

Affective Relationship Commitment in Industrial Customer-Supplier Relations: A Psychological Contract Approach

ABSTRACT

Based on social exchange theory, a vast body of research has applied trust-commitment theory to explain marketing relationships and to predict their outcome in industrial contexts. Affective commitment in particular has drawn much attention. A review of the literature shows that the research in the field is both scattered and fragmented. Further, the cultural context surrounding the relationship appears to play a more central role than previously assumed. The construct of psychological contract frequently used in organizational research can serve as a framework in understanding affective relationship commitment. Building on the psychological contract, this conceptual paper offers, through a number of relevant hypotheses, a coherent theory of affective relationship commitment in customer-supplier relations, which is apparently also effective in varying cultural contexts.

Key words: Relational orientation, balanced obligation, trust, contract evaluation, reciprocity

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INTRODUCTION

Several studies have shown affective relationship commitment to have positive effects on the long-term performance of marketing relationships (De Ruyter, Moorman and Lemmink, 2001; Sharma, Young and Wilkinsson, 2006; Evanschitzky, Iyer, Plassmann, Niessing and Meffert, 2006). Affective commitment is described as the intent to maintain one's relationship with another party (De Ruyter et al., 2001). Affective commitment is also seen to create "favorable intentions that help to preserve and reinforce the relationship" (Evanschitzky et al., 2006, p. 135) and therefore plays an important role in the longevity of the relationship. While considering different components of the construct of relationship commitment (e.g., affective, behavioral and instrumental commitment), empirical studies recognize the superiority of affective commitment in explaining positive relationship outcomes (Fullerton, 2003; Sharma et al., 2006). One important and frequently discussed question deals with the sources that bring about affective commitment in a relationship (e.g., Morgan and Hunt, 1994; De Ruyter et al., 2001; Coote, Forrest and Tam, 2003). This is also the question addressed in this paper.

A review of the concurrent theory of affective relationship commitment reveals two main weaknesses. First, the context around the relationship seems to play a more significant role than previous works have identified. ~~In this respect, this paper specifically highlights the role of national culture.~~ Second, earlier studies have identified a large number of antecedents, making present theory anything but parsimonious. As a possible alternative approach, a focus on the construct of psychological contracts is proposed as a possible foundation for developing the theory on affective relationship commitment in customer-supplier relations. Psychological contract has long been used in organizational theory to understand employer-employee relations, and is defined as "an individual's belief in mutual obligations between that person and another party such as an employer" (Rousseau, 1990; Rousseau and Tijoriwala, 1998). The construct is well-developed and tested within the context of intra-organizational research, particularly in studies conducted in different cultures and research works on commitment.

As affective commitment refers to a desire to develop and strengthen a relationship with another party (Sharma et al., 2006), the psychological contract becomes relevant and potentially powerful for building theory on affective relationship commitment. Thus, the purpose of this paper is to make a contribution to the research on affective relationship commitment by introducing the psychological contract construct as an alternative framework to the present body of theory. Focusing on the content and evaluation of the psychological contract, a number of hypotheses that link affective relationship to psychological contract in the customer-supplier relationship are presented.

The next section presents a review of the current state of trust-commitment theory with a focus on affective commitment, as well as the underlying arguments for conducting this study. A brief presentation of the construct of psychological contracts is then given and used as a basis for developing the research hypotheses. The importance and necessity of the developed theory is discussed thereafter. Finally, a number of suggestions for future research are outlined.

Affective relationship commitment

Relationship commitment is a multi-dimensional construct. The number and variation in dimensions proposed by different researchers is therefore great. Kim and Frazier (1997) find three dimensions: continuance, behavior and affective commitment. Mavondo and Rodrigo (2001) and Gundlach and Achrol (1995) also suggest three dimensions, which include instrumental, temporal and affective commitment. Kelly (2004) offers yet another three-dimensional version, that is,

instrumental, affective and normative commitment, while Sharma et al. (2006) identify five dimensions, that is, value-based, affective, locked-in, obligation and behavioral commitment. Further dimensions of relationship commitment are also described (Gilliland and Bello, 2002), but many of them are quite similar. However, most of the conceptualizations mention or stress affective commitment in relation to its important role in building relationship between the interacting parties. Also, empirical research indicate that of different dimensions of relationship commitment, affective commitment has the strongest impact on the long term performance of the relationship (Sharma et al. 2006; Evanschitzky et al., 2006; Fullerton 2003).

Affective commitment describes the intent to remain in a relationship based on normative or affective attachment to the relationship (Mavondo and Rodrigo, 2001) and is defined as expressing the extent to which customers want to maintain their relationship with the supplier (De Ruyter et al., 2001), or as a generalized sense of positive regard for and attachment to the other party (Gounaris, 2005). This dimension of commitment has received a lot of attention over the years (Evanschitzky et al., 2006; Abdul-Muhmin, 2005) since it creates a profound basis for long-term relationships (Evanschitzky et al., 2006) and has a positive effect on customer loyalty (Fullerton, 2003). The issue of antecedents of affective relationship commitment therefore comes into focus and many authors address this issue from different viewpoints. A review of the present theory on business-to-business relationships shows that several researchers deal with various antecedents and have also tested them empirically. The antecedents to affective commitment described in the literature are presented in Table 1. All of the antecedents listed have been linked (explicitly or implicitly, depending on how they are presented, researched or discussed) to affective commitment in business-to-business relationships.

Table 1 about here

Some points in Table 1 warrant comment. Firstly, in their simulation performed in the USA, Gundlach and Achrol (1995) finds that opportunism had a negative effect on commitment. However, in his Saudi Arabian study, Abdul-Muhmin (2005) finds opportunism to have a positive effect on commitment, arguing that this somewhat counter-intuitive result might be due to the business culture that prevails in Saudi Arabia. According to Abdul-Muhmin, the practice of concealing information, being suspicious about your business partners and cautious in dealing with them, is much more prominent in Saudi Arabian business life than in most Western cultures.

Secondly, other studies cite trust as having diverse roles in building commitment. In several studies (e.g., Morgan and Hunt, 1994; Gounaris, 2005; Tellefsen and Thomas, 2005), trust plays a central part in explaining relationship commitment. However, these studies have been conducted mainly in Western cultures. Coote et al. (2003) indeed find, in their study of overseas Chinese firms, that trust plays a role in connection with relationship commitment, but that this role is less significant than would normally be expected.

Thirdly, reciprocity is studied as a direct antecedent to commitment in a study of business relationships between Australia and China (Mavondo and Rodrigo, 2001), where no such link can be identified. This finding is contrary to that of a US study by Stanko, Bonner and Calantone (2007), which provides an additional example of cultural impact on the relationship commitment.

Based on these findings, there is reason to believe that present theory does not hold when transferred to significantly different contexts from where they were initially studied, in the cases above different cultural contexts. Hypotheses, such as the mediating role of trust (Coote et al., 2003),

that have proven true in one setting, fail in another. This demonstrates a need to find other ways to predict affective relationship commitment that are applicable also to varying contexts.

Table 1 also shows that the antecedents to affective commitment represent a mix of behaviors and cognitive states. Behaviors demand two active parties, where the behavior of one actor is said to influence the affective commitment of the other. Cognitive states, on the other hand, are internal processes of the individual that do not demand the active participation of another party. Thus, a combination of cause and effect is in play, where the cognitive state of one individual causes a specific behavior, which in turn alters the affective commitment of another individual. For example: X feels that Y has proven reliable in past interactions (trust has increased), and therefore X is willing to share more sensitive information with Y (communication behavior). Y recognizes this and feels more committed to the relationship with X. This combination of cause and effect in present theory has led to the identification of a wide range of antecedents of affective commitment. Many of them are also closely interrelated, for example, trust and benevolence. In summary, the present theory on affective relationship commitment is lacking in that it is scattered and fragmented, signaling a need to seek alternative routes in predicting affective relationship commitment.

Psychological contracts

The construct of psychological contract was originally defined as "...the unwritten reciprocal expectations between an individual employee and the organization" (Schein, 1980; Nicholson and Johns, 1985) but later developed to "an individual's belief in mutual obligations between that person and another party such as an employer" (Rousseau, 1990; Rousseau and Tijoriwala, 1998). Millward and Hopkins (1998) describe psychological contract from an employer-employee relation perspective as beliefs held by individuals about their contractual terms and conditions. The psychological contract tells how an individual "defines the deal" between an individual and another party, and is also the measurement level against which the individual judges whether the other party is living up to his/her obligations or not, and what their own obligations in the relationship are (McLean Parks, Kidder and Gallagher, 1998). Applying this organizational research view in the business relationship places a clear focus on a basic psychological process of the individual, which has a profound impact on the building of affective relationship commitment. Psychological contract is based on promises and will, over time, take the form of a mental model or schema, and as such remain relatively stable (Rousseau, 2001). Kingshott (2006) argues that the content of the psychological contract presents perceptions of promises, and that these engender bonding through reliance within the relationships.

It is important to note that Rousseau and Tijoriwala (1998) define psychological contract as the perception of mutual obligations, not the actual (acted) mutuality. Psychological contracts have been referred to as "a double-edged sword" (Kingshott, 2006; Rousseau and McLean-Parks, 1993) as they can on one hand act as a strong bond between the affected parties (Anderson and Schalk, 1998), but on the other create conflict (Rousseau and McLean-Parks, 1993) when not "correctly" understood and handled. Three main reasons suggest that the construct will bring value also to the discussion on affective relationship commitment between buying and selling parties.

First, the construct is used in organizational theory as a way of operationalizing the social exchange between employer and employee (Coyle-Shapiro and Conway, 2005). As will be presented, the construct describes the mental picture of one individual related to the social exchange with another. Psychological contracts are linked to commitment in different intra-organizational contexts. Tetrick (1995) gives the construct a central role in understanding union commitment, especially on the affective part thereof. Several authors (e.g., Taylor, Audia and Gupta, 1996; Bellou, 2008) also use the construct in relation to organizational commitment.

The second reason is that the construct has proven to hold across cultural contexts. Although most of the research has been performed in North America, the construct has also been applied in other cultural settings (e.g., Rosenblatt and Ruvio, 1996; Thomas and Anderson, 1998; Van Dyne

and Ang, 1998; Rousseau and Schalk, 2000; Lo and Aryee, 2003; Lee and Faller, 2005; De Cuyper and De Witte, 2006). The influence of culture on the psychological contract was recognized early (Levinson, Price, Munden, Solley and Mandl, 1962) and has come into focus also in recent studies (Rousseau and Schalk, 2000; Thomas, Au and Rawlin, 2003).

The third main reason why the construct may bring value to this discussion is that studies performed in marketing settings have provided empirical support that the construct is relevant also in this context. Little research has been done in this area, but two empirical studies that apply the construct of psychological contracts to marketing settings can be noted. The first study was published in 2005 by Pavlou and Gefen and dealt with psychological contract violations in online marketplaces. The second study investigated the impact of psychological contract on trust and commitment (Kingshott, 2006). This was probably the first time the construct was applied to relationship marketing research. In his study of relationships between suppliers and distributors in the Australian motorized vehicle market, Kingshott sees a direct effect of psychological contract on relationship commitment and trust. However, these two studies merely point out the seeming existence of psychological contract between buyers and sellers, but do not investigate whether the construct has certain effects on the relationship between the parties. Therefore, the construct as such needs to be examined in this new context and more research is required to explore its role and scope.

THEORY DEVELOPMENT

Organizational theory literature examining the relationship between psychological contract and affective commitment has established three relevant perspectives on how psychological contracts influence affective commitment. These perspectives will be examined as a basis for formulating a number of hypotheses and developing a model showing the interconnectedness of the hypotheses (Figure 1). Two main paths through which the psychological contract can have an effect on affective commitment are assumed. One is the contract as such, that is, its content. The factors that, according to the hypotheses, strengthen the affective commitment of an individual are shown on the left side of the psychological contract box in Figure 1. The right side of the box contains the factors that weaken an individual's affective commitment. The other path is the evaluation of the contract, which occurs in the interaction with the customer or supplier.

Figure 1 about here

The first perspective linked to commitment is the orientation of the psychological contract, as exemplified by Millward and Hopkins (1998). Building on Rousseau's findings (1990) that the psychological contract can have a stronger relationship orientation or a stronger transaction orientation (seen as two ends of a continuum), Millward and Hopkins find that (1) a stronger relationship orientation correlates positively with affective commitment, (2) a stronger transactional orientation correlates negatively with affective commitment, and (3) the two orientations of the psychological contract are inversely correlated. A transactional orientation is characterized by specific, short-term, monetary obligations, while a relational orientation has a focus on broad, long-term, socio-emotional obligations (Thomas et al., 2003; also Rousseau, 1995, for a detailed discussion). This perspective exhibits similarities with the often-used split between instrumental and affective dimensions of commitment mentioned earlier in this article. Instrumental commitment refers to relationships based solely on economic or extrinsic needs (Mavondo and Rodrigo, 2001), lacking the affective dimension also discussed in this article. The difference between that line of reasoning and the reasoning applied here is that here the focus is on the perception of the individual and the terms of his/her psychological contract, rather than the conditions of the relationship. Therefore, building on the findings of Millward and Hopkins (1998), the hypothesis is:

H1: Relational orientation of an individual's psychological contract will correlate positively to his/her affective commitment to the relationship.

In organizational research, the perceived balance of commitments has also been linked to affective commitment (Shore and Barksdale, 1998). When an individual perceives a balance between his/her own commitments and those of the other party and vice versa, Shore and Barksdale find that the perception of balance correlates positively with affective relationship commitment. In other words, a balanced psychological contract is good for the relationship. Linking this perspective to research on commitment in marketing relationships enables us to understand the psychological reasons for a link between instrumental commitment and affective commitment. Idiosyncratic investment reduces the opportunity to terminate the relationship (Morgan and Hunt, 1994), leading to instrumental commitment. But if one party perceives that the other party is making similar investments, the correlation to affective commitment is likely to be positive (Gilliland and Bello, 2002). Since the psychological contract can contain perceived obligations relating to products and services as well as socio-emotional aspects, studies on this perspective might render interesting results. Thus, building on the findings of Shore and Barksdale, the hypothesis is:

H2: A psychological contract with a perceived balance of obligations for the parties involved will correlate positively with affective relationship commitment.

Another perspective on how psychological contracts influence affective commitment relates to the state of development within the psychological contract. In organizational research, this is referred to as "psychological contracting" (Purvis and Cropley, 2003), which is an under-researched area (De Vos, Buyens and Schalk, 2003) and thus far has not been specifically linked to affective commitment. However, for the study of customer-supplier relations, the concept is relevant for further development. An employment relationship is likely quite central for the individual, thus leading to a well-developed psychological contract. Rousseau (2001) describes phases employees generally go through in creating their psychological contract, from subjective beliefs about the relationship to a relatively stable schema in a learning process. Learning in inter-organizational relationships is also recognized in marketing literature (Mohr and Spekman, 1994; Knight, 2000), indicating that similar processes are relevant also in this context.

An interesting parallel can be drawn to the five-phase model Dwyer, Schurr and Oh (1987) propose, where learning is central for the development of the relationship and the eventual creation of commitment. However, from an individual (as well as organizational) point of view, a relationship with a supplier can range from unimportant to crucial, with different effects on how clear and well-developed the psychological contract is. A representative of a purchasing organization might have a basic idea about what he/she perceives to be promised (a basic psychological contract) in a relationship with a supplier considered unimportant, while having a very detailed understanding (a developed psychological contract) of a relationship with a supplier considered crucial. Or, in other words, the individual does not go through all the steps in the learning process when dealing with suppliers in unimportant relationships, but is likely to do so in more crucial relationships. By relating the development process of psychological contract with marketing theory, the hypothesis formed is:

H3: The state of development of the psychological contract is positively correlated with affective relationship commitment.

A third perspective of the link between psychological contracts and affective commitment found in organizational research relates to the fulfillment or breach of the psychological contract. Sturges, Conway and Guest (2005) find a positive relation between psychological contract fulfillment and affective commitment, thereby confirming the results of previous studies (e.g., Coyle-Shapiro and Kessler, 2000). Conversely, Bunderson (2001) finds that breach of psychological contract decreased commitment. Worth mentioning here also are the findings of Abdul-Muhin (2005), which rather

surprisingly demonstrate that opportunism does not have a negative effect on the relationships. In most cases opportunistic behavior would likely be interpreted as a breach of the psychological contract. In the Saudi Arabian case, however, the first party probably had to behave opportunistically to keep the relationship going, and his/her counterpart probably expected this behavior. However, in Gundlach and Achrol's (1995) study, the same behavior would be a breach of psychological contract, resulting in negative effects on affective commitment. Thus, for psychological contract in the customer-supplier setting, the hypothesis is:

H4: Fulfillment of the psychological contract will correlate positively with affective relationship commitment.

Since the purpose of this model is to establish the link between psychological contracts and affective commitment, this paper does not specifically address the dynamics of the contract, for example, how the contract is formed and influenced. It is important to note that, similarly to the findings in organizational research, the different variables presented in the hypotheses and model are viewed as continuums and not dichotomies (Milward and Hopkins, 1998; Sturges et al., 2005). It is not a matter of relational *or* transactional orientation, but rather the degree thereof (Knight, 2000). Another important point to note is that, at this point, an operationalization of the scales that appear in the model is not proposed, since they are seen as dependent on the type of relationship (employment or marketing relationship). An example of how the construct is operationalized in organizational research is the 12-item scale several authors (Sturges et al., 2005) use to measure psychological contract fulfillment. This scale includes: opportunities for promotion, pay, financial rewards other than salary, type of work, pressure of the job, number of hours to be worked, etc. (ibid., p. 827). In the case of inter-organizational research, however, the task of determining what items to use remains.

DISCUSSION

The purpose of this paper is to offer an alternative approach for understanding affective commitment in customer-supplier relations, in order to overcome the identified shortcomings in the extant literature. To fulfill this purpose, the use of the construct of psychological contract as a practical framework for developing the theory about affective commitment has been suggested. Hypotheses and a model have been developed to describe how psychological contract might have an effect on affective commitment. Affective commitment can only exist in the mind of an individual, and in order to understand this construct, we argue that relevant mental processes must be incorporated into the theory. This perspective complies with Celuch, Bantam and Kasouf's (2006) argument that "notable weaknesses in the buyer-seller relationship literature appear to be related to the need to examine buyer-seller relationships at a more micro, individual level..." (p. 573). Psychological contract operationalizes the social exchange process from an individual's point of view, thereby linking the psychological processes with the social processes. Applying this perspective enables a deeper understanding of the subject and development of a more complete and parsimonious theory.

Also, since the foundations for the psychological contract have proven to hold in various cultural contexts, a theory built upon psychological contracts could also be valid across cultures. Cultural insensitivity is claimed to be a weakness in the present relationship commitment theory (Coote et al., 2003). The focus on this specific mental schema also sharpens the focus on the processes that guide the individual experience with regard to positive and negative outcomes of the relationship with the supplier. As Kingshott (2006) points out, the psychological contract is related to the development of trust and commitment. The psychological contract is therefore seen as a process that can respond to different cultural environments. The potential advantage of using this single construct as an antecedent factor to affective commitment is the ability to keep other factors, such as benevolence, opportunism, conflict and reciprocity, from making the relationship complex. The focus on the schemas and perceptions of the individual will likely also lead to a better understanding of how

affective relationship commitment varies from individual to individual and from culture to culture. Making a distinction between what the psychological contract can explain and seeing its possible merits and limitations is important. To begin with, as Kingshott (2006) indicates, the psychological contract can be assumed to be relevant when analyzing relationships from a social exchange perspective, confirming the developments in organizational theory (Makin, Cooper and Cox, 1996; Cullinane and Dundon, 2006). The major contribution of this paper relates to the introduction of psychological contract as the sole antecedent to affective relationship commitment within customer-supplier relations. This conceptual effort is thus confronted with two challenges: suggesting the application of a well-developed construct from organizational theory in a marketing context, and replacing a large number of background factors with a single antecedent.

As an analytical tool, psychological contract will probably be used only in dyadic relationships or relationships between a smaller number of actors and agents. Specifically what role the construct can play in the context of customer-supplier relations remains to be seen.

SUGGESTIONS FOR FURTHER RESEARCH

As the construct of psychological contract is an almost unresearched area in marketing, there is a need to explore the construct as such in this context, as well as to determine its possible value in understanding relationship commitment. Organizational research indicates which aspects of the construct might be of importance in understanding affective commitment, but qualitative research is needed to operationalize these aspects in a customer-supplier context. Based on the findings of such a study, item scales can be developed for a quantitative survey aimed at exploring the effects of psychological contracts on affective commitment. This paper has not specifically examined the dynamics of the psychological contract, for example, how the psychological contract is formed and influenced. If the construct proves valuable, this will be a task for future research.

This conceptual article has focused exclusively on psychological contract, and asked whether this construct alone can explain the construction and development of affective relationship commitment. Naturally, this invokes one important question: "Is the construct powerful enough to be the sole antecedent to affective commitment?" Testing of the hypotheses developed can offer an answer to this question. Investigation of the psychological contract's role in relation to selected antecedents, such as trust, shared values and social bonds, in building affective relationship commitment (Morgan and Hunt, 1994; Mavondo and Rodrigo, 2001) could also prove interesting.

Researchers of customer-supplier relations can find inspiration and interesting insights for conducting further research on the construct in the fairly rich literature on psychological contracts. For example, the psychological contract is a dynamic phenomenon (Millward and Hopkins, 1998), as it develops over time through the experiences that the individual gathers (Rousseau, 1995). This implies that longitudinal studies are likely to be valuable for understanding the process of psychological contracting (*ibid.*). Another interesting perspective relates to how perceived promises are communicated. Organizational research has shown that factors outside the focal relationship can be important for understanding how perceived promises are implicitly communicated. One example from that context is that employees tend to look at how the employer treats other employees and view this as a promise of similar treatment. In an inter-organizational context, factors such as experiences from other suppliers in the same category may likely influence a customer's psychological contract towards a specific supplier, which Pavlou & Geffen (2005) also indicate in their study of online marketplaces. If a link between psychological contracts and affective commitment can be firmly established, much research work lies ahead in order to fully understand the construct in the new context of customer-supplier relations.

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Table 1

Antecedents to affective commitment found in present literature.

Antecedent	Content	Context	Reference
Benevolence	The extent to which a trusted firm is perceived as willing to act in the best interest of a trusting firm, over and above an egocentric profit motive.	Supplier-customer, Saudi Arabia	Abdul -Muhmin, 2005
Communication	The formal and informal sharing of information through frequent two-way interchange.	Supplier-customer, Netherlands. Manufacturer – dealer, USA	Mohr and Spekman, 1994; De Ruyter et al., 2001
Constructive conflict resolution	Joint problem solving, absence of coercion and domination.	Customer-supplier, Netherlands. Manufacturer – dealer, USA	De Ruyter et al., 2001 Mohr and Spekman, 1994
Cooperation	Similar or complementary coordinated actions taken by firms in an interdependent relationship to achieve mutual or singular outcomes with expected reciprocation over time.	Business to business, Australia and China	Mavondo and Rodrigo, 2001
Credibility	The extent to which a relationship partner is believed to stand by their word.	Supplier-customer, Saudi Arabia	Abdul -Muhmin, 2005
Dependence	High switching costs and risk.	Supplier-customer, Netherlands. Supplier-distributor, USA	De Ruyter et al., 2001 Kim and Frazier, 1997
Emotional intensity	The degree to which partners have a relationship beyond the economic transaction.	Supplier-customer, USA	Stanko et al., 2007
Opportunism	Self-seeking interest with guile.	Simulation, USA. Supplier-customer, Saudi Arabia	Gundlach and Achrol, 1995 Abdul-Muhmin, 2005
Psychological contracts	An individual's belief in mutual obligations between that person and another party.	Manufacturer-distributor, Australia	Kingshott, 2006
Reciprocal services	The extent to which the parties take active responsibility for the partner firm's wellbeing, as well as their own.	Supplier-customer, USA	Stanko et al., 2007
Role performance	How well the supplier firm actually carries out its channel roles.	Supplier-dealer, USA	Kim and Frazier, 1997

Shared values	Common beliefs about what behaviours, goals, and policies are important, appropriate and right.	Manufacturer-dealer, USA	Morgan and Hunt, 1994
Social bonds	Mutual personal friendship and liking shared by buyer and seller.	Business to business, Australia and China	Mavondo and Rodrigo, 2001
Time orientation	Parties are focused on long-term results and dedicated to creating lasting customer relationships.	Business to business, Australia and China	Mavondo and Rodrigo, 2001
Trust	When one party has confidence in an exchange partner's reliability and integrity.	Manufacturer-dealer, USA. Manufacturer-distributor, Australia. Supplier-customer, overseas Chinese firms	Morgan and Hunt, 1994; Kingshott, 2006; Coote et al., 2003

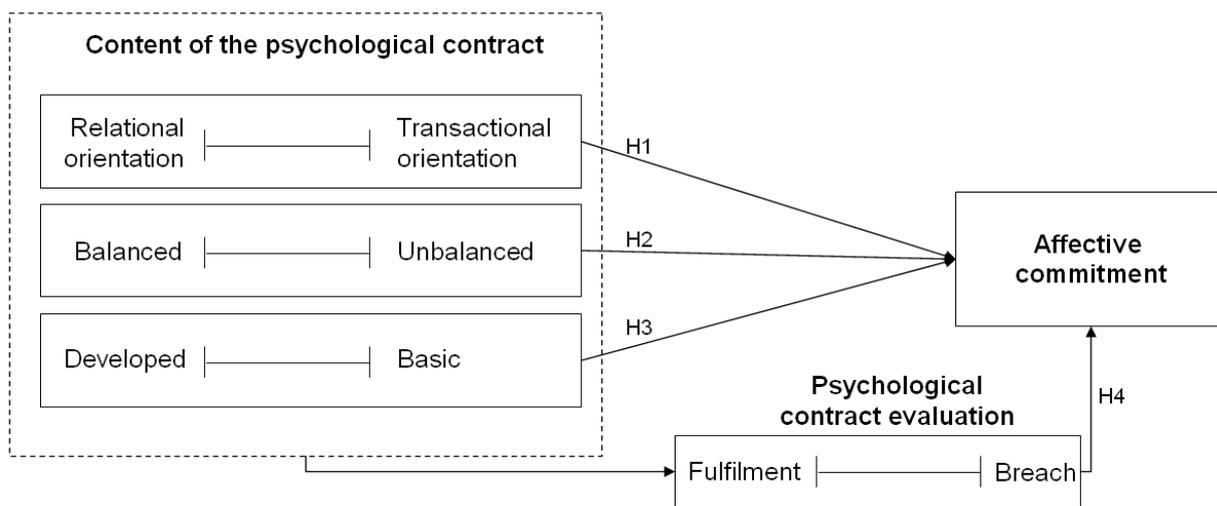


Figure 1: The psychological contract and affective commitment