered to be the "bridge" between the drivers and the planners as well as the first filter for any complaints that may arise. Although the effectiveness of an initiative such as this is hard to measure, the HR Manager mentions that "processes run better and the training program for new drivers has become more efficient. The quality of the drivers has increased and communication quality with Polish drivers has increased, due to the focus on language within the company. There is just so much more time for them now". She adds that the atmosphere for drivers was not necessarily equal to an "open hunting season" for hungry planners, but that "planners, with all due respect, are busy fulfilling their week plans and are not focused on long-term prospects. A driver-coordinator is much more engaged in this process: what do you do with a driver who has just started his re-integration process? No long days; give such a driver calm days for the next two weeks, because we will profit from that in the long run. A planner would however ask this driver to work over-time, stating: "One driver has dropped away, could you

please work an hour more?" The driver, who feels burdened, accepts; the planner is happy, but the re-integration process for this driver fails. This process is guided much more closely through the intervention of the new driver-coordinators".

##### 4.2.2.3 Change in Company Culture

An important factor in internal alignment efforts, is changing the company culture to be more collaborative in nature. A manager states: "10-20 years ago, the owner of this company did almost everything himself, from administration to customer retention. He came from a background that was characterized by "Don't complain, just work hard". But as the times change and the company grows, mentalities such as that have to change with it. You cannot scream "I can easily replace you with 10 capable others" anymore. Around 10 years ago, he said to us: "Listen up, we really have to communicate differently internally, and make sure we collaborate instead of form 'islands'. In the last couple of years especially, we have worked hard on that – I dare say, it stands pretty solid; but you have to keep maintaining it! If you think: "Oh, we're done, now we can finally lean back", then everything was for nought. You have to keep coming together, try to understand each other, discuss each other's problems and dare speak up to one another. That is super important". However, the company culture, as stated by all managers, is that of an open, feedback-oriented culture. Even though some managers take a leading role in the company's business dealings (Operations, Fleet & Innovation and Sales & Acquisition), these managers are open to feedback from all layers present in the supplier's organization. The organization prides itself on this, stating that, although it has grown to a considerable size, it has not forgotten its roots. The HR manager mentions that "the new generation [of managers] is ready to take over the reins from the older generation. At the moment we are becoming increasingly aware of what we are, who we are: what is our ambition; what are our core values; what do we stand for; and what makes someone a valuable addition to the organization. This is also important for the recruitment and selection process, as we try to filter out ones we deem unfit for our organizational culture."

##### 4.2.2.4 Employee Retention

An important motivation for changing the company culture (see 4.2.2.3) is employee retention, which ties back into psychological contract theory. If an employee perceives his psychological contract with the company to be breached, he may leave – breaches occur more quickly in adversarial than in collaborative environments. For this reason, employee retention programs have been instituted by the HR manager, of which both the re-integration process for drivers as well as the driver-coordinator role are good examples. Due to organizational change and culture change, some people feel left behind: "Including someone, who feels disheartened by the change, in the process, is a tedious process. When someone has done something for x amount of time, and is suddenly required to do things differently, they often feel visibly uncomfortable. At those critical moments, it is important to be honest about the proposed change, but also emphasize their importance to the organization as a whole. If someone does not want to have 3 to 4 required meetings with their colleagues, it is important to not lose sight of the goal: employee retention. Perhaps it is better, to reconfigure someone's function, so that he or she does not feel left behind and can play to their own strengths. That does not mean that it is a guaranteed success story; every organizational change has brought with it people saying: "No, this does not work for me anymore"."

##### 4.2.3 Documentation Efforts

Documenting, or making sense of the paper trail in organizations, was also identified as being a key practice instituted to help

prevent the effect of PCB on the supplier's organization. The Business Controller states that "in one of the quarterly meetings, the issue of invoicing was raised. In an effort to standardize and ease the process, the supplier's organization collaborated with the customer to create a common Sharepoint", a document management and storage system developed by Microsoft. "... in this common Sharepoint, issues and questions can be raised and answered in rapid fashion, and every form of communication is viewable by everyone. No more hidden or 'lost' e-mails; instead, full-on transparency."

#### 4.2.4 Support Efforts

##### 4.2.4.1 Recruitment and Selection

In order to support the aforementioned initiatives and efforts, people have to be recruited and/or selected from within or outside the organization. For most of the supplier's mentioned goals, drivers need to be attracted to the company; for this reason, the HR department has strived to develop an attractive recruitment and selection program. The HR Manager states that "truck driving is not the most 'sexy' profession out there; yes, a lot of money can be made, but it is also hard work."

Because the supplier has shifted its operations to be more Dutch-centric, with divested sister holdings in both Germany and Poland maintaining their own operations, the driver profile has changed dramatically. This, combined with the above, has made it difficult to attract new drivers according to the HR Manager, to say the least: "Whereas before, a driver wanted to make 60 to 70 hours in the week, earn money and longed to see the Brennerpass and/or the fjords, the new generation of drivers does not want that. We are in luck in that regard, because we have shifted our operations to be much more Holland-centric. But new drivers care about things like work-life balance, spending time with their partner, 30-40 hour work weeks... Not that I mind, but things like that were, with all due respect, generally not a point of contention with the older generation of truck drivers, because the wife was at home instead of work". Eastern European truck drivers, attracted by good pay in strong currencies compared to their native countries, are also not as available as before; their native countries' economies are performing better and better, decreasing their need to travel abroad in search of fortune.

Even though it is hard to attract new drivers under such conditions, the HR manager does not yet feel hopeless: "The recruitment process was enhanced to make it more attractive for young people to enroll in our training programs. At a relatively low price, these boys – and girls – can earn their truck driver's license and immediately become full employees, because of their extensive pre-training. For older drivers, the recruitment process was enhanced as well. Secondary employment conditions, or benefit programs, were instituted: as a welcome present, the driver will see his clothes, shoes, keys, laptop and telephone being presented to him; drivers are being listened to with regard to deviating work schedules (see 4.2.3.3); lease bikes are being offered to all drivers; training programs for both middle management as well as employees, for team building and personal development are being instituted...". It is unclear how effective these measures are, but "binding and bonding" is considered to be very important by the HR manager of the supplier.

#### 4.3 Moderators

##### 4.3.1 Interpersonal Relationships

Interpersonal relationships were furthermore identified as being a key moderator for supplier-side customer switching and the effect of customer PCB on the supplier. The Fleet & Innovation Manager elaborates on this in both 4.1.1 and in a statement: "The

customer is quite careful with their relationship management. 10 to 15 years ago, they had 40 to 45 suppliers. In a decade, that has shrunk to 17. Small transport organizations cannot hope to take in the workload a major customer like that requires; if they call, you answer. Even with all the small things, it is still a 'dedicated' customer – we drive 7 days a week for them. If you are put on the side by them, you have to look yourself in the mirror. The customer really tries to put itself on the chair of the transport organization in meetings, they try to think with you instead of against you; if a majority of the transport organizations in a given meeting say: "these components are more expensive", or "these costs are higher", and the customer has not budgeted for those... Then they will still pay and/or deliver, because "the transport organization needs this to provide us with continuity". In essence, they want to come across as a reliable partner. We have been driving for them since the 90s/early 2000s, and when we have problems of our own, they will look in the mirror and say: "We haven't always done things right either". Because of this long history with the customer and the interpersonal relationship/intertwining that occurs as a result of that, the supplier organization is reluctant to switch to other customers, as the major customer has "almost always done right by them", even when faced with numerous PCBs caused by the customer.

##### 4.3.2 Reparation Efforts

Reparation efforts were too identified as being a key moderator for customer-induced PCB on the supplier. As mentioned in 4.1.4, the supplier was compensated fully for the renegeing of the customer, caused by internal tensions within the customer's organization. Both the Business Controller as well as the Fleet & Innovation Manager state that without this reparation in the form of financial compensation, the relationship would probably have been broken off. The Fleet & Innovation Manager also mentioned something interesting: "... in terms of the distribution center that was blocked by the customers' Board of Directors (see 4.1.4), we are just waiting how it will finish. What if they say: "It's doesn't happen at all"? They are still saying: "We want to do it with your organization, but it's a matter of waiting on the Board; what they are going to do...". If they 'pull the plug', we will have a very terse discussion about that. But the manager in charge of home delivery for the customer, has always said: "We want to do your organization, we don't want to do it alone", to the Board. To us, this man said: "We want to do it with you, your organization, and I will go through fire for you – until we get approval, that your organization is allowed to do it.". This is a good example of reparation efforts by a customer, as the customer feels, even post-reconciliation, that it needs to make amends with the supplier; strictly financial compensation is apparently not deemed enough.

## 5. DISCUSSION

### 5.1 Discussion of Findings

In the Introduction of this thesis, two Research Questions were originally posed. These were "Which forms of PCB, caused by a major customer, impact a supplier's organization in the Dutch transport sector?" [Q1] and "What are the 'best practices' in preventing and/or mitigating the impact of PCB, caused by a major customer, on a supplier's organization?" [Q2].

Regarding Q1, it was found that there exist four forms of this PCB: *insufficient sharing of information*, covering the customer ignoring, delaying the reaction(s) to and/or not taking the supplier seriously; *balance of power*, covering the customer treating the supplier unwillingly, arrogantly, dismissively and/or non-equally; *'testing' the supplier*, covering the customer evading responsibility by unilaterally changing interorganizational agreements; *lying/renegeing*, covering the

customer renegeing on previously agreed upon agreements with the supplier, and lying to the supplier.

Regarding Q2, it was found that there exist four forms/categories of these ‘best practices’ to prevent and/or mitigate the impact of afore-mentioned PCB: *control*, covering both personal responsibility and general accountability across the supplier’s organization: checking invoices; performing due diligence; knowing you have not done wrong before accusing the customer; not being in the crosshairs of a customer. *Coordination* covers change in company culture; employee retention efforts; special coordinators for drivers; being seen as the ‘best boy in class’. *Documentation* covers a shared paper trail being instituted between both organizations. *Support* covers the recruitment and selection processes being innovated, in order to attract new staff and retain employees.

## 5.2 Theoretical Implications

Firstly, available research has shown interpersonal relationships, between managers on both sides of the buyer-supplier relationship, to play a large role in overcoming interorganizational PCB (Gligor & Autry, 2012). Research also shows that, when given the chance, suppliers generally want to make up for their PCBs – by means of compensating the buyer (Kramer & Lewicki, 2010). Aslam et al. (2022) argue that, while “the effect of personal relationships is salient in damping the adverse impact of disruptions [PCB], it is not significant in overcoming the commitment loss when repair processes are initiated by the supplier”. Existing interpersonal relationships are not enough to mitigate long-term relational damage: adequate financial compensation also has to be offered (Dirks et al., 2009; Aslam et al., 2022). However, the findings of this research turn this observation around. The supplier in this research stated multiple times that, while financial compensation was a prerequisite to the continuation of the relationship, the existing interpersonal relationships were equally important to repair commitment loss with the customer. This research therefore shows, that strictly financial compensation by the customer is not always enough; existing personal relationships play an equally important role in repairing commitment loss.

Secondly, available research shows that there is a variety of reparation means available to a customer, to make amends with a supplier. These include compensation, penance and regulation (Kaufmann et al., 2018). While (financial) compensation is often deemed most important in restoring a buyer-supplier relationship, as it “restores equity in the economic exchange” (Lambe et al., 2001), both penance and regulation are also identified to be important in repairing trust with the supplier (Robinson et al., 1994). Penance was found to play a more important role in repairing interorganizational trust than regulation (Kaufmann et al., 2018). This research contributes to this, by adding an observation: *penance*, in the form of guarantees of non-repetition, and *compensation*, in the form of financial means, have been welcomed and expected by the supplier in numerous instances. However, *regulation*, in the form of re-discussing, standardizing and/or strengthening obligations both organizations have to one another – the so-called “spirit of the contract” (Blessley et al., 2018) – was not mentioned at all by managers of the supplier’s organization. Within penance, two novel forms/levels were observed to play an important role in this supplier-customer relationship: pre- and post-reconciliation. *Pre-reconciliation*, the customer says they are sorry and provide guarantees of non-repetition. *Post-reconciliation* (after compensation), the customer still wants to make amends by providing (provisional) guarantees of relationship continuance. Several managers at the supplier’s organization identified this – strictly speaking unnecessary – post-reconciliation penance as

being very important for the reparation of interorganizational trust.

## 5.3 Practical Implications

In this thesis on interorganizational PCB and the ‘best practices’ to counter the effect(s) of those, several lessons can be learned for supply chain managers.

Firstly: remove communication barriers between managers at a supplier’s organization. The supplier’s organization in this research was characterized as an ‘archipelago’ (collection of islands) by the Fleet and Innovation Manager. Departments and locations did not always talk to each other, which resulted in redundancies, intraorganizational tensions and thus a heightened vulnerability towards customer PCB. By allowing managers to voice their concerns through feedback meetings, and having them work at each other’s departments/locations, the organization feels ‘as one’ and works more streamlined. As a result, it can mitigate the effect of customer PCB more handily, and the customer will have a harder time getting away with the various forms of PCB.

Secondly: use relationship restoration, when faced with customer PCB, as an opportunity to strengthen ties with the customer. The supplier’s organization in this research has a long history with the customer’s organization. Even so, numerous PCBs, caused by the customer, still occur. If the supplier-customer relationship cannot be broken off, because of dependence/economic consequences, a supplier would do well to strive towards mutual dependence. By coming across as a reliable, pro-active partner (being the ‘best boy in class’), while simultaneously increasing the fleet of trucks and economic integration with the customer, a supplier can become indispensable to the customer; thereby mitigating all but the smallest of PCBs.

## 5.4 Limitations and Further Research

Firstly, due to the scope of this research, only one organization in the Dutch transport sector was able to be interviewed. While the organization did have a lot of experience among its members and/or ranks, the answers these supply chain managers gave cannot be representative for the entire Dutch transport sector. An avenue for future research could therefore be: “Does the amount of boundary spanners within an organization affect the way managers perceive psychological contract breaches [in same industry/sector]?”.

Secondly, a Dutch organization was the object of study. However, as stated before, difference in culture plays a significant role in the perception of psychological contract breaches (Coyle-Shapiro et al., 2019). Due to the scope of this research, it was not possible to perform a cross-cultural study. An avenue for future research could therefore be: “Does the national culture affect the way managers perceive psychological contract breaches [in same industry/sector]?”.

Thirdly, the study was not performed over a long period of time. While the interviewed organization was at a point in time, where they felt safe and confident because of their increased internal alignment, this was not the case 3 years ago: this ‘safe zone’ might therefore change in the future as well. In order for research to be effective, this change over time has to be accounted for. However, due to the scope of this research, this was not possible. An avenue for future research could therefore be: “What ‘best practices’ are the most effective to prevent and/or mitigate PCB, caused by the customer, over a long period of time?”.

## **Appendix A – Interview Protocol**

### **General and Introductory Questions**

- What is your name?
- What is your age?
- How long have you worked at this firm?
- What is your position at this firm?
- Have you ever heard of the term “psychological contract”? (If not, explain thoroughly and ask follow-up question “Could you give me an example of a psychological contract & PCB?” in order to gauge the interviewee’s knowledge level and elaborate where necessary)

### **Questions about Psychological Contract Breach(es) with the Supplier**

- Could you give me an example of PCB by the customer?
- In what way(s) did this breach impact your firm?
- Is there an imbalance of power in the relationship?
- What other examples of forms of PCB, or related impacts, could you give?
- In what way(s) do these breaches impact the relationship with the customer?

### **Questions about Interpersonal Relationships**

- How do you evaluate the relationship between this firm and that of the customer’s? Do you think it helps prevent PCB?
- Are you in regular contact with the customer’s focal points?
- How do you evaluate your relationship with him/her?
- Do you think this interpersonal relationship prevents PCB?
- Has an interpersonal relationship between your organization and that of the customer ever served to stop a PCB from occurring?
- Are any measures implemented to safeguard your interpersonal relationship(s) with suppliers against PCB and the potential consequences?

### **Questions about Reparation Efforts**

- How would you approach a damaged relationship with the customer?
- Has a damaged relationship with the customer ever been successfully fixed?
- Has a damaged relationship, when fixed, been largely fixed by you or has the supplier also put in effort?
- Research shows that a supplier generally wants to compensate for damages done – have you experienced this phenomenon? If yes/no, why do you think that is?
- Would you trust a supplier to repair the damaged relationship? On what is it dependent?
- In terms of scenarios, what would be the cut-off/breaking point for relationship restoration with or by the supplier (the point of no return) (long-winded question)?

### **Questions about Best Practices**

- Considering your position and the forms of PCB you encounter, what are the ‘best practices’ to help prevent PCB from having an effect on your organization?
- Considering your position and the forms of PCB you encounter, what are the ‘best practices’ to help prevent PCB from occurring?
- (Improvisation based on the interviewee, his/her position and expertise)

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