

# **The Impact of Psychological Contract Breaches within East-West Buyer-Supplier Relationships**

## **ABSTRACT**

The expanding role of Asian firms in global supply chains has meant that their Western counterparts need to be capable of transcending the East-West divide in their relational building efforts if they wish to successfully participate in these networks. This paper draws upon social exchange (SE) theory to integrate the exit, voice, loyalty, neglect (EVLN) typology with the psychological contract (PSYCON) literature, to examine how Australian buyer firms build and nurture relationships with their Chinese suppliers. Data from 327 Australian managers collected using an online self-administered questionnaire reveals the negative effects of PSYCON breaches towards their suppliers on neglect, voice and loyalty in the relationship. In addition, contrasting effects of neglect and voice behaviours on trust and commitment, suggest that these behaviours can help erode and build East-West B2B relationships, respectively. These findings extend research on B2B relationships and offer useful managerial insights for decision makers operating in global supply chains involving relationships between firms from Eastern and Western backgrounds.

**Keywords:** PSYCON breaches; EVLN typology; Trust; Commitment; B2B relationships

## 1. Introduction

Relationship Marketing (RM) depicted from the perspective of social exchange (SE) theory is continually shown in the literature to be an effective foundation upon which firms can build stable B2B relationships (e.g. Ford, 1980; Morgan & Hunt, 1994; Kingshott, 2006; Kingshott et al., 2018; Skarmeas, Zeriti, & Argouslidis, 2019). However, given the distinct paucity of studies exploring RM practices between firms across the East-West cultural divide the overall aim of this research is to help understand this gap in the literature. From a managerial viewpoint, doing so in the context of global supply chains is critical for at least two compelling reasons. First, since Asian economies are projected to dominate the worldwide economy for the next few decades and beyond (Commonwealth of Australia, 2012; OECD, 2018) the relevance and effectiveness of Western based RM practices directed towards Asian firms needs to be understood. Second, given Asian firms are projected to control global value and supply chains (WTO, 2019b), then those longstanding RM practices afforded by Western firms need to be effective at transcending East-West business contexts, and tantamount if Western firms are to play a significant role in these chains. Indeed this is reflected in one of the key challenges facing firms operating in global supply chains, namely ensuring that they can nurture stable B2B relationships with partners across the East-West cultural divide (e.g. Liu, Li, Tao, & Wang, 2008).

Earlier studies indicate that different control mechanisms pertaining to governance may be preferred across various cultures (Chung, Yen, & Wang, 2020; Lin & Wang, 2008; Wang, 2007) suggesting limitations in RM activities at enhancing stable relationships across the East-West cultural divide. Therefore in direct response to the call for papers in this special issue, and in order to contribute to addressing the paucity of knowledge related to East-West RM practices, this research focuses on better understanding how RM can help bring stability to relationships between East-West firms in the supply chain. Specifically, this paper examines how RM practices engender *relational obligations* in the form of psychological contracts (PSYCONs: Rousseau, 1989) and how the associated breaches (e.g. Blessley, Mir, Zacharia, & Aloysius, 2018) impact

relationships between Chinese suppliers and their Australian buyers. Typically, though most RM studies grounded in SE theory focus on showing how trust based commitment plays a central role in B2B relationships in Western contexts (e.g. Brown, Crosno, & Tong, 2019; Morgan & Hunt, 1994; Kingshott, et al., 2018; Tóth, Nieroda, & Koles, 2020) thus, the suitability of this conceptual perspective to help explain East-West B2B relationships is also tested.

To date the emergence of RM studies in Asian settings also indicates the importance of SE based constructs of trust and commitment in bringing stability to B2B relationships within Eastern contexts (e.g. Liu et al., 2008; Luu, Ngo, & Cadeaux, 2018; Si, Wei, & Li, 2008; Naude & Sutton-Brady, 2019). However, despite such advances there is a distinct paucity of empirically studies exploring the effects of RM practices grounded in SE on relationships between East-West B2B partner firms in the context of supply chains. Moreover, to complicate the effectiveness of RM practices in East-West buyer-supplier value chain relationships, it has been pointed out that participant firms will invariably have different cultural values and philosophies (e.g. Wang, 2007; Wang, Shi, & Barnes, 2015). Such differences potentially shape the overall relationship, hence this paper focuses specifically on the relationship between Australian buyers and their Chinese suppliers for two reasons. First, this setting epitomises any cultural and/ or philosophical differences between firms it should help determine how SE based RM practices play out in such culturally diverse relationships. Second, this setting underscores a stereotypical East-West business context that is important for firms operating across different cultural/national boundaries (Kingshott, Sharma, Hosie, & Davcik, 2019). In that respect, since China is Australia's largest trading partner (DFAT, 2019a) then those Australian firms dealing with Chinese counterparts need to be sure their RM practices are effective. This research will not only have implications for other Western firms dealing with Chinese partners but it also offers an insight on how to deal with firms from other Eastern contexts.

Conceptually, viewing relationships from the perspective of SE also means B2B relationship stability is founded upon the formation and fulfilment of relationship obligations (Blessley et al.,

2018). However, the impact of the inherent PSYCON's between B2B firms (e.g. Kingshott, 2006) across the East-West cultural divide is still unknown. Thus, to examine the effects of PSYCONs on the relational efforts of B2B firms, the authors ground this study in SE theory (Blau, 1964; Thibaut & Kelly, 1957). To help explain the relational consequences of PSYCON breaches in the context of East-West B2B relationships they draw on the well-documented EVLN typology (Hirschman, 1970; Rusbult, Farrell, Rogers, & Mainous III, 1988). Through this they build a testable conceptual model that reveals the effects of PSYCON breaches and how these impact the level of relationship loyalty that Australian buyer firms direct towards their Chinese suppliers. Specifically, this paper examines how PSYCON breaches affect neglect and voice, and how these two constructs in turn effect the level of partner trust, commitment and loyalty in the overall relationship. In doing so, this paper contributes to the B2B literature in at least two ways.

First, it explores in detail how buyer firms can draw upon their relational marketing (RM) resources to help build relationships with supplier firms across the East-West divide. Whilst there is a growing body of knowledge that examines how the western depiction of RM relates to Eastern contexts (e.g. He, Huang, & Wu, 2018; Liu et al., 2008; Naude & Sutton-Brady, 2019) this paper helps address the paucity of studies examining how this important domain of the discipline transcends B2B relationships across East-West cultural boundaries. Second, this paper offers the first empirical study that examines the effects of PSYCON breaches upon voice and loyalty and how this helps to shape overall B2B relationships in the global supply chain. Past research suggests that PSYCON formation and perceptions of fulfilment are a function of one's cultural background (Kickul, Lester, & Belgio, 2004; Lo & Aryee, 2003), the authors test this assertion in the context of East-West B2B relationships. Finally, past studies related to PSYCONs within the B2B context (Kingshott, 2006; Kingshott & Pecotich, 2007) ignore their inter-cultural context, a gap addressed by this study in the context of East-West B2B relationships. Next, the authors discuss the theoretical underpinnings of this research, followed by the description of all the relevant constructs and the development of their testable conceptual model.

## 2. Conceptual framework

### 2.1. *Psychological Contracts, SE Theory and the EVLN Typology*

Psychological contracts (PSYCONs) are intrinsic in relationships that involve interactions between people; thus, the construct has been grounded in social exchange (SE) theory (e.g. Thibaut & Kelly, 1959) within the various literatures (e.g. Kaufmann, Esslinger, & Carter, 2018; Ng, Feldman, & Butts, 2014; Tekleab, Laulié, De Vos, De Jong, & Coyle-Shapiro, 2019). Whilst the bulk of the PSYCON literature pertains to helping understand the employment relationship these contracts are shown to exist in both in Western (e.g. Kiazad, Kraimer, & Seibert 2019; Turnley & Feldman, 1999) and Eastern (e.g. Kwon, Lee, Wang, & Kim, 2018; Lee, Veasna, & Sukoco, 2014) contexts. A few studies also reveal their presence in B2B relationships (e.g. Blessley et al., 2018; Hartmann & Rutherford, 2007; Kingshott, 2006), hence the authors extrapolate these literatures to argue that PSYCONs also provide a suitable mechanism to help explain East-West B2B supply chain relationships. Typically, these contracts serve two key functions, namely helping to define relationships between parties, and establishing mutual expectations that shape behaviour and attitudes between them (Alcover, Rico, Turnley, & Bolino, 2016; Coyle-Shapiro, Pereira-Costa, Doden, & Chang, 2019). Thus, in B2B settings, grounding such contracts in the SE perspective helps to explain the overall relationship between firms. This is because the B2B relationship will involve extensive interaction between persons that encapsulate their perspective of the terms of exchange, interdependence, mutual expectations and reciprocity (Leonidou et al., 2018) between partner firms. Therefore, these elements are represented in terms of PSYCONs that transpire when individuals in partner organizations in supply chain relationships interact with one another.

Typically, the elements that underpin PSYCONs are encapsulated as either tangible and/or intangible dimensions (e.g. Coyle-Shapiro et al., 2019; Guo, Gruen, & Tang, 2017; Guzzo & Noonan, 1994; McInnis, Meyer, & Feldman, 2009) and represent what an individual feels is owed to them for their contribution to and/or continuation in the relationship (e.g., Robinson, Kraatz, &

Rousseau, 1994; Rousseau & Tijoriwala, 1998). Whilst such expectations of reciprocity epitomise SE based relationships their manifestation in the form of PSYCONs in the B2B relationship is likely to be problematic since these are often nebulous (Kingshott, 2006) and idiosyncratic (e.g. Anderson & Schalk, 1998; Kappelides & Jones, 2019) in nature. The literature shows that the presence of PSYCONs inevitably involve breaches (e.g. Kaufmann et al., 2018; Singh, 1990) and/or violations (e.g. Si, Wei, & Li, 2008; Tomprou, Rousseau, & Hansen, 2015) because these forms of contract have a tendency to ‘gap-fill’ relationship details (e.g. Diehl & Coyle-Shapiro, 2019; Turnley & Feldman 1999). This represents a source of conflict and disagreement within the relationship (Kingshott & Pecotich, 2007; Malhotra, Sahadev, & Purani, 2017) therefore has potential to yield negative relationship repercussions if left unchecked. Moreover, in East-West B2B relationships this problem is likely to be amplified due to varying cultural contexts where contracts form (Kutaula, Gillani, & Budhwar, 2020; Kwon et al., 2018). Simply put, individuals from different cultural backgrounds may have a different view of what is owed to them in the relationship and this manifests through the ‘terms’ of the PSYCON.

Thus, in order to help establish the consequences of PSYCON breaches in East-West B2B relationships, this paper draws on Hirschman’s (1970) Exit, Voice and Loyalty (EVL) framework to help underscore the broader relational consequences of outcomes arising from underlying conflict in the form of breaches. Scholars have extended this seminal framework to into the exit, voice, loyalty, neglect (EVLV) typology (e.g. Rai & Agarwal, 2019; Rusbult, Zembrodt, & Gunn, 1982; Turnley & Feldman, 1999; Zagenczyk et al., 2015) to include neglect because this better reflects a more passive form of destructive relational behaviour that often occurs in relationships. Neglect manifests when an aggrieved party likes to avoid relational conflict, such as in many collectivist cultures (Trubisky, Ting-Toomey, & Lin, 1991), by simply allowing the relationship to passively deteriorate (Rusbult et al., 1982). The EVLN framework has attracted much scholarly attention to help articulate the consequences of breaches within the employment relationship in Western (e.g. Rai & Agarwal, 2019; Turnley & Feldman, 1999; Zagenczyk, Cruz, Cheung, Scott,

Kiewitz, & Galloway, 2015); and, to a lesser extent, Eastern (e.g. Akhtar, Bal, & Long, 2016; Si, Wei, & Li, 2018) contexts. Therefore, by grounding this study in SE theory, the authors examine how PSYCON breaches effect core aspects of the EVLN framework (i.e. Voice, Neglect and Loyalty) and the impact this has upon the rudiments of overall quality relationships (i.e. trust and commitment) between the parties in East-West B2B relationships (Figure 1).

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## 2.2. *Psychological Contract Breaches*

Psychological contracts are highly perceptual and idiosyncratic in nature (e.g. Anderson & Schalk, 1998; Robinson, 1996; Morrison & Robinson, 1997), which can potentially engender disputes and disagreements (e.g. Kaufmann et al., 2018; Rousseau & Parks, 1993). Typically, a PSYCON is one party's perception of relational obligations that need to be undertaken by the other party, and these beliefs stem directly from implicit and/or explicit promises of future exchanges (Robinson, Kraatz, & Rousseau, 1994). Breaches occur when one party deems the other to have failed to fulfil its relational obligations (Robinson, 1996) which are shown to have a number of negative relational consequences (Hartmann & Rutherford, 2015; Zhao, Wayne, Glibkowski, & Bravo, 2007). The authors argue that such perceptions of PSYCON breaches may be more likely in cross-national relationships due to their inherent cultural and language barriers, hence PSYCON breaches may play an important role in shaping these important cross-national relationships.

PSYCON breaches are depicted as cognitive evaluations that the organization has not fulfilled its contractual obligations, defined as the "perception regarding the extent to which the organization has failed to fulfil its promises or obligations" (Zhao et al, 2007, p.646). Since the SE relationship are laden with emotions (Lawler & Thye, 1999) such breaches are often followed by perceived violations that comprise a negative emotional state directed towards the organization (Morrison & Robinson, 1997). SE relationships are also founded on the premise of reciprocity (e.g. Gouldner, 1960). In B2B relationships, such underlying reciprocity dictates that an aggrieved party will 'respond' in the same way when the PYSCON is breached, which may hurt the relationship.

Thus, by drawing on the EVLN framework, the authors posit that PSYCON breaches in East-West B2B supply chain relationships will result in behaviours such as neglect, voice and loyalty between relational parties. The authors argue these three particular elements in the framework are important constructs in the context of these relationships for a number of reasons. First, the degree of loyalty between the firms helps to bring stability into the individual relationship between firms and in turn the overall supplier value chain. Typically, loyalty is long recognized as one of the main aims of marketing (Dick & Basu, 1994) and likewise viewed as a key component in B2B relationships (Rauyren & Miller, 2007). Second, aggrieved parties will express voice with the aim of seeking some restitution in the B2B relationship (Ferguson & Johnston, 2011) which has been seen as a healthy action for relationships (Bashshur & Oc, 2015). As this can potentially contribute to both individual well-being and organizational effectiveness (Zhou & George, 2001) the authors view its presence in B2B relationships as vital to their overall stability. Third, on the basis of earlier studies the authors anticipate the presence of neglecting behaviour will help shape supply chain relationships.

Typically, earlier studies show that neglecting behaviour surfaces when the damaged party feels aggrieved by the breach, devoting less effort towards that relationship - which has the potential of ultimately destroying the association altogether (Rusbult, Zembrodt, & Gunn, 1982). Neglect results as a direct consequence of elevated dissatisfaction within the relationship (e.g. Harasymchuk & Fehr, 2019; Withey & Cooper, 1989). This form of destructive behaviour has been shown to exist in B2B relationships (e.g. Vidal, Fenneteau, & Paché, 2016). Moreover, the construct also exists in close relationships in both Eastern (e.g. Si et al., 2008) and Western (e.g. Michalak, Kiffin-Petersen, & Ashkanasy, 2019; Turnley & Feldman, 1999) contexts. Thus, the inference the authors draw is that the presence and intensity of neglect within East-West B2B settings will also be a function of PSYCON breaches. Given PSYCONs support and/ or underpin expectations of good faith and fair dealing (McLean-Parks & Schmedemann, 1994), the authors anticipate that any breaches are likely viewed by the aggrieved party that the other is undermining the overall relationship.



However, in circumstances of unmet expectations the literature also indicates that voice behaviour is often deployed by the aggrieved party to help remedying the problem (Thomas, Au, & Ravlin, 2003; Withey & Cooper, 1989). In other words, actively seeking to improve the relationship (Rusbult, Johnson, & Morrow, 1986). Despite this, given PSYCON breaches are seen as an adverse event (Kaufmann et al., 2018) and followed by a destructive action from the aggrieved party (Robinson & Wolfe-Morrison, 2000), the authors also anticipate breaches will have a dampening effect on the propensity to express voice within the relationship. Moreover, since breaches are potentially highly destructive for relationships, the authors expect there will be further ramifications for the injured party's desire to remain loyal within and towards the relationship. Although an underlying premise of Hirschman's (1970) framework is that loyal individuals are largely passive and simply wait for things to improve (e.g. Rusbult et al., 1988; Rusbult, Johnson, & Morrow, 1986) more recent empirical literature in the employment relationship indicates PSYCON breaches result in both employee turnover intentions (e.g. Sheehan, Tham, Holland, & Cooper, 2018; Turnley & Feldman, 1999) and low organizational loyalty by the employee (Oris, Dudle, & Cortina, 2008). Clearly, there are consequences stemming from PSYCON breaches upon the extent of voice and neglect behaviour exhibited, as well as the extent of loyalty expressed towards the partner firm that inevitable help shape the overall relationship. Based on the above discussion, the authors hypothesize as follows:

**H1a.** Psychological contract breaches are positively related to neglect.

**H1b.** Psychological contract breaches are negatively related to voice.

**H1c.** Psychological contract breaches are negatively related to loyalty.

### *2.3. Impact of Neglect on Trust, Voice and Loyalty*

Neglecting behaviour has the potential to gradually erode B2B relationships because it reflects one or more of the relational partners simply letting things fall apart by allowing things to deteriorate (Mellahi, Budhwar, & Li, 2010; Rusbult et al., 1988). Typically this type of behaviour manifests in the form of ignoring the partner, not discussing problems, treating the partner badly and criticizing them for no apparent reason (Rusbult, Johnson, & Morrow, 1986). Such action is the antithesis of

good governance in B2B contexts because these forms of relationship require constant maintenance (Heide, 1994). Indeed continual relational exchanges are seen as the *de facto* governance mechanism (Voss, Tanner, Mohan, Lee, & Kim, 2019; p.1669), wherein constant constructive interaction with the partner firm implies that under SE conditions neglect would then potentially play a significant role in helping to undermine the overall integrity of the relationship. Simply put, neglecting behaviour has the potential to destroy relationships. The authors posit herein that this would result through the erosion of trust, which in turn impacts commitment and loyalty. Moreover, as buyer-supplier relationships comprise a number of enabling processes (i.e. attraction, communication & bargaining, expectation development, power & justice and expectation development: Dwyer, Schurr, & Oh, 1987, p. 21) then neglecting actions also serve to undermine these critical relational activities. The net result being the further erosion of trust, therefore, the authors posit neglecting behaviour reduces trust directed towards the relational partner. Since trust is a core aspect of long term relationships in both Eastern and Western contexts (Wang et al., 2015) this means neglecting behaviour potentially has a negative impact in East-West supply chain relationships.

The authors posit further that neglect also has a number of other direct consequences that potentially contribute to the overall deterioration of the B2B relationship, namely reduced levels of voice and loyalty aimed at the partner firm. In terms of willingness to express voice, those SE relationships founded on reciprocity (Blau, 1964; Gouldner, 1960) means that the party feeling ignored and/ or aggrieved as a direct result of neglect is likely to ‘counter’ such action. However, rather than simply taking action that is largely destructive in nature the overarching moral obligations associated with SE (Gouldner, 1960) also implies a more passive approach could simultaneously be adopted by the aggrieved party. As Hirschman (1970) puts it, loyal individuals are inclined to “suffer in silence, confident that things will soon get better” (p. 38), which suggests aggrieved B2B partners firms may simply refrain from active engagement within the relationship rather than take a more proactive series of actions designed to remedy / redress any ill feelings. Indeed this has support in the employment literature, namely that neglect is associated with

withdrawing one's contributions to the organization (Wang, Peng, Mao, & Lan, 2018). On that basis the authors also infer the experience of neglect will similarly have the net effect of reducing (constructive) voice (e.g. Farrell, 1983; Turnley & Feldman, 1999) in the relationship.

Moreover, neglect has been likened to a form of exit rather than a behavioural response where one party reduces their overall effort and exhibits less interest in the relationship (Clark, Golder, & Golder, 2017, p. 772) meaning that the presence of the construct also has negative loyalty implications. Whilst the EVLN framework suggests that persons that are loyal towards a relationship will passively wait for things to improve when negative behaviour results (Rusbult, Johnson, & Morrow, 1986) other studies show individuals (managers) will resort to neglecting behaviour when they feel that the relationship is not worth maintaining (Si, Wei, & Li, 2008). This means that the presence of neglect potentially acts as the signal by the aggrieved party that the partner firm is not looking to maintain the relationship. Under SE conditions this is likely to be reciprocated. Since the ability of the firm to attract, maintain and enhance relationships is the central feature of the firm's RM efforts in B2B settings (Kingshott et al., 2018) aimed at yielding relationship loyalty (Plank & Newell, 2007), the authors posit neglecting behaviour will also reduce loyalty towards the relationship. Based on the above discussion, the authors postulate that neglect has negative relational consequences through the erosion of trust, as well as reduction in voice and loyalty, hence as follows:

**H2.** Neglect is negatively related to a) trust, b) voice, and c) loyalty.

#### *2.4. Impact of Voice on Trust, Loyalty and Commitment*

In direct contrast to the effects of neglect in a relationship, exercising the voice option is often used in an attempt by one party to positively change the behaviour of others (Clark, Golder, & Golder, 2018). Bashur & Oc (2015) examined over 1,000 studies related to voice to conclude that the overwhelming depiction of the construct in the various literatures is that it had positive implications for organizations. Voice is shown exist in Western (e.g. Menzies-Toman & Lydon, 2005; Zara & Flinchbaugh, 2019) and to a lesser extent in Eastern (e.g. Peng, Wong, & Song,

2016; Liu & McClure, 2001) contexts, as well as in B2B relationships (Ping, 1997). Thus, this behaviour may also be an inherent element in the East-West B2B supply chain relationships.

Although voice can be expressed in both positive and negative forms (Haagedoorn et al., 1999), Zhao et al. (2007) suggest that it is proactive and constructive in nature, hence it may have positive relational consequences in the B2B settings. As it involves discussing problems, compromising, suggesting solutions, and acting as a positive change agent (Rusbult, Johnson, & Morrow, 1986, p.475) the construct therefore exhibits both relational building and maintenance properties. In B2B settings grounded in SE theory means this activity translates into the formation of trust, commitment and loyalty between partner firms (e.g. Brown et al., 2019; Kingshott, 2006; Luu et al. 2018). Elsewhere, Tzempelikosa and Gounaris (2015) show information and conflict resolution are positively related to the formation of trust and commitment, suggesting that (constructive) voice is central to SE based B2B relationships.

Typically, when one relational partner is perceived by the other to have failed to fulfil their PSYCON obligations then negative voice is often triggered. Whilst the literature suggests that voice is a discretionary behaviour (Rai & Agarwal, 2019) – when exhibited it has the potential to countenance any negative consequences of PSYCON breaches, by actively attempting to improve conditions (e.g. Rusbult et al., 1986; Wang et al., 2018). Thus, voice has been defined as “constructive change-oriented communication intended to improve the situation” (LePine & Van Dyne, 2001, p. 326) meaning it also has the capacity to build a nurture trust based commitment given these core relational constructs are unlikely to form without bilateral communication (Dwyer, Schurr, & Oh, 1987). Trust is defined as “the perceived credibility and benevolence of a target of trust” (Doney & Cannon, 1997, p. 36) whereas commitment is depicted “as an enduring desire to maintain a valued relationship” (Moorman, Zaltman, & Deshpandé, 1992, p.316) indicating that voice is the potential linchpin in SE relationships that involve PSYCONs and associated breaches.

The impact of voice as a positive constructive communication apparatus on these two rudiments of SE based relationships is thus tantamount to bringing stability into B2B relationships that involve PSYCON breaches. This assertion has much empirical support in the marketing literature. For instance, communication is essential for both trust (e.g. Morgan & Hunt, 1994; Moorman et al., 1992; Seppänen, Blomqvist, & Sundqvist, 2007) and commitment (e.g. Kingshott, 2006; Theron, Terblache, & Boshoff, 2008) in B2B settings. Moreover, since all three constructs are central features of relationship quality within Chinese-Western relational contexts (Yen, Yu, & Barnes, 2007), therefore when parties exercise voice in East-West B2B supply chain relationships, this behaviour could positively impact trust and commitment towards the partner firm.

Since trust and commitment are core relational building blocks, voice may also impact upon relationship loyalty as this particular outcome constitutes a key relational marketing outcome (Hennig-Thurau, Gwinner, Gremler, 2002). In their review of the literature, Bashshur and Oc (2015) do find most studies report voice and loyalty to be highly correlated but point out that as most of these are correlation studies the directional impact between these constructs is a little unclear in terms of a causal link between them. The authors posit voice to positively impact loyalty. Studies elsewhere in the marketing discipline do however show quality communications to be a driver of relationship loyalty in both Western (e.g. Dagger, David, & Ng, 2011; Hänninen & Karjalisto, 2017; Scheer, Miao, & Garrett, 2009) and Eastern (e.g. Yen, Wang, & Horng, 2011) contexts. Hence, voice may affect relational loyalty in East-East B2B relationships because voice can be a constructive form of communication and have overall positive effects on the relationship (LePine & Van Dyne, 2001). Based on this, voice may be a central feature of relationship formation and maintenance in the context of East-West B2B relationships and hence, directly influence trust, commitment and loyalty. Therefore, as follows:

**H3.** Voice is positively related to a) trust, b) loyalty and c) commitment.

### *2.5. Trust, Commitment and Loyalty*

Numerous empirical studies within the B2B context have repeatedly shown the positive impact that trust has upon building commitment within the relationship (e.g. Brown et al., 2019; Kingshott, 2006; Kingshott, Sharma, & Chung, 2018; Morgan & Hunt, 1994). The presence of these constructs indicate good quality relationships (Gwinner, Gremler, & Bitner, 1998; Hennig-Thurau et al., 2002; Shin, Ellinger, Mothersbaugh, & Reynolds, 2017) therefore signify good governance between firms in B2B relationships. The link between these two construct is also shown to exist within B2B relationships in Eastern contexts (e.g. Coote, Forrest, & Tam, 2003; Ndubisi, 2011) suggesting they can also help to explain stable and robust East-West B2B relationships. Whilst the presence of these two constructs indicate the success of the firms' RM efforts, the ultimate aim of this practice is to ensure that customers remain with the organization, which is likely to be true for B2B supply chain relationships that span the East-West cultural divide. Customer loyalty and retention lead to long-term profitability (e.g. Aurier & N'Gola, 2010; Anderson & Narus, 1990) so it is little surprize that understanding how to build and maintain loyalty is one of the most widely studied concepts in the marketing discipline (Alhathal, Sharma, & Kingshott, 2019). Relationship loyalty is defined as "customer perceptions of whether they will continue to use and remain committed to the supplier" (Plank & Newell, 2007. p.62) and contains both attitudinal and behavioral elements (Hennig-Thurau et al., 2002).

Firms that focus on building trust can leverage this valuable attribute within their relationships because both trust and commitment have been shown to drive loyalty within a wide range of settings (e.g. Athanasopoulou, 2009). Within the Chinese context, Wang et al., (2008) point out that the underlying mechanisms that help to explain trust, namely 'renqing' will manifest in the obligation to repay favours. In a Chinese B2B setting these authors find these two construct to be positively associated with a long term orientation between firms – suggesting transferability of trust and a loyalty builder also translates into an Eastern context. Accordingly, the authors envisage the link between these two constructs and loyalty to manifest within the context of East-West B2B supply chain relationships, and therefore hypothesize as follows:

**H4a.** Trust is positively related to commitment.

**H4b.** Trust is positively related to loyalty.

**H4c.** Commitment is positively related to loyalty.

### **3. Methodology**

The main focus of this research is to examine how PSYCON breaches impact the relational marketing (RM) efforts of Australian importers and their Asian supplier firms to help better understand B2B relationships within East-West value chains. Since the literature indicates PSYCON breaches are likely to dampen B2B relationships (Kingshott & Pecotich, 2007) this study examines the effects this construct potentially has upon the relationship between Australian importers and their Asian suppliers. Specifically, the authors examine how PSYCON breaches potentially result in voice and neglect towards the Asian partner firm and their consequences because voice can have both relational building and eroding consequences (e.g. Ng, Feldman, & Butts, 2014; Morrison, 2011; Rusbult et al., 1988) whereas neglect potentially damage relationships (Naus et al., 2007; Si et al., 2008). Whilst it is critical to understanding how Australian firms can successfully engage in B2B relationships with their Asian business partners, given that is key to Australia's prosperity (Commonwealth of Australia, 2012), this research provides valuable insights to those Western firms engaging Asian partners. Specifically, the authors explore how PSYCON breaches potentially effects those RM practices of Australian firms explicitly directed towards their Chinese suppliers.

Whilst this research setting helps to further knowledge about the underlying dynamics within East-West supply chain relationships, the authors focus on exploring Australian-Chinese B2B relationships for a number of reasons. First, China is the second largest global economy and by far the largest in Asian with a GDP in the order of US\$ 14,220 billion (OECD, 2019). Therefore, given China has many trading partners within the West this research can provide valuable insights beyond Australian-Chinese B2B relationships. Second, whilst Asia is forecast to become

the global powerhouse of economic development in the next decade and beyond (Commonwealth of Australia, 2012), China will continue to play a central role in that economic activity. Thus, understanding how to interact with Chinese firms is important for those Western firms seeking to capitalize on the future growth in Asia. Third, China has become Australia's largest trading partner with the size of two-way trade between the nations being in the order of AUD\$183 billion during 2017 (Austrade, 2019). Of that the total imports into Australia from China during the 2017-18 period were in the order of AUD\$68 billion (DFAT, 2019b), which accounts for around 23% of total Australian imports (DFAT, 2019b).

Understanding the relational dynamics associated with Australian-Chinese B2B relationships in more detail is important for both Australian firms and the Australian economy. However, in broader terms those Western firms based in nations that also have such a polarized trading relationship with countries in Asia (in terms of 'wallet share' of trade) can draw upon these findings to glean valuable insights. Finally, given the recently signed China-Australia Free Trade Agreement [ChAFTA] (DFAT, 2016) this research provides an opportunity to understand how firms operating under such a framework are able to build effective value chain relationships. Given China partakes in many bilateral and regional FTA's (WTO, 2019a), and these trading frameworks encapsulate both Eastern and Western nations this research also provides a further insight into the dynamics of B2B relationships that operate under FTA's.

Thus, to test each of the hypotheses, this paper uses a national sample of Australian firms that import products directly from China to help ascertain the role that PSYCON breaches potentially play in their relationship with Chinese suppliers. To help ensure that the key research informants were knowledgeable enough about aspects of the relationship that featured in the conceptual model, the authors targeted decision makers and boundary spanning employees that dealt directly with Chinese firms across a variety of roles. Accordingly, they engaged an Australian based panel data firm that specializes in identifying organizations in B2B relationships and in particular representative employees within each firm. Such employees were provided with



a link to the self-administered online survey designed to capture constructs in the model and aspects about these informants and their organizations. To ensure this, the authors targeted suitable and knowledgeable persons the survey was preceded by two filtering questions, namely (1) does your organization import products from China, and (2) do you play a role in interacting with that organization? the fieldwork yielded total of 327 responses that were used in the analysis. Table 1 provides an overview of the firm and respondent characteristics.

< Insert table 1 about here >

All measures used in the survey were derived from existing scales in the literature and modified slightly to better reflect the context of the research setting. Prior to the fieldwork, the authors pilot tested the research instrument (25 respondents) to ensure relevance of the constructs in the relationship that Australian buyer firms have with their Chinese suppliers. As a number of scales have been used in non-B2B contexts this test also helped determined whether the semantics in the underling items were valid. This initial test targeted import managers responsible for the overall relationship with their Chinese counterparts and respondents were identified through a list of Australian importers. For the main study, respondents were specifically asked to answer each of the questions with their most important Chinese based supplier firm in mind. PSYCON breaches (9-items) were adapted from Rousseau (1990) to reflect the specific research setting and focused on tapping into the respondent's perception that *good faith and fair dealing* within the relationship was not met by their Chinese supplier. Although there are potentially both relational and transactional PSYCON's (Aggarwal & Bhargava, 2010) this scale tapped perceived breaches to the relational PSYCON. Both trust (6-items) and commitment (6-items) directed towards the Chinese supplier firm were derived from Morgan and Hunt (1994). Voice (4-items) and neglect (4-items) was measured by adapting Rusbult et al., (1988) to reflect the B2B setting in this research. Relationship loyalty (4-items) was adapted from Plank and Newell (2007) and captured the extent respondents felt loyalty to their contact person and their employee supplier firm. Each construct in the conceptual model was captured using a seven point Likert type scales,

using 1=“strongly agree” and 7=“strongly disagree” as anchors. Table 4 shows all the scale items along with their psychometric properties.

\*\*\*Insert table 4 here\*\*\*

#### 4. Data analysis and results

The data analysis process conformed to the recommended two-step approach (Anderson & Gerbing, 1988) to help examine the data. Accordingly, the initial assessment of the measurement model tested the psychometric properties of all the scales using confirmatory factor analysis (CFA) with AMOS 25. This was followed by testing the structural model. The measurement model to be a close fit as all indices for this step in the analysis ( $\chi^2=621$ ,  $df=421$ ,  $\chi^2/df=1.48$ , CFI=0.98, NFI=0.94, GFI=0.90, RMSEA=0.04, SRMR=0.04) were superior to the recommended threshold values [ $1 < \chi^2 / df < 3$ ] proposed by Wheaton, Muthen, Alwin, and Summers (1977), as well as those proposed by Hu and Bentler (1999) [CFI > 0.95, NFI > 0.90, GFI > 0.90, RMSEA < 0.06, SRMR < 0.08]. The analysis revealed all factor loadings to be higher than 0.70 with significant t-values ranging from 11.43 to 22.93 with no major cross-factor loadings.

< Insert tables 2 & 3 about here >

Table 2 shows all the scale items with their psychometric and descriptive properties. Table 3 shows correlations matrix and evidence of discriminant and convergent validity. First, all the correlations among the constructs are significantly less than one (Bagozzi & Heatherton, 1994) indicating initial evidence of discriminant validity. Next, the parameter estimates ( $\lambda$ ) are all significantly different from zero at  $p < 0.01$ , which indicates initial evidence of convergent validity (Anderson & Gerbing, 1988). Moreover, all the composite reliabilities (0.84 to 0.95) are higher than the cut-off value of 0.70 (Hair et al. 2006), which provides further evidence of convergent validity. Finally, average variance extracted (ranging 0.64 to 0.74) for each construct is more than the 0.50 threshold and higher than the square of its correlation with each of the other constructs (Fornell & Larcker, 1981) this indicates further evidence of convergent validity.

< Insert table 4 about here >

Next, the authors assessed the structural model to test the twelve hypotheses (H1a-c; H2a-c; H3a-c; and, H4a-c) and similarly found a close model fit ( $\chi^2=640$ ,  $df=437$ ,  $\chi^2/df=1.46$ , CFI=0.97, NFI=0.93, GFI=0.90, RMSEA=0.03, SRMR=0.04), which included significant path coefficients for all hypothesized relationships (see table 4). Specifically, PSYCON breaches were found to have dampening relational consequences due to increasing the level of neglect (H1a:  $\beta = 0.278$ ,  $p < 0.000$ ), at the same time reducing both relational voice (H1b:  $\beta = -0.705$ ,  $p < 0.000$ ) and loyalty (H1c:  $\beta = -0.103$ ,  $p < 0.05$ ), thus supporting H1a-c. It is apparent from the data that retail customer firms need to be mindful that PSYCON breaches can potentially lead directly to elevated neglect and reduced relational voice directed towards their foreign supplier firms. Hence, the (importing) retailer needs to be proactive to ensure these latter outcomes are ‘managed’ due to the potential range of relational consequences.

Typically, the literature shows voice to have a relational building capacity, whereas neglect offers the potential to dampen and/or erode relationships. To that end, the data indicates further that these consequences will likely manifest in sequential effects within the relationship in two ways. First, from the negative perspective, neglect was found to reduce both the level of relational trust (H2a:  $\beta = -0.147$ ,  $p < 0.000$ ) and loyalty (H2c:  $\beta = -0.118$ ,  $p < 0.005$ ) as well as diminish the desire of the retailer to express voice directed towards the supplier firm (H2b:  $\beta = -0.137$ ,  $p < 0.000$ ). Second, and from the positive vantage, when voice is present in the relationship this had a positive impact on the level of relational trust (H3a:  $\beta = 0.711$ ,  $p < 0.000$ ), commitment (H3c:  $\beta = 0.513$ ,  $p < 0.000$ ) and loyalty (H3b:  $\beta = 0.236$ ,  $p < 0.000$ ). This means that although PSYCON breaches are found to have a negative impact on the desire to express voice (H1b) the data also indicates that despite the presence of breaches, those decision makers that express voice towards the foreign partner will also yield positive relational outcomes. Clearly this is an important feature of the relationship because (in line with many other empirical studies) the data shows trust to have a positive impact on both commitment (H4a:  $\beta = 0.274$ ,  $p < 0.000$ ) and

loyalty (H4b:  $\beta = 0.371, p < 0.000$ ). Finally, as commitment was also shown to help build relationship loyalty (H4c:  $\beta = 0.138, p < 0.005$ ) the data offers support for all twelve hypothesized paths in the proposed conceptual model. Overall, these findings support the view that knowing the consequences of PSYCON breaches within the context B2B relationships between Western and Eastern firms is critically important as this has potentially wide ranging implications. Next, the authors discuss the theoretical and managerial implications of their findings along with some limitations of their study and directions for future research.

## **5. Discussion and implications**

The main aim of this research is to further understand B2B relationships within the context of East-West supply chains by examining the relational dynamics between firms operating across these cultural and national frontiers. With relatively few exceptions (e.g. Liu et al., 2008; Wang et al., 2015; Yen, Barnes, & Wang, 2011) much of the B2B literature focuses on how RM practices relate to Western contexts. Moreover, the distinct dearth of empirical studies that focus on East-West B2B value chains has resulted in this IMM special issue devoted to the topic. Accordingly, this research contributes to this paucity in the literature by helping to understanding a number of aspects associated with building and maintaining SE based relationships between Chinese and Western firms. Specifically, by drawing upon relational marketing (RM) and psychological contract (PSYCON) literatures, and integrating this into the EVLN framework, the authors examine the potential impact PSYCON breaches have upon the relational building capabilities of western firms operating within these supplier-buyer value chains. In particular, to the best of authors' knowledge is the first study of its kind in the extant literature, to examine how PSYCON breaches affect the B2B relationships between Australian importers and their Chinese suppliers.

This paper contributes to the literature in a number of ways. First, it explores how RM can be adopted to help explain the relational dynamics between Australian and Chinese firms within the supplier-buyer value chain. This study builds on earlier work (e.g. Kingshott, 2006; Kingshott and

Pecotich, 2007) that viewed relationships through the lens of the PC, as well as respond to the need to build psychological contract theory within an Asian context (Kutaula et. al. 2020). However, this study is the first to examine this in the context of East-West B2B relationships. Its findings indicate that not only is there potential universality of SE based RM practices across cultural and/ or national boundaries, but further that PCs also play an important role in helping to shape East-West B2B relationships. Second, to the best of authors' knowledge, no studies empirically examine relationships from the perspective of the EVLN framework within B2B contexts and even more significantly in the context of East-West supply chains. EVLN is well-documented in employment relationship literature but despite limited studies discussing the concept in the marketing domain (e.g. Chaudhry, Srivastava, & Joshi, 2018; Ping, 1993; Ro, 2015; Singh, 1990) no studies empirically test this framework within the B2B context or in the particular East-West research setting. Finally, the authors examine relationships through the lens of perceived breaches to the PSYCONs to help observe the role this construct plays in shaping the underlying premise of SE relationships, namely building and nurturing trust based commitment and loyalty. Despite previous studies related to PC breaches in the B2B context (e.g. Kingshott, 2006; Kingshott & Pecotich, 2007) there are none that examine the role voice and neglect play on the relational building capacity of firms within such settings. Specifically, this paper draws upon EVLN framework to examine the nexus between voice, neglect and loyalty to empirically understand how they are intrinsically linked to the core relational building blocks of trust and commitment (Brown et al., 2019; Dwyer et al., 1987; Morgan & Hunt, 1994; Tóth, Nieroda, & Koles, 2020) within an East-West B2B relationship context. Accordingly, this research provides the foundation upon which future studies can explore this relatively nascent field of the relationship marketing discipline.

### *5.1. Theoretical implications*

This research is grounded in SE theory and in doing so inculcates the core relational elements of trust and commitment to help explain B2B buyer-supplier relationships between Eastern and

Western firms. Whilst there is much empirical literature relating to these important rudiments of relationships in the B2B literature (e.g. Brown et al., 2019; Cui et al., 2020; Morgan and Hunt, 1994), the findings reveal the impact and centrality these two constructs play within relationships in the context of East-West supplier-buyer relationships, and in particular those pertaining to value chains. On this point, whilst the findings do align with the view held in the literature that trust and commitment constitute the linchpin of relationships in cross-national relationships (e.g. Leonidou, Talias, & Leonidou, 2008), this study provides empirical support that this narrative also holds within the context of Western firms directing their RM efforts, and in particular towards their Chinese counterparts. What is remarkable about this study though, is that it differs from others by way of drawing SE theory to help explain buyer-supplier relationships by integrating a firms RM practices with the EVLN framework (Hirschman, 1970; Rusbult et al., 1988). In doing so, this paper empirically reveals how PSYCON breaches drive neglect and voice towards the partner firm and how that affects the core relational building blocks of trust, commitment and loyalty.

To the best of authors' knowledge, this has not been undertaken in the extant B2B literature, hence, this study offers an important and new trajectory of thought within the context of B2B relationships, and in particular in the context of East-West supply chains. This has a number of theoretical implications. First, previous studies that draw upon the EVLN framework (e.g. Balabanova et al., 2019; Peng et al, 2016; Wang et al., 2018) have not shown how PSYCON breaches help to drive the dual constructive and destructive actions of voice and neglect respectively within business contexts. This paper provide empirical evidence to reveal how these two potential relational building / dampening elements impact the overall relationship within the context of B2B relationships. By showing the link between these constructs this study therefore helps to reveal the potential predictive capability of the various elements intrinsic to the EVLN typology has on the overall B2B relationship - specifically in terms of how voice and neglect impact trust, commitment and loyalty.

Second, persons from collectivist cultures may seek to avoid conflict (e.g. Trubisky et al., 1991; Zhang & Zhang, 2013) but the actions of decision makers within Australian buyer firms as reflected in the findings, do indicate that these ‘westerners’ are prepared to be more forthright in their dealings with Chinese partner firms. In other words, these individuals are not perplexed about adopting a ‘conflicting approach’ suggesting they do not envisage this relational style to negatively impact the overall relationship. On this point, whilst this paper does examine relationships through the lens of western decision makers, the findings reveal that these individuals are in fact mindful of the value of expressing voice in the relationship with their Chinese counterparts. In this relational setting, elevated voice helped increase levels of trust and commitment directed towards the Chinese supplier which is counterintuitive to the view held that Asian cultures tend to avoid conflict with individuals close to them (e.g. Leung, 1988; Park & Nawakitphaitoon, 2018). Indeed, as the findings indicate that expressing voice has helped Western firms deal with their Asian counterparts by suggesting the construct can play a role in East-West B2B supply chains, scholars might need to re-examine the concept of ‘conflict’ within East-West B2B relationships.

Finally, the findings indicate SE relationships founded on the premise of reciprocity (Gouldner, 1960) can also play a role in East-West B2B relationships as this relational norm appeared to have transcended cultural boundaries. By examining RM practices in an Australian-Chinese B2B setting East-West setting, this paper directly observes how these forms of relationship may suit the Chinese partners, given that they too rely upon the conceptually similar construct of ‘renqing’ that involves an obligation to repay favours and show empathy in Chinese B2B relationships (Wang, Siu, & Barnes, 2008). The authors surmise that since ‘renqing’ appears to align with the western concept of reciprocity this potentially means that relationships built on the rudiments of social exchange are also likely to be highly effective in East-West relationships when the Eastern society has a similar concept to this western social norm. Thus scholars need to take this into account when examining relationships between firms that operate across such a cultural divide.

## *5.2. Managerial implications*

This study offers some of valuable insights for managers that have oversight of B2B relationships in the context of East-West value chains. In broad terms the literature related to relationship marketing (RM) and psychological contracts (PSYCONs) indicates these are important domains of relationships with buyer-supplier relationships (Kingshott & Pecotich, 2007). This has further support in the findings within the context of relationships between Australian buyers and Chinese supplier firms. Accordingly, this paper reveals that relationships between these entities can be grounded in SE theory and comprise the rudiments of SE relationships, namely trust and commitment. Thus, the findings indicate these two essential relational building constructs transcend national and cultural boundaries therefore potentially serve as a suitable governance mechanism within the context of East-West B2B relationships. This can be observed directly in the manner the two constructs help to drive loyalty towards the relational partner (H4b & H4c) and how this provides a stronger foundation to bring stability into these relationships.

However, managers need to be aware that SE based relationships will also encompass the development of PSYCONs and perhaps more significantly that these forms of expectations engender dispute and disagreement between parties (Rousseau & Parks, 1993). This manifests in the form of contract breaches which has potential relational consequences. As the data shows, such breaches have negative relational implications in terms of how they elevate neglect and reduce the propensity to express voice towards the partner firm. Since neglect would have the effect of eroding the relationship (e.g. Harasymchuk & Fehr, 2019; Hibbard, Kumar, & Stern, 2001; Rusbult, Zembrodt, & Gunn, 1982) and reduced voice diminishes the opportunity to identify and discuss problems then clearly this need to be addressed. To do this managers should take some practical steps to help remedy potential problems arising from the formation of PSYCONs. First, they need to ensure that their relational partners have a forum to instigate voice so that any issues potentially undermining the overall relationship can be discussed. For example, setting up an open discussion forum that regularly meets with the partner firm that has the specific mandate of enabling parties to air



grievances without recrimination. This type of action would also help to circumvent and/ or dampen any neglecting behaviours resulting from PSYCON breaches. Second, managers need to be aware that since expectations concerning outcomes are shaped by culture (Leung et al., 1995) those PSYCON breaches involving cross-cultural / national partners can be reduced through relevant cross-cultural training and/ or awareness programs. By paying special attention to the various cultural nuances means that ‘boundary spanners’ would reduce the likelihood of sending signals to the partner firm that potentially yields expectations that differ from their own.

To conclude, the findings indicate that western firms operating in value chains that involve firms from Eastern cultures are able to benefit by deploying their RM efforts but managers need to be cognizant of the potential unintended consequences of building cross-cultural relationships that are founded on social exchange. Despite varying cultural backgrounds of the participants, the findings indicate that the rudiments of trust and commitment appear to hold across the East-West divide but managers need to devote more effort to better understanding that these forms of relationships will also help shape the structure and content of potential PSYCONs of their cross-cultural partner firms. Consequently, this means that as these expectations are a function of cultural norms, and if such norms are not clearly understood, then the specific content of the PSYCON that potentially leads to breaches may intensify its impact on eroding the relationship. On that particular point, the data does indicate that western firms are able to rely upon voice to help remedy any problems associated with breaches however the literature indicates that persons from collectivist cultures are more likely to avoid conflict (e.g. Trubisky et al., 1991). The inference is that PSYCON breaches on the part of Eastern firms offer the potential to translate into the more destructive passive action of neglect, which has serious relational problems. Thus, managers in B2B relationships that operate across cultural divides need to constantly engage with one another so there is common understanding of partner expectations so that nebulous and idiosyncratic PSYCONs do not form. This will help to ensure that breaches that accompany contract formation (Blessley et al., 2018; Kaufmann et al.,

2018; Singh, 1990) do not inadvertently and unnecessarily erode their relational marketing efforts of either of the partner firms.

## **6. Limitations and future research directions**

Like any research there are some limitations related to this study that future studies may seek to address. First, this paper explores B2B relationships within the context of Australian and Chinese firms, hence the findings may not be generalizable to other East-West B2B value chain relationships. Moreover, the analysis relates to data collected from a panel company so the findings are limited to the sample provided by that company. This limitation may be addressed by testing the conceptual model across a wider range of settings involving East-West firms than undertaken in this study. Moreover, since this paper views B2B relationships through the Western lens (i.e. Australian importers) this research may also examine how a firm's RM efforts play out from both an Eastern viewpoint (i.e. Chinese exporters) and even the dyadic perspective.

Second, this paper views the impact of PSYCON breaches on the firm's RM practices within the context of unilateral relationships between Chinese and Australian firms (albeit from the Western perspective) although value chains are likely to involve more than two organizations that span both national and/ or cultural boundaries. Therefore, future research would benefit from exploring the RM dynamics (as reflected in the conceptual model) within the context of a broader network of value chain participants in order to provide an even more comprehensive picture. Moreover, since this paper examines B2B relationships from the Western point of view, future research could replicate the conceptual model with the Eastern perspective examine how the RM efforts of B2B firms are affected by PSYCONs and associated breaches.

Third, the conceptual model is premised upon the view in the literature that PSYCON's are inherent within B2B relationships (i.e. Kingshott, 2006) and that PSYCON breaches are exogenous to the organization's RM efforts. Future research would benefit from exploring the antecedents leading to PSYCON formation in both East and Western B2B contexts and

incorporate those, along with the PSYCON to help extend the conceptual model. Fourth, this paper confines the analysis to B2B relationships between Australian and Chinese firms in general but recognises that PSYCON breaches and their impact on quality relationships may vary across industries and/ or size of organizations in the relationship, which may be tested in future.

Finally, whilst the literature shows PSYCONs to emerge within Asian relationship contexts (e.g. Choi, Kim, & Yun, 2019; Lo & Aryee, 2003), it also suggests that cultural variations influence both their formation and perceptions of non-fulfilment (Thomas, Au, & Ravlin, 2003). PSYCONs are founded upon SE (Aggarwal & Bhargava, 2010; Kutaula et al., 2020; Rousseau, 1995) suggesting the underpinnings (and content) of the construct potentially vary across different cultures. Those B2B relationships that span the East-West divide represent an ideal opportunity for future studies to empirically test such variation, both in terms of contract formation, and the effects of PSYCON breaches on overall relationships between the firms spanning cultural and/or national boundaries.

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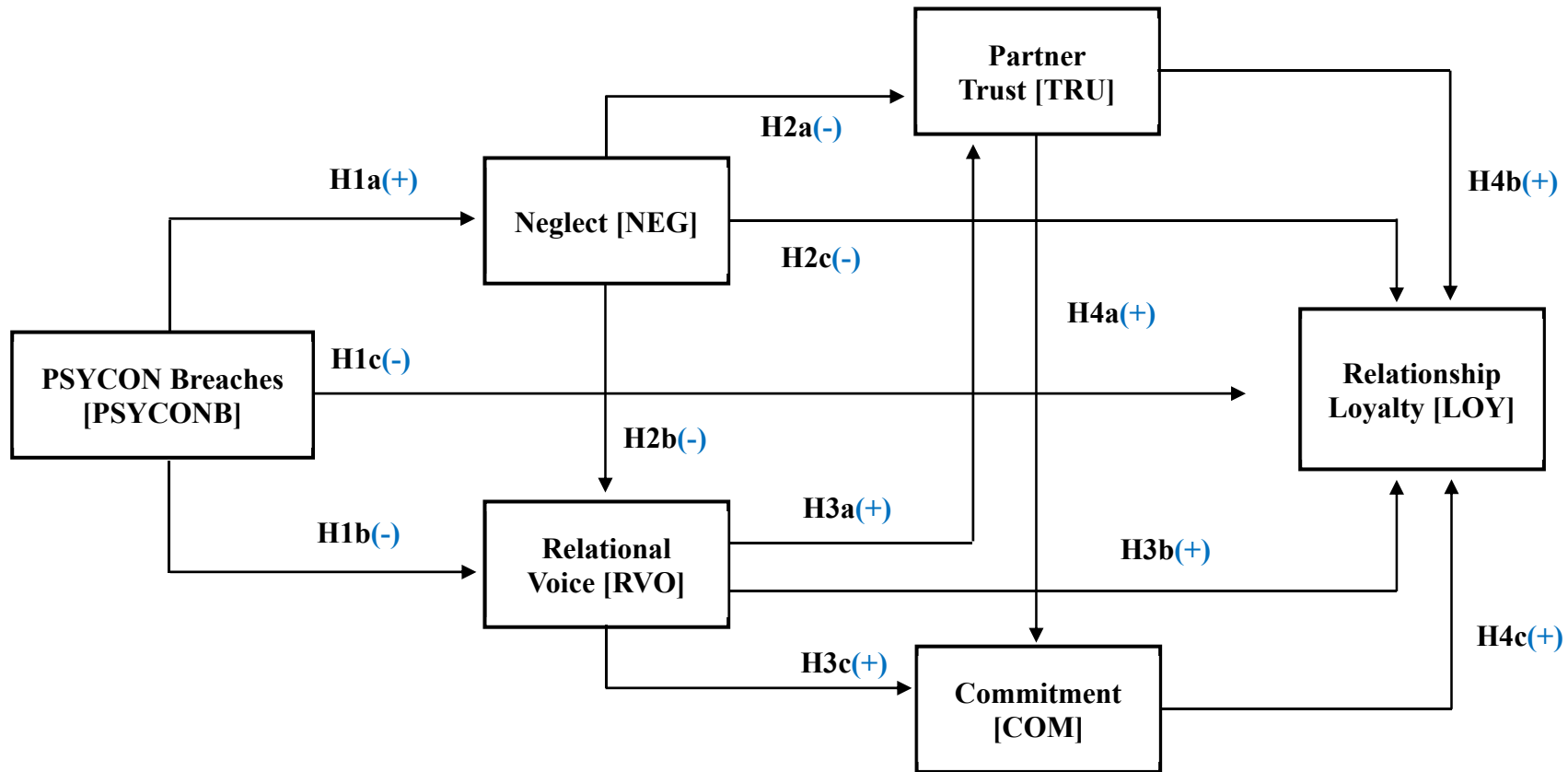


Fig. 1. Conceptual model

**Table 1**

Sample characteristics (N = 327)

<b>Parameter</b>	<b>Frequency</b>	<b>Parameter</b>	<b>Frequency</b>
<b>Relationship length</b>		<b>Share of time spent on relationship</b>	
1 to 2 years	11 (3.2%)	< 10%	57 (17.4%)
3 to 5 years	52 (15.9%)	11 to 20%	39 (11.9%)
6 to 10 years	56 (17.1%)	21 to 40%	57 (17.4%)
11 to 15 years	78 (23.9%)	41 to 60%	82 (25.1%)
16 to 20 years	35 (10.7%)	61 to 80%	42 (12.8%)
> 20 years	95 (29.1%)	> 80%	50 (15.3%)
<b>Number of employees</b>		<b>Share of income from relationship</b>	
1 to 5	69 (21.1%)	< 5%	15 (4.6%)
6 to 10	58 (17.7%)	5 to 10%	27 (8.3%)
11 to 20	76 (23.2%)	11 to 20%	41 (12.5%)
21 to 50	72 (22.0%)	21 to 40%	86 (26.3%)
51 to 100	32 (9.8%)	41 to 60%	61 (18.7%)
101 to 200	11 (3.4%)	61 to 80%	38 (11.6%)
> 200	9 (2.7%)	> 80%	59 (18.0%)
<b>Respondent title</b>		<b>Annual revenue (AUD\$)</b>	
Top management (e.g. MD, CEO)	44 (12.5%)	< 500,000	15 (4.6%)
Middle management (e.g. GM)	73 (22.3%)	500,000 to 1 million	40 (12.2%)
Functional manager (e.g. sales)	185 (56.6%)	1 to 5 million	137 (41.9%)
Proprietor / other	25 (7.6%)	5 to 10 million	51 (15.6%)
		10 to 50 million	64 (19.6%)
		50 to 100 million	11 (3.4%)
		> 100 million	9 (2.7%)
<b>Type of products imported</b>		<b>Nature of industry</b>	
Electronics and telecom	104 (31.7%)	Accommodation and food	53 (16.1%)
Furniture and household appliances	27 (8.2%)	Construction and mining	64 (19.6%)
Iron and steel products	20 (6.2%)	Information / telecommunications	9 (2.7%)
Machinery and equipment	84 (25.7%)	Manufacturing	43 (13.3%)
Plastics, clothing and fabrics	53 (16.2%)	Rental and hiring	21 (6.5%)
Toys and sporting equipment	15 (4.7%)	Retail trade	67 (20.6%)
Vehicles and parts	10 (3.0%)	Transport and warehousing	31 (9.4%)
Other	14 (4.2%)	Wholesaling trade	28 (8.6%)
		Other	11 (3.2%)

**Table 2.** Scale items with psychometric and descriptive properties

ITEMS	$\lambda$	SMC	M	SD
<b>PSYCON Breaches [PSYCONB 1-9]</b> [Rousseau, 1990] [ $\alpha=.96$ ]			<b>4.42</b>	<b>1.30</b>
<i>The following is lacking in the relationship with the supplier partner firm:</i>				
Fair treatment within the relationship	0.81	0.69	4.56	1.42
Open communication within the relationship	0.77	0.70	4.49	1.51
Additional support within the relationship	0.74	0.60	4.15	1.49
A collaborative work environment between your firms	0.86	0.77	4.29	1.47
Candid and open feedback within the relationship	0.78	0.75	4.23	1.52
Respect for your firms' efforts within the relationship	0.91	0.80	4.39	1.59
A cooperative working relationship between your firms	0.93	0.83	4.49	1.51
Honest treatment towards your firm within the relationship	0.90	0.77	4.58	1.44
Professional collegiality directed towards your firm	0.78	0.69	4.57	1.45
<b>Trust [TRU 1-6]</b> [Morgan & Hunt, 1994] [ $\alpha=.94$ ]			<b>4.43</b>	<b>1.33</b>
<i>Your supplier partner firm:</i>				
Is perfectly honest and truthful	0.72	0.51	4.17	1.66
Can be counted on to do what is right	0.83	0.69	4.62	1.43
Is always faithful to my firm	0.85	0.72	4.29	1.62
Has high integrity towards my firm	0.90	0.80	4.60	1.46
Is someone that we have a great deal of confidence in	0.88	0.77	4.68	1.47
Can be trusted completely	0.86	0.74	4.24	1.55
<b>Commitment [COM 1-6]</b> [Morgan & Hunt, 1994] [ $\alpha=.91$ ]			<b>3.78</b>	<b>1.36</b>
<i>Your supplier partner firm:</i>				
Is very important to my firm	0.68	0.47	3.01	1.53
Is someone that we are very committed to	0.84	0.69	3.89	1.65
Is someone that my firm really cares about	0.83	0.68	4.01	1.68
Deserves our firm's maximum effort to maintain as a supplier	0.87	0.75	3.96	1.72
Is very much like being in our family	0.79	0.63	4.23	1.65
My firm intends to maintain this particular relationship indefinitely	0.75	0.57	3.57	1.60
<b>Relational Voice [RVO 1-4]</b> [Rusbult, et al. 1988] [ $\alpha=.92$ ]			<b>4.30</b>	<b>1.40</b>
<i>In relation to your supplier partner firm:</i>				
I would go to my contact person to discuss any problems	0.89	0.8	4.4	1.51
I would try to solve any problems by suggesting changes to how we work	0.86	0.74	4.27	1.5
I would talk to my contact person about how I felt regards any problems	0.89	0.78	4.28	1.51
I would ask others in that firm what to do when any problems arise	0.80	0.63	4.23	1.68
<b>Neglect [NEG 1-4]</b> [Rusbult, et al. 1988] [ $\alpha=.83$ ]			<b>4.47</b>	<b>1.47</b>
<i>In relation to your supplier partner firm:</i>				
I often put less effort into this relationship	0.68	0.47	4.16	1.75
I often lose motivation to work on particular issues	0.85	0.71	4.66	1.67
I often interact far less with their contact person than I should do	0.86	0.74	4.58	1.67
<b>Relationship Loyalty [LOY 1-4]</b> [Plank & Newell, 2007] [ $\alpha=.88$ ]			<b>4.42</b>	<b>1.3</b>
<i>In relation to your supplier partner firm:</i>				
I feel a loyalty to my contact person and his/her firm	0.84	0.71	4.49	1.57
I have a strong relationship with my contact person and his/her firm	0.93	0.86	4.24	1.51
I am committed to working with my contact person and his/her firm in future	0.91	0.84	4.30	1.53
I am willing to maintain the relationship my contact person and his/her firm	0.76	0.47	4.73	1.56

$\lambda$ =Standardized factor loadings; M=Mean; SD=Standard deviation; SMC=Squared multiple correlations;  $\alpha$ =Cronbach's alpha

**Table 3.** Correlation matrix and discriminant validity

<b>CONSTRUCTS</b>	1	2	3	4	5	6
1. PSYCON Breaches [PSYCONB]	<b>.83</b>					
2. Neglect [NEG]	.278**	<b>.80</b>				
3. Relational Voice [RVO]	-.744**	-329**	<b>.84</b>			
4. Partner Trust [TRU]	-.636**	-411**	.690**	<b>.84</b>		
5. Commitment [COM]	-.551**	-301**	.606**	.551**	<b>.79</b>	
6. Relationship Loyalty [LOY]	-.623**	-418**	.690**	.723**	.577**	<b>.86</b>
Mean (M)	0.68	0.64	0.71	0.71	0.63	0.74
Standard deviation (SD)	4.42	4.47	4.3	4.43	3.78	4.42
Average variance extracted (AVE)	0.75	0.79	1.02	1.02	1.02	0.93
Composite reliability (CR)	0.95	0.84	0.91	0.94	0.91	0.92

Note: Square root of average variance explained (AVE) on diagonal; \*\*  $p < .001$



**Table 4.** Structure model: Hypotheses tests

<b>Hypothesis</b>	<b><math>\beta</math></b>	<b><i>p-value</i></b>	<b>Results</b>
H1a(+) PSYCON Breaches → Neglect	0.278	0.000	Supported
H1b(-) PSYCON Breaches → Voice	-0.705	0.000	Supported
H1c(-) PSYCON Breaches → Loyalty	-0.103	0.052	Supported
H2a(-) Neglect → Trust	-0.147	0.000	Supported
H2b(-) Neglect → Voice	-0.137	0.000	Supported
H2c(-) Neglect → Loyalty	-0.118	0.002	Supported
H3a(+) Voice → Trust	0.711	0.000	Supported
H3b(+) Voice → Loyalty	0.236	0.000	Supported
H3c(+) Voice → Commitment	0.513	0.000	Supported
H4a(+) Trust → Commitment	0.274	0.000	Supported
H4b(+) Trust → Loyalty	0.371	0.000	Supported
H4c(+) Commitment → Loyalty	0.138	0.002	Supported