Industrial marketing: Crafting psychological contracts in the presence of iron cages

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# Abstract

Max Weber the famous sociologist coined the term "iron cages" which has become the core metaphor used to describe bureaucracy. Bureaucratic policies make up the bars which combine to form the iron cage. This iron cage is the institutional policy environment in which B2B marketers operate. The question of how these policies affect B2B relationships is the overarching theme of this research. This study made use of a concept from organisational psychology, the psychological contract, which is increasingly gaining recognition as a helpful tool in B2B marketing.

The purpose of this research was to assist business leaders in determining how to manage the policies present in their organisations in order to help them strike a balance between internal control and customer focus.

The research design was quantitative and descriptive in nature. Online questionnaires were completed by 50 industrial marketing professionals from over ten different countries. The questionnaire tested these marketing professionals' perceptions of how six different policies affected their ability to maintain healthy psychological contracts with buyers.

The study found that certain internal company policies have a profound effect on marketing managers' ability to maintain even the most transactional B2B relationships. Furthermore the study proposes a model to assist business leaders in judging which internal company policies will help or hurt customer relationships so that they can exercise judgement in terms of which policies they allow to germinate within their organisations.

**Keywords: Psychological contracts; Bureaucracy; B2B Marketing**

# Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Masters of Business Administration at the Gordon Institute of Business Science, University of Pretoria. I further declare that I have obtained the necessary authorisation and consent to carry out the research.

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# 1  Introduction

This chapter gives a broad overview of the research problem and introduces the concepts of bureaucracy (iron cages) and psychological contracts. Specifically, the business need for research in this area is defended and the scope of the research is outlined.

## 1.1 Background to research problem

The commodities super slump is placing unprecedented pressure on suppliers of raw materials and as yet there is no evidence of a reprieve (Macdonald & Ovaska, 2016). In these difficult market conditions Nickell, Rollins and Hellman (2013) found that high performing suppliers loosened their credit policies and decided to work more closely with customers. This study suggested that companies are relaxing internal bureaucracy in order to develop closer relationships with customers.

As high quality relationships are what is required to survive in the current market, some industrial marketers have identified psychological contracts as a tool that can be used to help build affective commitment (emotional attachment) in a business to business (B2B) context (Geigenmüller, Makovec, Pfajfar, & Raškovic, 2012; Lövblad, Hyder, & Lönnstedt, 2012).

Vanharanta, Chakrabarti and Wong (2014) developed a complementary idea. They submitted that a virtuoso marketing manager who trusts his/her instinct can add significant value to an organisation when the company grants legitimacy to intuitive decision making and does not stifle it with excessive bureaucracy.

However, corporate bureaucracy (which limits the required flexibility and discretion mentioned above) is a substantial problem. A recent study by Hamel and Zanini (2016) found that if the estimated 20 million American workers tied up in bureaucratic jobs were redeployed it could add $3 trillion per year to US GDP. While Hill (2016) commented that academia view this study as an exaggeration, it nevertheless shows that there is significant value that can be unlocked by firms who question the state of their own non-value adding processes.

In *The Protestant Ethic and the Spirit of Capitalism,* Max Weber coined the term "iron cage" (p. 122) which has become the core conceptualisation of bureaucracy (Weber, 1992). Balcomb (2014) described Max Weber's concept of an iron cage as a

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rationalisation process which is at the heart of capitalism and which drives the "bureaucratisation of all aspects of human life with the intention of mastery and control" (p. 358). Balcomb (2014) also stated that Weber's iron cage leads to the "reduction of human beings and their enterprises to numbers" (p. 359) and results in the legal principle of "*sine irae et studio* (without regard to person)" (p. 359). This has interesting implications when it comes to building B2B relationships because ultimately a deal is struck between people. By removing the regard for people and reducing their complexity to mere numbers marketers are constrained by their bureaucratic environments to damage the very relationships that are necessary to be successful.

Geigenmüller, Ehret and Haase (2012) discussed how even though contract law treats contracts as objective and separate from the relationships that surround them, this is not the case in actual contracting behaviour. They then proceeded to describe how every transaction is embedded in the relationships that surround it and cannot be properly understood without understanding these relationships. Therefore the contractual transaction relationship described by Cannon and Perreault (1999) would greatly benefit from an analysis through the lens of psychological contracts which bring the web of relationships surrounding the contract into focus.

This discussion highlights two paradoxes. First it is important to have control over managers and therefore bureaucracy is necessary. However it is also important that managers have discretion in order to maintain flexible, robust and long term customer relationships which have been flagged as a way to survive a recession. Secondly a contractual transaction B2B relationship seems at first glance not to require an understanding of the web of psychological contracts which surround it and yet relational contracting theory suggests that this is imperative to truly understand the transaction.

## 1.2 Business and theoretical need for the study

A key source of national competitive advantage is the presence of related and supporting industries within a home country (Porter, 2011). Porter argued that when globally competitive suppliers are on the doorstep downstream industries benefit due to proximity (Trent, 2016). This proximity creates the potential to develop close trusting relationships with suppliers and then to benefit from their innovation. Indeed trust is essential to the development of close relationships in which there is sharing of confidential information (Trent, 2016).

Trust in B2B relationships is receiving increasing attention because in an ever more competitive marketplace the firms that survive will be those that know how to access new avenues of value, especially the value generated from B2B relationships (Trent, 2016). Trust is the key to unlocking various benefits for the buyer including supplier specific investment, supplier preferential treatment (such as consignment stock) and directing supplier R&D towards buyer requirements (Trent, 2016). Trent (2016) highlighted that from the supplier's side there are also benefits to building a trusting relationship - for example lower transaction costs and becoming the strategic partner of the buyer.

Psychological contracts are a new lens through which to consider how trust is built and destroyed because in every relationship there exists a set of written and unwritten expectations (Morrison & Robinson, 1997). Upholding these expectations is the key to building trust which has been linked to a myriad of business benefits, some of which have been mentioned above. Sometimes however bureaucracy and its policies make it impossible to uphold these expectations in B2B relationships and they precipitate a meltdown of trust between the parties and result in a loss of competitive advantage. Therefore from a business perspective it is critical to understand how bureaucratic policies (iron cages) are impacting on psychological contracts in the industrial marketing space.

## 1.3 Problem definition and scope

The scope of the research is limited to attempting to uncover the impact of bureaucracy on the psychological contracts that surround B2B relationships. This study will only consider the supplier's perception of how policies (which can be viewed as the individual bars of the cage) influence the psychological contract between buyers and suppliers.

Cannon and Perreault (1999) described eight types of B2B relationships but this study will be limited to one - the contractual transaction B2B relationship. These relationships are characterised by binding agreements, conservative operational linkages and low buyer/seller adaptations (Cannon & Perreault, 1999). The reason for this choice is that even though contract law treats contracts as objective and separate from the relationships that surround them, this is not the case in actual contracting behaviour (Geigenmüller et al., 2012). Furthermore, if the value of psychological contracts can be

demonstrated in this case then by extension they warrant consideration for the other seven kinds of B2B relationships which are more interactive by nature.

Although the scope is limited to contractual transaction B2B relationships, these relationships are by no means devoid of a rich relational background (Geigenmüller et al., 2012). This is somewhat similar to the concept of following the letter of the law or the spirit of the law. The contractual transaction represents the letter of the law or transaction whilst the relational aspect of contracting represents the spirit of the law or transaction. The relational aspect of contracting will likely influence the level of collaboration while the contract is underway and the probability of renewal of the contract.

In order to gain more insight into the relational contracts that are formed in B2B marketing, researchers have turned their attention to an established concept from the field of organisational behaviour: the psychological contract (Arnott, Wilson, Kingshott, & Pecotich, 2007). Psychological contracts were recently shown to be a helpful analytical tool in understanding inter-firm relationships at an individual level (Lövblad & Bantekas, 2010). However, psychological contracts have not yet been applied in conjunction with institutional theory. This research is expected to shed additional light on how to craft advantageous B2B relationships in the presence of high levels of bureaucracy.

The problem to be solved is therefore:

**Problem:** What supplier specific policies are most harmful or helpful to building the psychological contract between the individuals in supplier firm and the individuals in the customer firm?

**Sub problem:** What variables influence the degree to which marketing managers in supplier firms positively or negatively perceive bureaucratic policies? What variables help predict the prevalence of harmful bureaucratic policies in organisations?

The metaphor of bureaucracy as a cage has already been introduced. The specific bureaucratic policies present in companies have been likened to the bars of the cage which link together to create the institutional environment in which marketers operate. Answering the problem posed will shed light on how to create cages which are flexible enough to respond to the demands of relationships (examined through the lens of psychological contracts) whilst still providing the protection afforded by increased mastery and control.

# 2 Theory and literature review

This chapter summarises the theory and literature that underpin the key constructs in the problem statement. As the psychological contract is central to the problem posed, the concept of psychological contracts is explained and critically evaluated to determine its fitness for use in the field of marketing. Then recent marketing studies which have used psychological contracts as a mechanism to better understand B2B relationships are examined. Relational contract theory is also discussed and the need to include a relational dimension and not merely rely on traditional contract theory in a marketing context is argued.

The notion of bureaucracy hampering effective psychological contracting is also central to the problem statement. Therefore the origin of bureaucracy is examined to explore the deeply rooted nature of the rationalisation process present in companies. This is done using the lens of institutional theory which sheds light on the fact that while companies initially adopted bureaucratic policies to achieve increased efficiency, it is no longer the case (DiMaggio & Powell, 1983). Then how bureaucracy hampers marketing managers' willingness and discretion to make intuitive decisions is discussed.

Finally the concepts of psychological contracts and bureaucracy are brought together and a conclusion is drawn that these two issues should be studied together to provide insights into solving the problem: What supplier specific policies are most harmful or helpful to building the psychological contract between the individuals in the supplier firm and the individuals in the customer firm?

## 2.1 Psychological contracts

### 2.1.1 Origins and traditional definitions of psychological contracts

In order to understand how to build and maintain a psychological contract it is necessary to lay foundations by reviewing the definition, the intricacies and the origin of the concept.

Psychological contracts have their origin in the field of organisational psychology where they have been used to understand the employee-organisation relationship (Lövblad &

Bantekas, 2010). Rousseau and Tijoriwala (1998) defined a psychological contract as "an individual's belief in mutual obligations between that person and another party such as an employer (either a firm or another person)" (p. 679).

However Morrison and Robinson (1997) viewed psychological contracts as being between the employee and an anthropomorphic entity "the organisation". They argued that the psychological contract is held by the employee and that while agents of the organisation may have an understanding of the psychological contract, these agents are not deemed to be contracting parties. Morrison and Robinson also clarified that a distinguishing feature of psychological contracts is that they are built upon the idea of perceived promises, where a promise is understood "as any communication of future intent" (p. 228). This also implies that psychological contracts are based on perceptions of mutual obligations and not objective mutual obligations.

### 2.1.2  Psychological contracts in a marketing context

The problem statement suggests the use of psychological contracts in a marketing setting and therefore it is necessary to discuss whether this is appropriate.

Psychological contracts have been used effectively in the field of organisational psychology (Lövblad & Bantekas, 2010). Lövblad and Bantekas commented that they expect a psychological contract between an employee and an organisation to be different to a psychological contract between the agent of supplier firm and the agent of a customer firm. One example they cited was that the balance of obligations is very different between an employee and organisation relative to the balance of obligations existing in a B2B relationship.

Building on this, Table 1 shows the possible differences between a traditional psychological contract and a psychological contract in a B2B marketing context.

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**Table 1: Differences between traditional and B2B psychological contracts**

| Element | Employee to organisation | Supplier Business Agent to Customer Business Agent |
| --- | --- | --- |
| Power dynamics | Generally skewed in favour of organisation as it can exercise reward, coercive and legitimate power whereas an employee is generally limited to expert power (French, Raven, & Cartwright, 1959; Porter, 2008; Porter, 2011) | Customer or supplier could be more powerful (Porter, 2008). |
| Balance of obligations | It is important for employees to feel they receive as much as they invest in the relationship (Lövblad & Bantekas, 2010) | Customers could have a customer first expectation meaning they do not subscribe to balance of obligations (Lövblad & Bantekas, 2010) |
| Collaboration | High degree of interaction and collaboration occurs naturally (Morrison & Robinson, 1997) . | Collaboration not necessarily required and varies according to the type of B2B relationship (Cannon & Perreault, 1999) |
| Ownership | Employee is personally affected by organisation (Morrison & Robinson, 1997). | Agents have less of a sense of ownership (Eisenhardt, 1989; Morrison & Robinson, 1997) |

Despite the differences highlighted in Table 1, conceptually there is no issue in using psychological contracts to gain insight into B2B marketing relationships on an individual level. This is because the core concept of mutual obligations and perceived promises between two distinct parties remains unchanged. All that is changing is the identity of one of the parties from an anthropomorphic organisation to an individual involved in a B2B transaction. The fact that researchers interested in industrial marketing such as Arnott et al. (2007) have begun to consider psychological contracts as a mechanism for understanding B2B relationships is further confirmation that psychological contracts are indeed appropriate for examining the behaviour of individuals involved in B2B relationships.

In fact it is necessary to incorporate a relational dimension in order to analyse exchanges effectively because all exchanges are embedded in relationships (Geigenmüller et al., 2012). Geigenmüller et al. (2012) noted that although contract law treats contracts as objective and separate from relationships that surround them, this is not the case in actual contracting behaviour. Geigenmüller et al. (2012) cited the following core concepts which summarize relational contracting theory:

"1. Every transaction is embedded in relations; 2. Understanding any transaction requires understanding all essential elements of its enveloping relations; 3. Effective analysis of any transaction requires recognition and consideration of all essential elements of its enveloping relations that might affect the transaction significantly; 4. Combined contextual analysis of relations and transactions is more efficient and produces a more complete and sure final analytical product than does commencing with non-contextual analysis of transactions" (p. 450).

A psychological contract approach to contractual B2B transactions offers the benefit of bringing these relationships surrounding the formal contract into focus and is therefore a helpful tool for industrial marketers.

### 2.1.3 Current research on psychological contracts in a marketing context

Arnott et at. (2007) noted that at the time of their study there were no empirical studies dedicated to understanding psychological contracts in a marketing context. This is despite the fact that social exchange theory and relationship marketing seem to suggest that psychological contracts would be pertinent to relationship management. They commented that psychological contract violations between supplier and distributor firms severely damage the level of trust and that managers should be cognisant of the psychological contract when they consider relational exit strategies.

Subsequently psychological contracts have been used to develop a better understanding of the individuals involved in B2B transactions with a view to building affective commitment (Lövblad & Bantekas, 2010). Lövblad and Bantekas argued affective commitment (emotional attachment) is a precursor to increased cooperation and is one of the strongest causes of B2B relationship longevity. They highlighted how some insights provided by the intensive research in the field of organisational psychology are able to be applied to B2B relationships. For example they correctly predicted that a relationally oriented psychological contract and the fulfilment of a psychological contract positively influence affective commitment. However, they found

that while they expected a balance of obligations to strengthen the psychological contract in a B2B setting, this was shown not to be the case. This implies that the psychological contract should be handled with care in the marketing space as much of the research is specific to the employee-organisation relationship. Lövblad and Bantekas (2010) provided a summary of the factors that have been studied through the lens of psychological contracts which include trust, citizenship behaviour and commitment. They concurred with Arnott et al. (2007) that there is scant empirical research done on psychological contracts in a marketing context.

According to institutional theory individuals working in an organisation are influenced and constrained by their institutional environments in terms of how they perceive the world and how they behave (Scott, 2008). Therefore it is essential to consider the institutional environment that a supplier B2B marketing agent sits within to gain a holistic understanding of what is shaping the agent's actions and perspectives. One manifestation of institutional logic that is driving behaviour within organisations is bureaucracy (Scott, 2008). However bureaucracy, B2B marketing and psychological contracts have never before been studied simultaneously.

Figure 1 gives a graphical representation of the psychological contract between the agent of a supplier firm and agents of a customer firm. This diagram highlights that the agents of each firm sits under their own firm's bureaucracy.
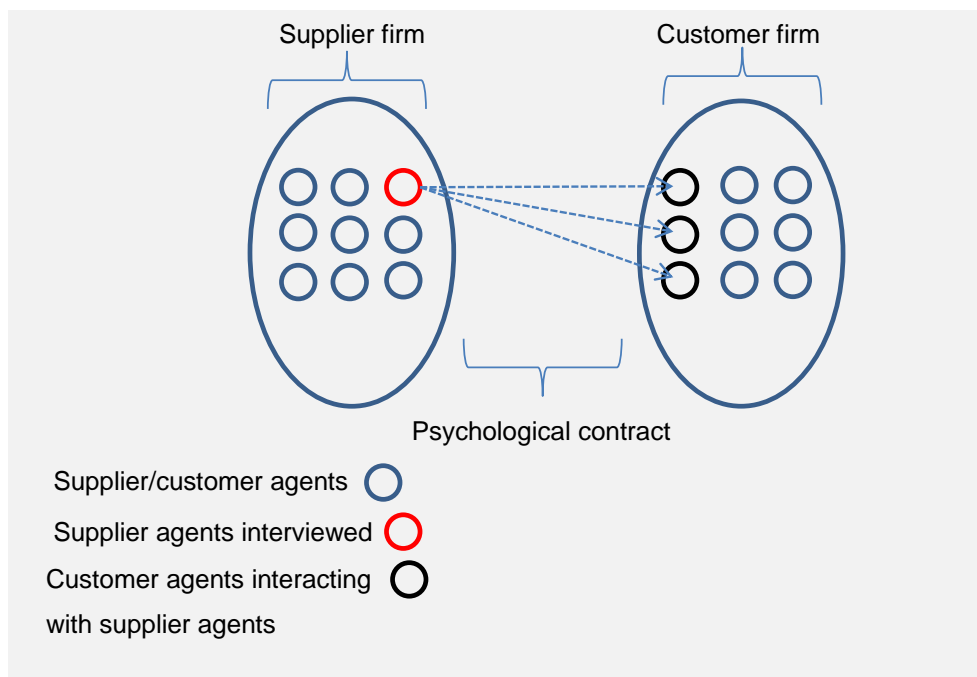


**Figure 1: B2B psychological contract from a supplier perspective**

As was argued above the appropriate unit of analysis for a study of this nature is the supplier agent (red circle) within their institutional environment because their environments influence their behaviour.

## 2.2 Bureaucracy

### 2.2.1 History and imagery surrounding bureaucracy

The problem statement suggests that bureaucracy impacts on an individual's ability to maintain and build psychological contracts in a B2B context. Therefore it is necessary to unpack the origin of corporate bureaucracy.

In *The Protestant Ethic and the Spirit of Capitalism,* Max Weber coined the term "iron cage" which has become the core conceptualisation of bureaucracy (Weber, 1992, p. 122). Balcomb (2014) unpacked the meaning of this imagery:

"The evolution of the iron cage in Western society is manifested in the technically ordered, rigid, and dehumanised society. The quintessential form of such dehumanisation is the bureaucracy. Bureaucracies are meant to maximise efficiency by optimising calculability and predictability and on one level they help individuals 'understand and navigate through the complex web of institutions in order to realise the ends of their own choice' but their overall effect is to alienate people from each other and from the products of their labour by reducing them to cogs in a machine" (p. 364).

Balcomb's conclusion that the effect of bureaucracy is to alienate people from one another, poses a problem for an industrial marketer working in a bureaucratic environment attempting to build strong, flexible and trusting B2B relationships.

### 2.2.2 The mechanism for the spread of bureaucracy

It is important to understand how bureaucracy spreads through institutions because then it may be possible to predict which industries will have a high degree of bureaucracy. This will in turn enable the selection of an appropriate industry to study to determine the impact of bureaucracy on psychological contracts.

DiMaggio and Powell (1983) noted that while the pace of bureaucratisation of organisations has increased, its main driver has changed since Weber first began speaking of the "iron cage". They argued that bureaucratisation and homogenisation of

organisations are now driven less by efficiency and more by organisational field influences. An organisational field is defined as "those organisations that, in the aggregate, constitute a recognised area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce similar services or products" (p. 148). DiMaggio and Powell proposed three mechanisms by which organisations are constrained towards homogeneity – coercive, mimetic and normative isomorphism.

Isomorphism is a process by which one organisation is forced to look similar to others because all members of the institutional field face the same set of environmental conditions (DiMaggio & Powell, 1983).

DiMaggio and Powell's three mechanisms of isomorphic change have important implications for the organisational fields in which industrial commodities suppliers and customers operate. These implications are highlighted in Table 2.

Table 2: Implications of institutional isomorphism on industrial commodities organisational field

| Proposition from DiMaggio and Powell (1983) | Implication for industrial commodity organisational field |
|---|---|
| "The greater the extent to which the organisations in a field transact with agencies of the state, the greater the extent of isomorphism in the field as a whole" (p. 155). | Industrial commodity manufacturers have significant interactions with agencies of the state that exert coercive pressure which implies that there will be a high degree of organisational field homogeneity. |
| "The greater the participation of organisational managers in trade and professional associations, the more likely the organisation will be, or will become, like other organisations in its field" (p. 155). | The high degree of professionalization present in this field (engineers, lawyers, accountants) results in normative pressure towards standardised processes and organisational designs. |
| "When the environment creates symbolic uncertainty, organisations may model themselves on other organisations" (p. 151). | According to Macdonald and Ovaska (2016) industrial commodities suppliers and customers are facing difficult and uncertain times. This encourages mimicry through the sub mechanisms of employee transfer and consulting firms. |

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Table 2 shows that all three forces of isomorphism are highly operative in the industrial commodity organisational field which suggests a high degree of intrinsic bureaucracy.

The industrial commodities industry also has conservative operational linkages and low adaptations between buyer and sellers making this industry an abundant source of the contractual transaction relationships described by Cannon and Perreault (1999).

Therefore the industrial commodities industry is a suitable space to research the impact of bureaucracy on contractual transaction relationships.

### 2.2.3 Protecting departments from bureaucracy

Companies such as Lockheed and Apple have separated their R&D departments from traditional business units to create "skunk works" which have lower levels of bureaucracy that stifles creativity bureaucracy and higher levels of innovation (Smith, 2016). The question remains however: is it possible to tailor the level of general bureaucracy applicable to the marketing function and would this realise similar benefits?

### 2.2.4 Intuitive decision making and bureaucracy

Vanharanta et al. (2014) described how an expert marketing manager's performance is dependent on intuitive expertise. They cautioned that not all organisations provided the legitimacy required for such an individual to flourish:

"Intuitive decision-making tends not to generate transparent paper trails or rational justifications for decisions. This reduces the ability of organisational elites to monitor, analyse, and control intuitive decision-making. To sum up, we argue that institutional forces of bureaucracy are more likely to accept rationalistic decision-models or formal analysis over intuition" (p. 763).

Vanharanta et al. (2014) stated that "a marketing managers' ability to act upon their intuitive proficiency depends partly on institutional mechanisms" (p. 767). Therefore, according to this study, it is evident that the institutional mechanisms designed to increase control are removing managers' desire and ability to make judgement calls and act on them. This presents once again the trade-off between control and

predictability versus the intuition and flexibility needed to maintain psychological contracts.

The discussion on bureaucracy comes back to the problem of the iron cage which leads to the "reduction of human beings and their enterprises to numbers" (Balcomb, 2014, p. 359). It is highly problematic to try and help an organisation survive an economic downturn by following a strategy of building affective commitment (emotional attachment), the result of honouring psychological contracts, if the both customer and supplier are imprinted with this kind of bureaucracy.

### 2.2.5 Hints of bureaucracy affecting psychological contracts

Nickell et al. (2013) in their study about how to thrive during a recession found that high performing companies loosened their credit policies and decided to work closely with customers during the difficult economic times. This hints at companies relaxing internal bureaucracy and developing close relationships with customers (maintaining the existing psychological contracts in the face of adversity). There is a striking similarity between this and the Vanharanta et al. (2014) study on how an organisations' level of bureaucratic control can allow or inhibit skilled marketing managers' ability to make intuitive decisions.

Geigenmüller et al. (2012) also picked up on the theme that flexible internal and external relational capabilities (internal and external psychological contracts) are a viable strategy for a firm to survive a recession.

Adler and Borys (1996) referred to Rousseau's study on how excessive formalization/bureaucracy damages the psychological contract between an organisation and the employee.

Therefore it seems that there is a link between the level of bureaucracy in a firm and the discretion managers have to make the intuitive decisions required to maintain or strengthen the psychological contract in a B2B marketing relationship.

### 2.2.6 Types of bureaucracy present in organisations

Adler and Borys (1996) contributed to the debate on bureaucracy and helped resolve the paradox of why some seemingly rule-filled organisations had very motivated and

creative employees.  They postulated that there were four types of organisations (see Table 3) which vary in the degree of formalisation and type of formalisation.

**Table 3: Types of organisations (Adler & Borys, 1996)**

*Type of formalisation*

|  |  | Enabling | Coercive |
|---|---|---|---|
| *Degree of* | Low | Organic | Autocratic |
| *formalisation* | High | Enabling bureaucracy | Mechanistic |

The degree of formalisation is simply the prevalence of rules and policies in the organisations (Adler & Borys, 1996). The type of formalisation (the rationale behind the formalisation) holds the key to determining how employees will respond to the policies. The rationale varies from that of enabling employees to do their job to that of coercion where employees are forced to carry out their job in a certain way. The logic behind these two types of formalisation is that in one view employees are seen as an asset to the firm whose capabilities must be leveraged while in the other view employees are viewed as a liability to the firm and their opportunism must be restrained.

This has a striking similarity to McGregor's Theory X and Y (McGregor, 1960). McGregor's theory states that there are several beliefs behind a coercive management style and the enabling management style. These beliefs are summarised in Table 4.

**Table 4: McGregor's Theory X and Y**

| Theory X (Coercive) | Theory Y (Enabling) |
|---|---|
| Employees are by nature lazy. | Employees are not lazy. |
| Employees lack ambition and prefer strong leadership. | Employees do not lack ambition and prefer enabling management |
| Employees are not very intelligent. | Employees have a myriad of capabilities and the goal of management is to develop them. |

McGregor is suggesting that there are two dominant views managers hold regarding employees. This implies that there is an element of a self-fulfilling prophesy in McGregor's work. If employees are viewed as a liability to be restrained and kept in line the companies bureaucratic policies will reflect that logic. Then according to Adler and Borys (1996) the employees will react negatively towards the bureaucracy and the downward spiral will begin.

According to Adler and Borys (1996) it is not the presence of formalisation in an organisation that determines whether employees react negatively; it is the logic behind the formalisation that determines the response of employees. If there is a Theory X (coercive) logic behind policies, employees will react negatively by being less committed to the goals of the organisation and not taking the initiative. If there is a Theory Y (enabling logic) behind procedure, employees will react positively by increasing the level of discretionary effort, showing initiative and being more committed to the goals of the organisation.

This discussion results in Hypothesis 1.

**Hypothesis 1:** When an organisation is identified as having coercive formalisation the employees will perceive bureaucratic policies to be more harmful than the employees working in organisations with enabling formalisation.


### 2.2.7 Broad categories of bureaucracy potentially impacting on customer relationships

In order to test which bureaucratic policies are helping or harming the ability of marketing agents to maintain psychological contracts it is necessary to identify the major areas of concern highlighted in the literature and the business world.

Hamel and Zanini (2016) have identified several core concerns with bureaucratic policies in the modern business world. They noted that many modern corporates have a number of sign offs required to get permission to respond to a customer's query or complaint which results in lower response times and the potential frustration and loss of the customer. They also highlighted that in many companies there are so many departments that are involved in the relationship with customers that nobody recognises who is ultimately accountable for maintaining the relationship. This lack of accountability results in lower service to the customers. They also commented that a harmful form of bureaucracy is that in many companies today the majority of managers

in a company never interact with customers. This breed of managers who does not know or understand what it is like at the coal face of customer interaction then proceed to harm these relationships by making unreasonable policies which enhance measurability and control but destroy customer value. Hamel and Zanini (2016) also noted the myriad of time wasting tasks employees are subject to such as completing complex performance appraisals and filling in multiple reports.  These employees meanwhile could rather be encouraged to go visit and build relationships with customers.

Vanharanta et al. (2014) identified other concerns with bureaucratic policies in the modern business world by specifically considering the challenges facing marketing managers. These concerns were primarily focused on intuitive decision making and how bureaucracy can stifle this valuable trait.  They noted that organisational elites have a tendency to want to properly account for and measure everything and then to prevent individuals from taking courses of action which might rationally be the best option in favour of following a path which is more readily measureable. They also noted that certain environments tended to support marketing managers when they made intuitive decisions with the goal of satisfying customers, whereas other environments strongly discouraged this kind of initiative.

Therefore from these articles and the previous discussion regarding psychological contracts the hypotheses 2 – 7 below can be formulated.

**Hypothesis 2:** The policy of having multiple sign offs to respond to a customer's complaint or query will be perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers.

**Hypothesis 3:** The policy of having many departments involved in relationships with customers will be perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers because it confuses who is ultimately accountable for maintaining the relationship.

**Hypothesis 4:** The policy of having an organisational structure where the majority of managers never interact with customers will be perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers.

**Hypothesis 5:** The policy of encouraging employees to visit and build relationships with customers will be perceived by supplier marketing agents as helpful to the ability to maintain psychological contracts with customers.

**Hypothesis 6:** The policy of needing to account for and measure everything will be perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers.

**Hypothesis 7:** The policy of encouraging intuitive decision making to satisfy customer requests even when this action cannot be properly accounted for and measured will be perceived by supplier marketing agents as helpful to the ability to maintain psychological contracts with customers.

## 2.3   Other influencing variables

When asking individual respondents to consider how company policies affect their ability to maintain strong psychological contracts in the B2B context there are several other variables that may affect this issue. Therefore it is necessary to flag these variables in order to determine whether respondents are reacting to the individual policies or to some other variable.

The most likely of these potential influencing variables include the self-efficacy of the respondents, the size and complexity of the respondents' organisations, the level of seniority of the respondents, the time respondents have spent at the organisation and the economic climate within which the respondents' organisations are operating. These variables are discussed in more detail below.

### 2.3.1   Self-efficacy

Self-efficacy theory states that a person's belief that he or she is capable of accomplishing a task is related to whether they will give up when the task is difficult (Robbins & Judge, 2013). The higher an individual's self-efficacy the more confidence they have in their ability to complete a task despite the obstacles (which could include restrictive bureaucracy). Therefore it is possible that the individuals who have high self-efficacy will not view bureaucracy as an obstacle because it is eclipsed by their own belief in their ability to accomplish tasks regardless of the obstacle.

Sherer and Maddux (1982) developed a self-efficacy scale. They note that self-efficacy has strong correlations with locus of control, personal control, and interpersonal competence.   Therefore this study will focus on self-efficacy as the overarching potential confounding variable because it is highly correlated with all of these other potential confounding variables.

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The Sherer and Maddux scale is divided into two parts, a general self-efficacy measure and a social self-efficacy measure. For the purposes of this study on psychological contracts and bureaucracy it is appropriate to consider only the general self-efficacy measures because it is necessary to test the respondent's self-efficacy in a general business context and not in a social/friendship context.

This leads to Hypothesis 8.

**Hypothesis 8:** Respondents with higher self-efficacy scores will have less extreme views than respondents with lower self-efficacy scores on whether policies help or hurt their ability to maintain psychological contracts with customers.

### 2.3.2   Size and complexity of business

Large organisations are generally structurally complex (Real, Roldán, & Leal, 2014). The complexity of large organisations makes them more difficult to control and hence bureaucracy is expected to emerge as a response to these challenges (Grinyer & Yasai-Ardekani, 1981).  Furthermore as organisations grow in size they are subject to increasing isomorphic pressure to conform to a certain way of doing business as professional bodies, the public and state put pressure on them to do so (DiMaggio & Powell, 1983). This was illustrated in Table 2.

Therefore it is expected that respondents who work in large organisations (especially multinational organisations) will report the prevalence of increased numbers of harmful policies within their organisations.

This leads to Hypothesis 9 and 10.

**Hypothesis 9:** Larger organisations will have more harmful bureaucratic policies than smaller organisations.

**Hypothesis 10:** Organisations with offices in more than one country will have more harmful bureaucratic policies than organisations that operate in a single country.

### 2.3.3   Level of seniority and amount of service within an organisation

Individuals have different levels of authority within an organisation. Authority is the right which is accompanied by responsibility to decide by virtue of rank how other members in the organisation should perform a task or even to decide which tasks should be

performed in the first place (Tannenbaum, 2013). The differing levels of authority present in a hierarchical structure is in fact one of the defining elements of the modern bureaucracy (Sanders, 1997).

Therefore those with more authority are often less inhibited by bureaucratic policies as they may possess the legitimate right to overrule them if in their judgement they deem the policies harmful. This implies that there may be a trend among top executives to view their bureaucratic policies as less harmful than those with minimal authority.

Social network theory sheds light on how individuals can influence an organisation even though they are not the highest ranking (Tichy, Tushman, & Fombrun, 1979). Power no longer resides in institutions but within the networks in society (Serrat, 2009). The process of building the linkages in a network to attain this ability to command influence in an organisation takes time. Therefore based on social network theory individuals who have a long tenure in a given role may have an enhanced ability to influence the organisation. The converse of this is that those who have just begun working in an organisation may not have the networks in place to influence others when they feel that something needs to change.  Therefore these two categories of people may have a different perception of bureaucratic policies because one category knows how to influence and work around them and the other category do not.

This discussion leads to Hypothesis 11 and 12.

**Hypothesis 11:** Supplier marketing agents who are senior in their organisations will perceive bureaucratic policies as less harmful than supplier marketing agents who are junior in their organisation.

**Hypothesis 12:** Supplier marketing agents who have spent a long time in their organisations will perceive bureaucratic policies as less harmful than supplier marketing agents who have not spent a long time in their organisations.


### 2.3.4   Economic climate

During a recession firms have the tendency to reduce spending on marketing by spending less money on their key account teams (Nickell et al., 2013). Furthermore as a response to the 2007/2008 recession many small companies (less than 50 employees) have reduced the number of people they employ and yet these companies have increased their marketing efforts (Smallbone, Kitching, Kasperova, & Xheneti, 2013).

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This implies that marketing managers are under pressure during a recession. People under pressure may view policies differently to those who are not under pressure. It is therefore necessary to ask respondents whether they feel that their company is facing difficult or favourable market conditions and then check the impact this has on the perceived benefit or harm of policies.

**Hypothesis 13:** Supplier marketing agent's perception of the harm caused by bureaucratic policies will be impacted by whether they perceive their industry to be going through difficult economic times.

## 2.4 Conclusion of literature review and motivation for new research

The problem statement highlights the need to examine the effect of specific bureaucratic policies on the ability to build and maintain psychological contracts in a B2B marketing context. The discussion of the relevant theory yields the insights presented below.

Psychological contracts can be used in marketing research and should provide an enhanced view of the relationships surrounding contractual B2B relationships. Contractual B2B relationships are embedded in a web of relationships and cannot be appropriately analysed in a vacuum. Psychological contracts are a key precursor to building affective commitment in a B2B setting and violating psychological contracts severely damages trust. There is scant empirical research on psychological contracts in a marketing setting and none of the extant literature analyses the effects of institutional theory on psychological contracts.

Bureaucracy is often conceptualized as an iron cage which reduces businesses and people to nothing more than numbers. At the heart of bureaucracy there is a need for predictability and calculability to allow organisational elites to monitor and control. The three mechanisms by which bureaucracy spreads were identified as coercive, mimetic and normative isomorphism. This organisational field approach was applied to the industrial commodities field which is predicted to have high homogeneity and resultant bureaucracy.  Bureaucracy is also seen to impact managers' ability and willingness to make intuitive decisions. Finally, because of its underlying nature, bureaucracy is likely to make it highly problematic to try and maintain and build flexible robust psychological contracts in B2B marketing.

Five potential confounding variables were highlighted.  These included the self-efficacy of the respondents, the size and complexity of the respondents' organisations, the level of seniority of the respondents, the time the respondents have spent at the organisation and the economic climate within which the respondents' organisations are operating.

In conclusion a study examining the supplier specific policies that are most harmful or helpful to building the psychological contract between the individuals in the supplier firm and the individuals in the customer firm is necessary and will contribute to the extant literature.

# 3 Research hypotheses

This chapter summarises Hypotheses 1-13 that were developed in the literature review along with their justifications. For ease of reference the hypotheses as well as the mathematical formulation of the null and alternate hypotheses are summarised along with the problem statement in Table 5. Arnott et al. (2007) which is one of the foundational papers upon which this research is built included six hypotheses. These hypotheses were directional in nature because their research was in an earlier and more exploratory phase. This research is more detailed in nature because the problem statement calls for the isolation of specific bureaucratic policies that harm psychological contracts. Therefore it is not unreasonable that there are 13 separate hypotheses which will all be examined using traditional hypothesis testing.

**Table 5: Summary of problem statement and hypotheses**

| | |
|---|---|
| **Main problem** | What supplier specific policies are most harmful or helpful to building the psychological contract between individuals in the supplier firm and the individuals in the customer firm? |
| **Sub problem** | What variables influence the degree to which marketing managers in supplier firms positively or negatively perceive bureaucratic policies? What variables help predict the prevalence of harmful bureaucratic policies in organisations? |
| **Hypothesis 1 (relates to sub problem)** | When an organisation is identified as having coercive formalisation the employees will perceive bureaucratic policies to be more harmful than the employees working in organisations with enabling formalisation. $H1_0: Mean\ Bureaucratic\ harm\ score\ _{Coercive} = Mean\ Bureaucratic\ harm\ score\ _{Enabling}$ $H1_a: Mean\ Bureaucratic\ harm\ score\ _{Coercive} > Mean\ Bureaucratic\ harm\ score\ _{Enabling}$ *(Mean bureaucratic harm score is defined on page 40 of the report) |

| | |
|---|---|
| **Hypothesis 2 (relates to main problem)** | The policy of having multiple sign offs to respond to a customer's complaint or query will be perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers. $H2_0: Policy\ score\ _{sign\ off} = 3$ $H2_a: Policy\ score\ _{sign\ off} > 3$ *(A policy score is the average of the Likert scale data for the specific policy where 1 = helpful, 3 = indifferent and 5 = harmful) |
| **Hypothesis 3 (relates to main problem)** | The policy of having many departments involved in relationships with customers will be perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers because it confuses who is ultimately accountable for maintaining the relationship. $H3_0: Policy\ score\ _{departments} = 3$ $H3_a: Policy\ score\ _{departments} > 3$ |
| **Hypothesis 4 (relates to main problem)** | The policy of having an organisational structure where the majority of managers never interact with customers will be perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers. $H4_0: Policy\ score\ _{structure} = 3$ $H4_a: Policy\ score\ _{structure} > 3$ |
| **Hypothesis 5 (relates to main problem)** | The policy of encouraging employees to visit and build relationships with customers will be perceived by supplier marketing agents as helpful to the ability to maintain psychological contracts with customers. $H5_0: Policy\ score\ _{customer\ visits} = 3$ $H5_a: Policy\ score\ _{customer\ visits} < 3$ |

| | |
|---|---|
| **Hypothesis 6 (relates to main problem)** | The policy of needing to account for and measure everything will be perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers.<br><br>$H6_0: Policy\ score\ _{accounting} = 3$<br>$H6_a: Policy\ score\ _{accounting} > 3$ |
| **Hypothesis 7 (relates to main problem)** | The policy of encouraging intuitive decision making to satisfy customer requests even when this action cannot be properly accounted for and measured will be perceived by supplier marketing agents as helpful to the ability to maintain psychological contracts with customers.<br><br>$H7_0: Policy\ score\ _{intuition} = 3$<br>$H7_a: Policy\ score\ _{intuition} < 3$ |
| **Hypothesis 8 (relates to sub problem)** | Respondents with higher self-efficacy scores will have less extreme views than respondents with lower self-efficacy scores on whether policies help or hurt their ability to maintain psychological contracts with customers.<br><br>$H8_0: Mean\ Bureaucratic\ harm\ score\ _{High\ self\ efficacy} =$<br>$Mean\ Bureaucratic\ harm\ score\ _{low\ self\ efficacy}$<br>$H8_a: Mean\ Bureaucratic\ harm\ score\ _{high\ self\ efficacy} <$<br>$Mean\ Bureaucratic\ harm\ score\ _{low\ self\ efficacy}$ |
| **Hypothesis 9 (relates to sub problem)** | Larger organisations will have more bureaucratic policies than smaller organisations.<br><br>$H9_0: Mean\ Harmful\ Bureaucratic\ policies\ _{large\ organisation} =$<br>$Mean\ Harmful\ Bureaucratic\ policies\ _{small\ organisation}$<br>$H9_a: Mean\ Harmful\ Bureaucratic\ policies\ _{large\ organisation} >$<br>$Mean\ Harmful\ Bureaucratic\ policies\ _{small\ organisation}$<br><br>*(Mean harmful bureaucratic policies is defined on page 40 of the report) |

| | |
|---|---|
| **Hypothesis 10 (relates to sub problem)** | Organisations with offices in more than one country will have more harmful bureaucratic policies than organisations that operate in a single country.<br><br>$H10_0$: *Mean Harmful Bureaucratic policies* $_{multiple\ countries}$ $=$<br>*Mean Harmful Bureaucratic policies* $_{single\ country}$<br>$H10_a$: *Mean Harmful Bureaucratic policies* $_{multiple\ countries}$ $>$<br>*Mean Harmful Bureaucratic policies* $_{single\ country}$ |
| **Hypothesis 11 (relates to sub problem)** | Supplier marketing agents who are senior in their organisations will perceive bureaucratic policies as less harmful than supplier marketing agents who are junior in their organisation.<br><br>$H11_0$: *Mean Bureaucratic harm score* $_{senior}$ $=$<br>*Mean Bureaucratic harm score* $_{junior}$<br>$H11_a$: *Mean Bureaucratic harm score* $_{senior}$ $<$<br>*Mean Bureaucratic harm score* $_{junior}$ |
| **Hypothesis 12 (relates to sub problem)** | Supplier marketing agents who have spent a long time in their organisations will perceive bureaucratic policies as less harmful than supplier marketing agents who have not spent a long time in their organisations.<br><br>$H12_0$: *Mean Bureaucratic harm score* $_{long\ tenure\ in\ current\ role}$ $=$<br>*Mean Bureaucratic harm score* $_{short\ tenure\ in\ current\ role}$<br>$H12_a$: *Mean Bureaucratic harm score* $_{long\ tenure\ in\ current\ role}$ $<$<br>*Mean Bureaucratic harm score* $_{short\ tenure\ in\ current\ role}$ |
| **Hypothesis 13 (relates to sub problem)** | Supplier marketing agent's perception of the harm caused by bureaucratic policies will be impacted by whether they perceive their industry to be going through difficult economic times.<br><br>$H13_0$: *Mean Bureaucratic harm score* $_{good\ times}$ $=$<br>*Mean Bureaucratic harm score* $_{tough\ times}$<br>$H13_a$: *Mean Bureaucratic harm score* $_{good\ times}$ $\neq$<br>*Mean Bureaucratic harm score* $_{tough\ times}$ |

# 4 Research methodology

This chapter outlines the research design and philosophy employed in this study. It expands on the population of interest, the type of sampling conducted and the unit of analysis. Time is then devoted to discussing how the reliability and validity of the data was determined. Then the research instrument used is discussed and finally the limitations and biases present in this study are examined.

## 4.1 Research design and philosophy

The research question called for investigation into the effect of bureaucracy on psychological contracts in contractual transaction B2B relationships. The study that was conducted was quantitative and descriptive as it sought to isolate the specific supplier policies and their effect on psychological contracts. According to Saunders and Lewis (2012) a questionnaire or survey is an appropriate method of gathering data for a descriptive study.

A critical realism philosophy was employed. Saunders and Lewis (2012) stated that critical realism holds that there are two steps to perception. There is an object which conveys sensations and these sensations are then processed in a subjective manner by people (Saunders & Lewis, 2012). Morrison and Robinson (1997) explained that psychological contracts are about perceived and not objective promises. Therefore it was necessary to employ a critical realism approach to understand the psychological contracts present between the individuals participating in a contractual transaction B2B relationship.

An inductive approach was followed and a tentative theory regarding the relationship between certain internal company policies and the health of psychological contracts was drawn from the data collected. This was necessary as Lövblad and Bantekas (2010) showed that the B2B psychological contract is different in some instances to the organisation employee psychological contract and thus it was necessary to start from first principles to develop new insights.

The study was cross sectional as the questionnaire captured the current thinking on the topic (Saunders & Lewis, 2012). This was a limitation as a longitudinal study was expected to yield more insight because it would have allowed for these transactional

contractual B2B relationships to be examined in buoyant market and not only in a recession.

## 4.2  Universe, sampling and unit of analysis

Weiers (2011) described the population as the whole set of people who are of interest in the particular study. The population of interest in this study was all marketing and sales professionals involved in contractual transaction B2B relationships around the world. This was specifically limited to firms who sell industrial goods and commodities such as steel, minerals or chemicals because the type of B2B relationship that was investigated had low buyer/seller adaptations (Cannon & Perreault, 1999).

The unit of analysis in this study was the individual marketing/sales managers in their institutional contexts. No sampling frame was readily available for this population and as such non-probability sampling was used (Saunders & Lewis, 2012).

Typical case purposive sampling was conducted targeting marketers in diverse industries, different size firms and different countries of operation. Typical case purposive sampling is based on the premise that if the sample chosen is typical of the population then it should provide insights into the population although these insights are neither exhaustive nor statistically representative of the entire population (Saunders & Lewis, 2012). The sample was diverse which improves the validity/generalizability of the results.

The sampling procedure was as follows. The researcher sent a personalised email to marketing managers which contained a link to the online questionnaire.  These marketing managers were known to the researcher and this is ventilated under the limitations and biases section of this report.

In the personalised emails to the marketing managers no incentives or coercion was used to persuade them to respond. In addition to this anonymity was offered to the respondents and this was achieved using the online survey platform.

## 4.3  Sample makeup

The sample collected in this study was small and this is discussed as one of the limitations of the study. However, the sample quality was judged to be high because of its diversity.

The questionnaire was completed by marketing managers of organisations with revenues ranging from $170 billion to $0.1 billion. The questionnaire was completed by marketing managers who form part of executive management and marketing managers who are junior in their organisation. The questionnaire was only sent to respondents who the researcher determined to be involved in marketing a commodity product to other businesses. Respondents were domiciled in approximately 10 different countries and represented approximately 30 separate organisations. Respondents came from a broad spectrum of industrial commodity companies including the ferrous alloys suppliers, non-ferrous metal suppliers, base metals suppliers, coke and coal suppliers, commodity chemicals suppliers, industrial commodity distributors, can manufacturers and steel packaging suppliers.

## 4.4 Development of questionnaire

The questionnaire in appendix 9.1 was developed based on several articles already discussed in the literature review. It was specifically designed to test the hypothesis developed throughout the literature review which are summarised in Table 5. The rationale and literature supporting each and every question in the questionnaire is summarised in Table 44 in the appendix.

The questionnaire began with filtering questions ascertaining the respondents experience and fitness to answer the survey. The questionnaire then gathered descriptive data such as length of experience and perception of the current economic climate. The questionnaire then attempted to ascertain an approximation of the respondent's self-efficacy. Thereafter the questionnaire sought to isolate which bureaucratic policies were harmful or helpful to the ability to maintain psychological contracts in B2B relationships and then asked the respondents explicitly whether such policies were present in their current organisation. Finally the questionnaire probed the underlying motives for the bureaucratic policies present in the respondent's organisation.

Three different versions of the questionnaire were pretested for face validity before the final questionnaire was sent out to respondents.

## 4.5  Measurement

The questionnaire made use of a 5 point Likert scale to collect ordinal data (Saunders & Lewis, 2012). The respondents were asked to decide to what extent bureaucratic policies affected their ability to maintain strong psychological contracts with customers.

An example of the Likert scale used in the questionnaire is presented below:

> "1 = Harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them.
> 2 = Somewhat harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them.
> 3 = Irrelevant to my ability to maintain strong, warm relationships with customers and keep my promises to them.
> 4 = Somewhat helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them.
> 5 =Helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them."

It was noted that the 7 point Likert scale is generally more reliable than the 5 point Likert scale because as a general principle it is best to use as wide a scale as possible (Allen & Seaman, 2007).  However in the case of this questionnaire it was judged to be overwhelming to respondents to include a 7 point scale due to the content rich nature of the question.

Central tendency bias is a known issue with Likert scales (Allen & Seaman, 2007). In an attempt to mitigate this tendency the word "irrelevant" was used when assessing the harm caused by policies instead of "neutral" as this is a more forceful word which should prompt respondents to think before choosing a non-committal answer.


## 4.6  Data analysis

The analysis approach that was used was to code the ordinal data collected by the online research platform in Microsoft Excel into SPSS.

Listwise deletion was used to remove the partially completed results. This was appropriate because the partially completed responses only answered demographic questions and did not progress beyond the beginning phases of the questionnaire. The patterns of respondent exit were analysed and they were random and made up a

small portion of survey respondents (≈10%) and therefore based on Williams (2015) it is acceptable to use listwise deletion.

The descriptive statistics were obtained for the cleaned and coded data and the means of the Likert scale data were compared to one another. Then the differences in the means were checked using an ANOVA analysis, independent samples T tests and one sample T tests to determine which hypotheses presented in Table 5 could be accepted at the 95% confidence level (Saunders & Lewis, 2012). Whenever a continuous variable was categorised into a certain range a scatter plot was examined and a Pearson's Correlation was run to ensure that the categorisation truly represented the data.

## 4.7 Validity and reliability

Validity relates to whether a measurement instrument (in this case the online questionnaire) measured what it was designed to measure whereas reliability concerns whether the measurement instrument can consistently measure the variable of interest (Tavakol & Dennick, 2011). In the context of this research validity relates to whether questionnaire measured the constructs of psychological contracts and self-efficacy and not some other construct. Reliability, in the context of this research, relates to how consistently the questionnaire measured these constructs.

In this study validity was ensured by developing the questionnaire based on published literature. The theoretical underpinnings of the questionnaire are discussed in great detail in Table 44. The face validity of the questionnaire was assessed and improved through pre-testing and consultation with the research supervisor.

The reliability of how the questionnaire measured the self-efficacy and coercive logic constructs was determined by calculating Cronbach's Alpha. Cronbach's Alpha is an index of reliability and internal consistency which is conveyed as a statistic between 0 and 1 (Tavakol & Dennick, 2011). This measure allowed for a statistical determination of whether the various questions in the research instrument were measuring the same constructs which in this case were self-efficacy and coercive logic (Goforth, 2015). Where Cronbach's Alpha showed that the questionnaire was measuring the same construct these questions were combined to create a mean score which represented a proxy for the variable in question.

## 4.8 Limitations and biases

### 4.8.1 Reliability

It was assumed that the concept of the health of the psychological contract that was investigated in the questionnaire was reliably captured by the phrase "ability to maintain strong, warm relationships with customers and keep my promises to them".

This phrase is based on the Lövblad and Bantekas (2010) conceptualisation of the construct. In their questionnaire where they sought to determine the health of a psychological contract between a supplier and a buyer by asking questions which fell into three broad categories: warmth of relationship, strength of relationship and ability to fulfil promises. The phrase certainly has high construct validity as well as face validity but a weakness of this research is that the reliability/consistency of these questions cannot be ascertained from the questionnaire using the traditional Cronbach's Alpha approach.

### 4.8.2 Sampling

The size of the sample collected in this research was a limitation. Sample size is one of the key issues that affect the validity of research (Barlett, Kotrlik, & Higgins, 2001). The sample size in this research was limited by budget, time and access. The ideal sample size to achieve a 95% confidence interval and a 5% margin of error is 384 respondents (assuming a total population size of 10 million marketing managers of industrial commodities globally). In this study 50 complete responses were collected which means the margin for error was 14%.

### 4.8.3 Biases

Most of the marketing professions who completed the questionnaire have done business with the company the researcher works for or had some connection to the researcher. This may have introduced social desirability bias (Sarnaick, 2015). The respondents may have also experienced some level of reluctance to share the inner workings of the internal processes within their organisations for fear of judgement or because they were concerned the information would find its way back to their superiors. This concern was allayed with assurances of respondent confidentiality however there may still have been some impact.

The respondents that completed the questionnaire were potentially subject to self-serving bias as they may have been more likely to look for scapegoats to blame for poor customer relationships rather than take individual responsibility for their problems (Sarnaick, 2015).

### 4.8.4 Measurement instrument

There was a risk that the order of the questions, the personalised emails and the section titles of the questionnaire primed respondents to overestimate the effect of policies on their ability to maintain healthy psychological contracts with customers (Sarnaick, 2015). To attempt to control for this the personalised emails and section headers were kept deliberately vague regarding exactly what was being researched. To address the concern about the order of the questions the respondents were first asked to rank how harmful the policies were and only later were they asked whether these policies were actually present in their organisations.

# 5 Results

This chapter presents the results from the online survey. First the sample characteristics are outlined. Then the reliability of the various scales used is presented. Then the variables used in the hypothesis testing are defined. Finally the results of the statistical tests of Hypothesis 1-13 are presented.

## 5.1 Sample characteristics

The sample characteristics section presents the demographic data collected in questions 2 – 8 of the online questionnaire as well as the survey completion data. This section includes respondent's perception of the economic climate their organisations were facing, the size/complexity of the respondent's organisation, the respondent's level of experience and whether the respondents had experience of contractual transaction B2B relationships with their customers.

### 5.1.1 Survey completion ratio

The survey was fully completed by 49 respondents. One respondent completed 65% of the survey and the missing data was approximated using the mode of the other 49 respondents. There were seven other respondents who completed less than 30% of the questionnaire and their responses were excluded from the analysis. The justification for this treatment is presented in section 4.6 of this report. Therefore the completion ratio for the survey was 86%.

### 5.1.2 Contractual transaction B2B relationship

The sample was purposively selected to study the contractual transaction B2B relationship identified by Cannon and Perreault (1999). The results indicating the appropriateness of the sample to study this relationship are presented in Figure 2 and Figure 3.
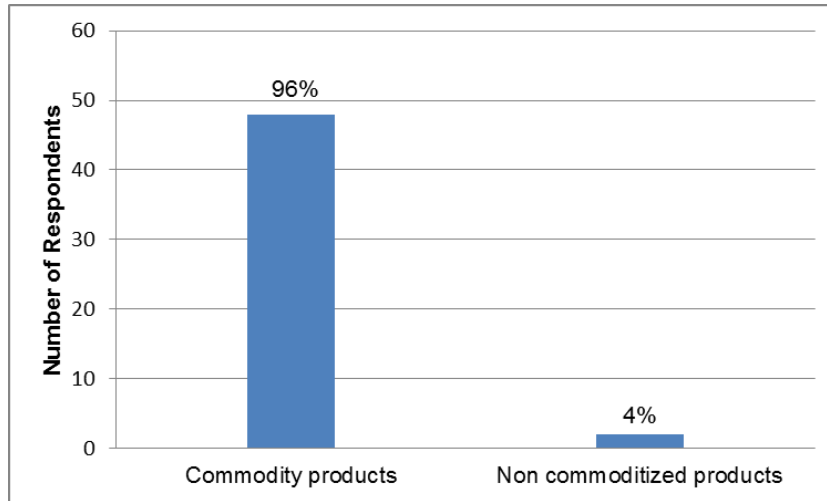
**Figure 2: Respondents working for an organisation selling commodity products**
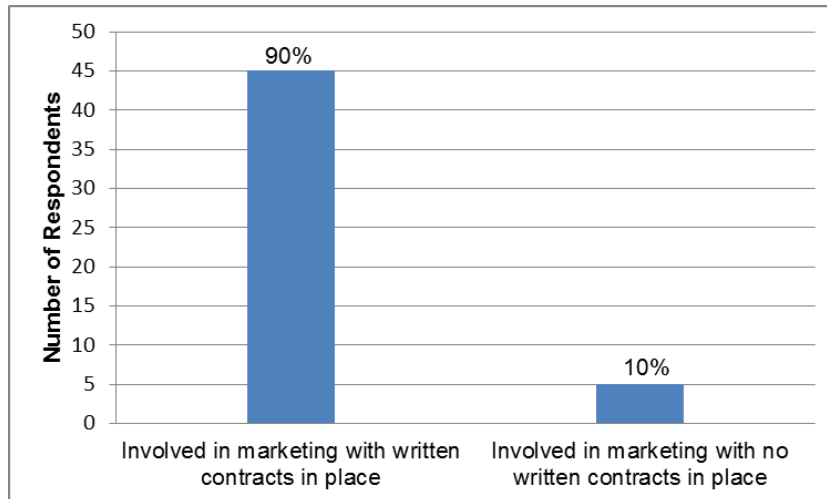


**Figure 3: Respondents involved in the marketing commodities with contracts**

Figure 2 and Figure 3 illustrate that a high number of respondents identified themselves as being involved in marketing commodities where there were written contracts in place. This was as expected because purposive sampling was conducted.

### 5.1.3 Perception of recession

As indicated by Figure 4, respondents overwhelmingly perceived their organisations to be facing difficult economic times. This was as expected because commodity companies around the world are going through a prolonged period of oversupply and weak demand (Macdonald & Ovaska, 2016).

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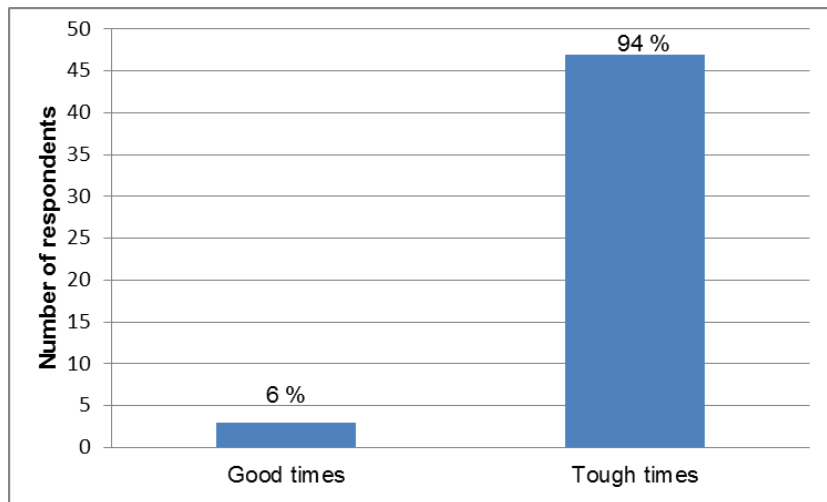
**Figure 4: Respondents' perception of the economic climate**

### 5.1.4 Level of seniority

The sample is slightly skewed towards the upper levels of management. Figure 5 shows that only 8% of respondents (4 individuals) identified themselves to be junior managers. This low number of junior manager respondents means that the perceptions of junior managers on bureaucratic policies cannot be reliably isolated from middle and top management with a high degree of confidence.
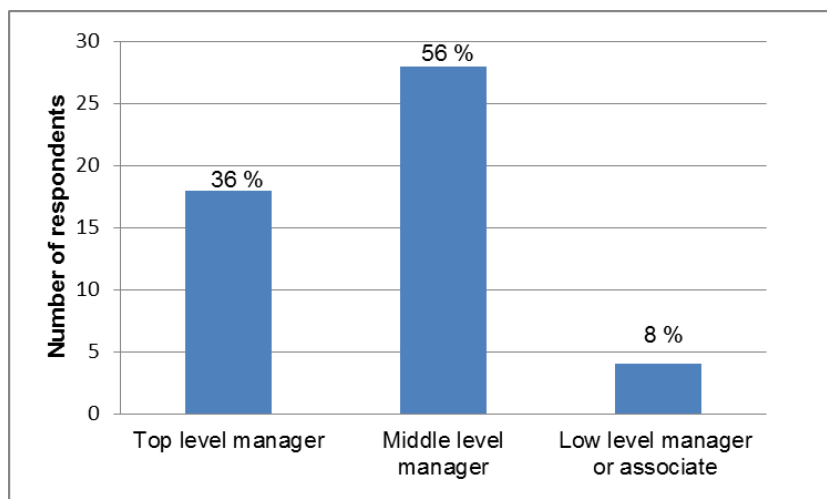


**Figure 5: Respondents' level in the organisation**

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### 5.1.5 Tenure in current role

Figure 6 shows that the respondents had diverse amounts of experience in their current roles. The minimum experience of a respondent was 1 year. The maximum experience of a respondent was 29 years. This spread in data implies that is should be possible to reliably determine the effect of length of experience in current role on the perception of bureaucratic policies.
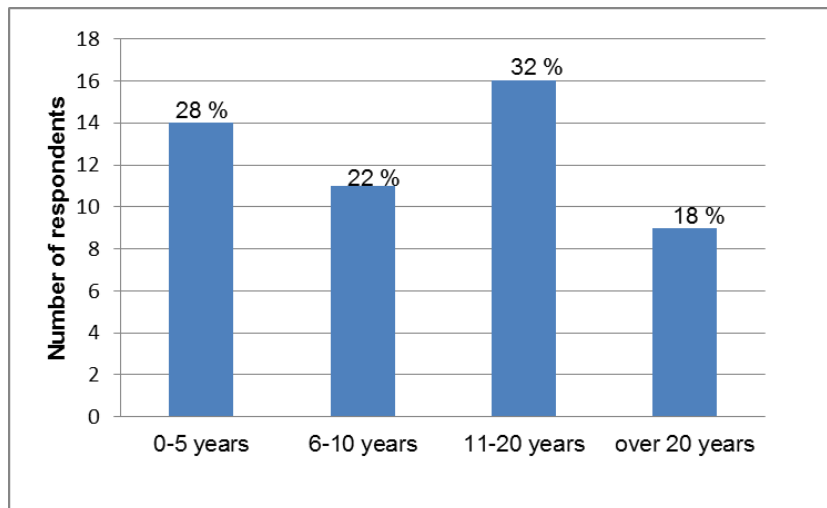


**Figure 6: Distribution of respondents' experience in current role**

### 5.1.6 Size and complexity of organisations

Figure 7 indicates that the majority of respondents (48%) worked for organisations that employed more than 10 and less than 100 people. Large organisations of greater than 1000 people represented 32% of the sample. Due to purposive sampling there were very few respondents who worked for small organisations of less than 10 people. This is due to the purposive sampling.

36
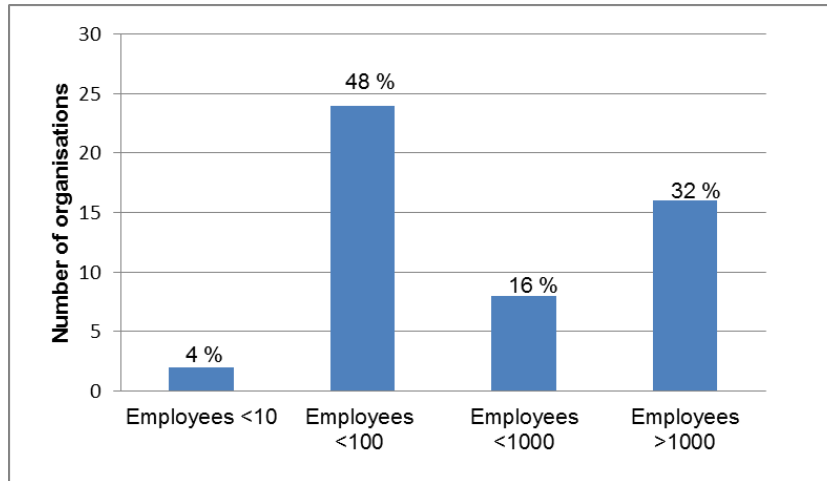
**Figure 7: Size of respondents' organisation by number of employees**

Figure 8 shows that 40% of the respondents worked for multinational corporations with operations in more than 5 countries. Many respondents (50%) worked for local companies. This spread enables the comparison of respondent's perceptions of bureaucratic policies between local and multinational companies.
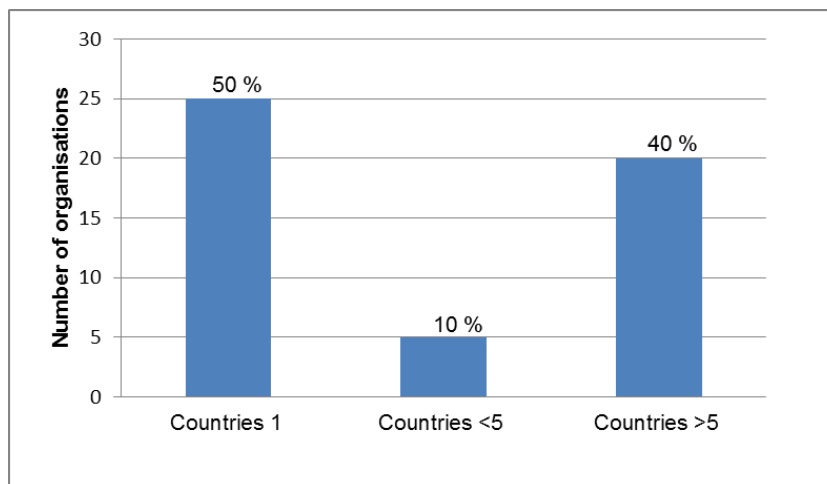


**Figure 8: Organisational complexity (number of countries of operation)**

## 5.2 Reliability

The higher order constructs that the research questionnaire attempted to capture were self-efficacy and coercive logic. The questions pertaining to the self-efficacy scale were Q9-11. The questions pertaining to coercive logic were Q25-28 (refer to the

questionnaire in section 9.1 in the appendix). This section of the results deals with the reliability of the self-efficacy and coercive logic scales that were constructed and used later in hypothesis testing.

### 5.2.1 Self-efficacy scale reliability

Table 6 shows the descriptive statistics for the various questions pertaining to self-efficacy. Table 7 shows that Cronbach's Alpha for the 3 question scale for self-efficacy is 0.605. Many researchers recommend a minimum Cronbach's Alpha of 0.65 (Goforth, 2015). Therefore Q9 was removed from the scale and Table 8 shows that the improved Cronbach's Alpha value is 0.665.

**Table 6: Cronbach's Alpha for self-efficacy descriptive statistics**

|     | Mean | Std. Deviation | N |
|-----|------|----------------|-----|
| Q9  | 4.10 | .647 | 50 |
| Q10 | 4.40 | .535 | 50 |
| Q11 | 4.38 | .697 | 50 |

**Table 7: Cronbach's Alpha for self-efficacy based on a three question scale**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|----------------------------------------------|------------|
| .601 | .605 | 3 |

**Table 8: Cronbach's Alpha for self-efficacy if questions were removed**

|     | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|-----|----------------------------|--------------------------------|----------------------------------|------------------------------|----------------------------------|
| Q9  | 8.78 | 1.155 | .297 | .104 | .665 |
| Q10 | 8.48 | 1.193 | .433 | .266 | .486 |
| Q11 | 8.50 | .827 | .532 | .320 | .296 |

Therefore the self-efficacy scale used in the testing of hypothesis 8 is internally consistent.

### 5.2.2 Coercive logic scale reliability

Table 9 shows the descriptive statistics for the various questions pertaining to coercive or enabling logic. Question 25 and 27 were reverse coded such that a high number equated to a high degree of coercive logic.

**Table 9: Cronbach's Alpha for coercion descriptive statistics**

|  | Mean | Std. Deviation | N |
|---|---|---|---|
| Q26 | 2.26 | .777 | 50 |
| Q28 | 2.22 | .887 | 50 |
| Q25R | 2.30 | 1.129 | 50 |
| Q27R | 2.42 | .883 | 50 |

Table 10 indicates Cronbach's Alpha based on a four point scale is 0.70 which is above the recommended minimum of 0.65 (Goforth, 2015).

**Table 10: Cronbach's Alpha for coercion based on a four question scale**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .704 | .707 | 4 |

Based on Table 11 the reliability of the scale is not materially enhanced if any of the questions are removed and therefore all questions were retained.

**Table 11: Cronbach's Alpha for coercion if questions were removed**

|  | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|---|
| Q26 | 6.94 | 5.364 | .372 | .181 | .705 |
| Q28 | 6.98 | 4.469 | .546 | .352 | .607 |
| Q25R | 6.90 | 3.765 | .517 | .295 | .635 |
| Q27R | 6.78 | 4.461 | .554 | .386 | .603 |

Therefore the coercive logic scale used in the testing of Hypothesis 1 was internally consistent.

## 5.3 Hypothesis testing

The results of the statistical testing of Hypotheses 1-13 are presented in this section of the report. The reason for the high number of hypotheses was defended in Chapter 3 of this report.

The self-efficacy and coercive logic scales used in the hypothesis testing have already been defined. However there are two more key variables that need to be defined before delving into the hypothesis testing in order to follow the logic of these tests. These variables are the "mean bureaucratic harm score" and "mean harmful bureaucratic policies".

$$Mean\ bureaucratic\ harm\ score\ _x = (Policy\ score_{cx} + Policy\ score_{dx} + Policy\ score_{ex}) \div 3$$

In words, the mean bureaucratic harm score for condition x (for example respondents who work for large companies) is the average of all the individual policy harm scores for the respondents who meet this condition. It has already been established that only policies C-E are harmful and therefore only the average of these three policies is considered for the calculation of the bureaucratic harm score.

$$Mean\ harmful\ bureaucratic\ policies\ _x = (Policy\ count_{cx} + Policy\ count_{dx} + Policy\ count_{ex}) \div 3$$

In words, mean harmful bureaucratic policies for condition x (for example individuals who work for large companies) is the average of total number of harmful policies present in each of the respondents' organisations.

At this point all the relevant scales and variables have been defined and it is possible to proceed with the testing of Hypothesis 1-13.

### 5.3.1 Hypothesis 1

See Table 5 for the full statement of Hypothesis 1. For ease of reference the mathematical formulation is restated below:

$$H1_0: Mean\ Bureaucratic\ harm\ score\ _{Coercive} =$$
$$Mean\ Bureaucratic\ harm\ score\ _{Enabling}$$

$$H1_a: Mean\ Bureaucratic\ harm\ score\ _{Coercive} >$$
$$Mean\ Bureaucratic\ harm\ score\ _{Enabling}$$

The classification of respondents' organisations into coercive or enabling was done through building the coercive logic scale (average of question 25-28 with reverse coding for question 25 and 27). This scale had a Cronbach's Alpha of 0.7.

Based on the distribution shown in Figure 9 the high coercive logic category was chosen as any respondent with a score greater than 2.1 on the scale. This gave a distribution of 23 respondents who fell into the low coercion category and 27 respondents who fell into the high coercion category.
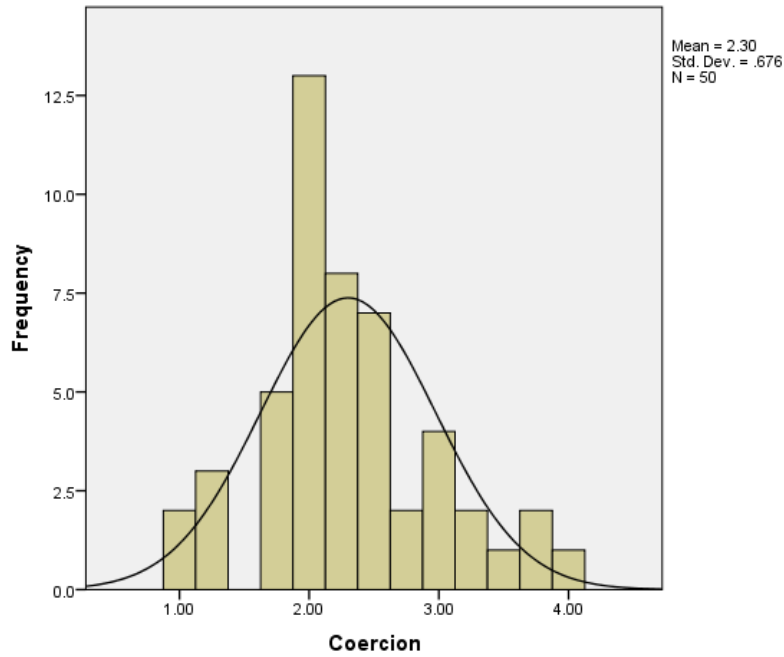
**Figure 9: Distribution of respondents on coercive logic scale**

An independent samples T test was conducted because there are two independent categorical groups (low and high coercion) which gave rise to a dependent variable (bureaucratic harm) on a continuous scale.

Figure 9 illustrated there were no significant outliers undermining the validity of the test. A normal distribution was assumed. This situation therefore satisfies the relevant criteria to perform an independent samples T test (Van den Berg, 2014b).

Table 12 shows the descriptive statistics for the high and low coercion categories. From this table it seems that the respondents with low coercion scores had a less favourable perception of bureaucratic policies than those with high coercion scores.

**Table 12: Hypothesis 1 descriptive statistics**

|  | Coercion categories | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| ∑ Bureaucratic harm | low | 23 | 4.130 | .868 | .181 |
|  | high | 27 | 3.814 | .833 | .160 |

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Table 13 shows the results for the independent samples T test for respondents with high and low coercion scores.

**Table 13: Hypothesis 1 independent samples T test**

|  | Levene's Variance test | | t-test for Equality of Means | | |
|---|---|---|---|---|---|
|  | F | Sig. | t | df | Sig. (2-tailed) |
| Equal variances | 0.024 | 0.877 | 1.308 | 48.000 | 0.197 |
| Unequal variances |  |  | 1.304 | 46.066 | 0.199 |

Levene's test has a P value of 0.877 (P >0.05) and therefore the two samples have equal variances. The T test had a P = 0.197 (P>0.05). Therefore the null hypothesis $H1_0$ cannot be rejected at the 95% confidence level. Hence there was no significant difference between how respondents who worked in a more coercive environment perceived the identified harmful bureaucratic policies compared to those who worked in less coercive environments.

However caution needs to be exercised in accepting the results of the hypothesis test in Table 13 because fundamentally it is based on the arbitrary categorisation of a continuous variable into categories. If different categories were chosen for high and low coercion different results may have been obtained.

Therefore the scatter plot in Figure 10 was produced to check if the data seemed to follow any trends.
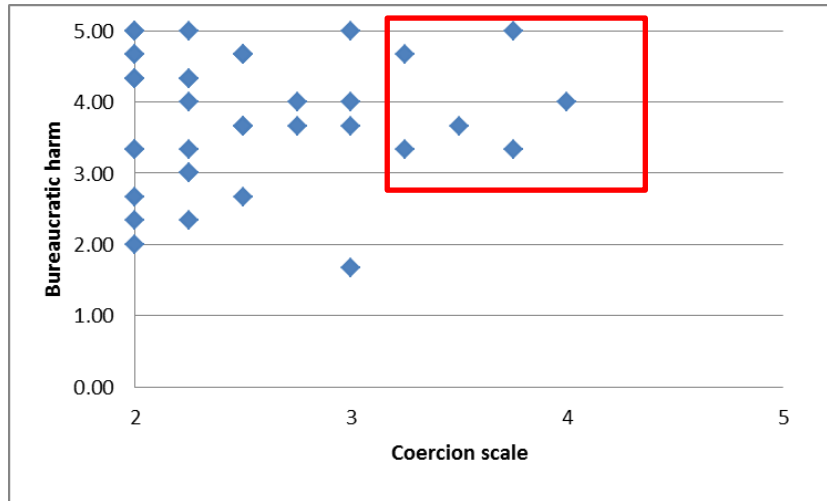
**Figure 10: Relationship between bureaucratic harm and coercion**

From Figure 10 it seems that the data did not follow any trend. However this may have been misleading as there was some overlap in the points on the scatter plot.

The red box illustrates an interesting anomaly. For respondents who worked in high coercion environments (with scores >3) there is unanimity that the perceived harmful bureaucratic policies are harmful. Furthermore there is a lower standard deviation in these respondents perception of how harmful these policies are relative to those who work in environments with coercion scores of less or equal to 3. This is illustrated in Table 14.

**Table 14: Relationship between coercion scores and standard deviation**

| Coercion score range | Standard deviation |
|---|---|
| <=3 | 0.88 |
| >3 (red box) | 0.70 |

Levene's test was run on the two standard deviations presented in Table 14 and it yielded a P value of 0.49 (P>0.05). Therefore the null hypothesis that the variances of the sample with coercion (< = 3) is equal to the sample with coercion (> 3) cannot be rejected at the 95% confidence interval.

To determine statistically if bureaucratic harm had a linear relationship with coercion a Pearson Correlation was run. This is appropriate because the sample comprised of two metric variables, the sample size was sufficiently large ($N>30$) and the observations were independent (Van den Berg, 2014a).

**Table 15: Pearson correlation between bureaucratic harm and coercion**

| | | Coercion | $\sum$ Bureaucratic harm |
|---|---|---|---|
| Coercion | Pearson Correlation | 1 | -.170 |
| | Sig. (2-tailed) | | .238 |
| | N | 50 | 50 |
| $\sum$ Bureaucratic harm | Pearson Correlation | -.170 | 1 |
| | Sig. (2-tailed) | .238 | |
| | N | 50 | 50 |

Table 15 shows that there is no significant linear correlation between bureaucratic harm and coercion as $P = 0.238$ ($P>0.05$).

Therefore the result that hypothesis $H1_0$ cannot be rejected at the 95% confidence level was not the consequence of arbitrary categorisation but truly represents the data collected. This assumed that there was no significant non-linear relationship in the data that went undetected.

### 5.3.2 Hypotheses 2-7

See Table 5 for the full statements of Hypothesis 2-7. For ease of reference the mathematical formulations of the hypotheses are given in Table 16.

**Table 16: Mathematical formulations of Hypothesis 2-7**

| Null hypothesis | Alternate hypothesis |
|---|---|
| $H2_0: Policy\ score\ _{sign\ off} = 3$ | $H2_a: Policy\ score\ _{sign\ off} > 3$ |
| $H3_0: Policy\ score\ _{departments} = 3$ | $H3_a: Policy\ score\ _{departments} > 3$ |
| $H4_0: Policy\ score\ _{structure} = 3$ | $H4_a: Policy\ score\ _{structure} > 3$ |

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| | |
|---|---|
| $H5_0$: $Policy\ score_{customer\ visits} = 3$ | $H5_a$: $Policy\ score_{customer\ visits} < 3$ |
| $H6_0$: $Policy\ score_{accounting} = 3$ | $H6_a$: $Policy\ score_{accounting} > 3$ |
| $H7_0$: $Policy\ score_{intuition} = 3$ | $H7_a$: $Policy\ score_{intuition} < 3$ |

A one sample T test was conducted as the hypothesized population mean was 3 and it was necessary to compare this with the sample mean. Figure 11 shows that there were no significant outliers undermining the validity of the test (an outlier would result in a gap in the frequency distribution). A normal distribution was assumed. This situation therefore satisfies the relevant criteria to perform a one sample T test (Van den Berg, 2014c).
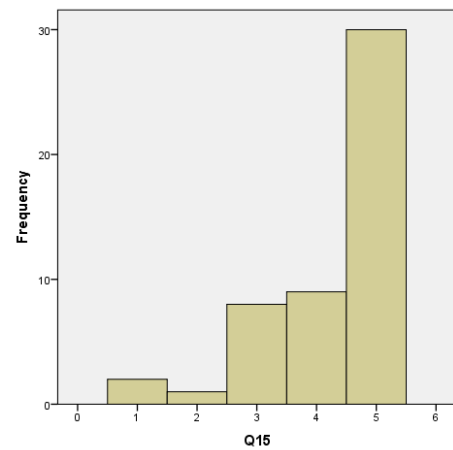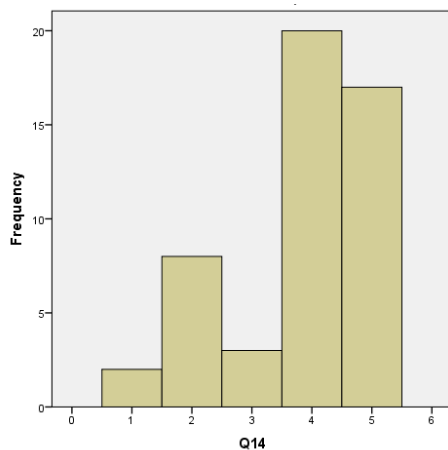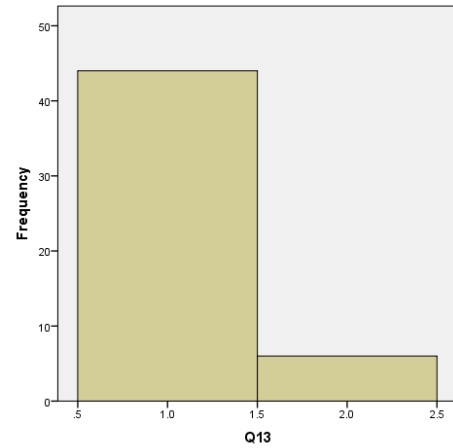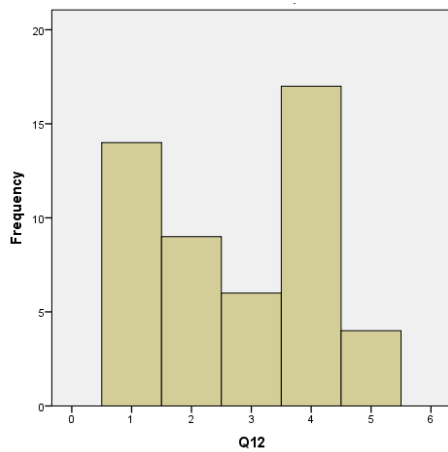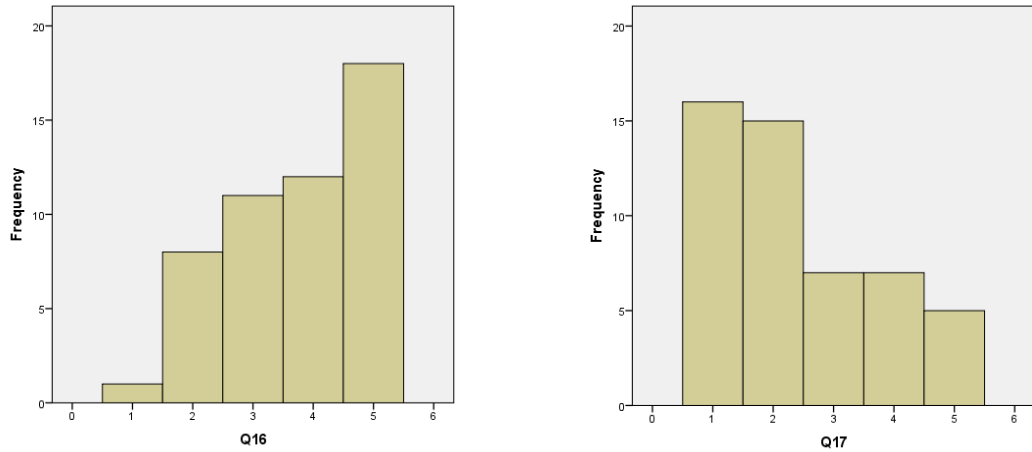
**Figure 11: Distributions of responses to questions 12-17**

Table 17 shows the descriptive statistics for hypotheses 2-7 and Table 18 shows the results for the one sample T test conducted to test hypotheses 2-7.

**Table 17: Hypothesis 2-7 descriptive statistics**

| | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|
| $H2_0$ (Q14) | 50 | 3.84 | 1.184 | .167 |
| $H3_0$ (Q15) | 50 | 4.28 | 1.070 | .151 |
| $H4_0$ (Q16) | 50 | 3.76 | 1.170 | .166 |
| $H5_0$ (Q13) | 50 | 1.12 | .328 | .046 |
| $H6_0$ (Q12) | 50 | 2.76 | 1.393 | .197 |
| $H7_0$ (Q17) | 50 | 2.40 | 1.340 | .190 |

**Table 18: Hypothesis 2-7 one sample T test**

| | t | df | Sig. (2-tailed) | Mean Difference |
|---|---|---|---|---|
| $H2_0$ (Q14) | 5.016 | 49 | .000 | .840 |
| $H3_0$ (Q15) | 8.460 | 49 | .000 | 1.280 |
| $H4_0$ (Q16) | 4.592 | 49 | .000 | .760 |
| $H5_0$ (Q13) | -40.497 | 49 | .000 | -1.880 |
| $H6_0$ (Q12) | -1.218 | 49 | .229 | -.240 |
| $H7_0$ (Q17) | -3.166 | 49 | .003 | -.600 |

Table 18 indicates that the null hypothesis $H2_0$ can be rejected at the 95% confidence level as P= 0.000 (P<0.05). Hence the policy of having multiple sign offs to respond to a customer's complaint or query (Policy C) was perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers.

Table 18 indicates that the null hypothesis $H3_0$ can be rejected at the 95% confidence level as P= 0.000 (P<0.05). Hence the policy of having many departments involved in relationships with customers (Policy D) was perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers.

Table 18 indicates that the null hypothesis $H4_0$ can be rejected at the 95% confidence level as P= 0.000 (P<0.05). Hence the policy of having an organisational structure where the majority of managers never interact with customers (Policy E) was perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers.

Table 18 indicates that the null hypothesis $H5_0$ can be rejected at the 95% confidence level as P= 0.000 (P<0.05). Hence the policy of encouraging employees to visit and build relationships with customers (Policy B) was perceived by supplier marketing agents as helpful to the ability to maintain psychological contracts with customers.

Table 18 indicates that the null hypothesis $H6_0$ cannot be rejected at the 95% confidence level as P=0.229 (P>0.05). Hence the policy having to properly account for and measure every response to a customer request (Policy A) was perceived by supplier marketing agents as indifferent to the ability to maintain psychological contracts with customers.

Table 18 indicates that the null hypothesis $H7_0$ can be rejected at the 95% confidence level as P= 0.003 (P<0.05). Hence the policy of encouraging intuitive decision making to satisfy customer requests even when this action cannot be properly accounted for (Policy F) and measured was perceived by supplier marketing agents as helpful to the ability to maintain psychological contracts with customers.

A confidence interval approach was adopted to view the mean of the population's perception of each policy graphically. According to Weiers (2011) for samples greater than N=30 the confidence interval (CI) is given by:

$$CI = Sample\ mean\ \pm Z * S/\sqrt{n}$$

Where S is the sample standard deviation, N is number of observations and Z is the multiplier from the normal curve and at the 95% level = 1.96.

This estimation of the population mean is only valid if there is a normal distribution. The assumption of normality was made. Furthermore this estimation of the population mean is only valid if the sampling was unbiased and diverse. The diversity of the sample has been defended. The confidence intervals at the 95% level for policies A-F are presented in Table 19.

**Table 19: Mean policy perceptions and confidence intervals**

| Policy description | Mean harm score (1= helpful; 5=harmful) |
|---|---|
| **A:** "Managers need to properly account for and measure everything. If it cannot be accounted for easily you cannot do it." | 2.76 (± 0.39) |
| **B:** "You are encouraged to visit and build a relationship with your customers and this is viewed as time well spent by your organisation." | 1.12 (±0.09) |
| **C:** "There are a number of sign offs required to get permission to respond to your customer's query or complaint." | 3.84 (±0.33) |
| **D:** "There are so many departments that are involved in the relationship with your customers that nobody recognises who is ultimately accountable for maintaining the relationship." | 4.28 (±0.30) |
| **E:** "The majority of managers in your company never interact with customers." | 3.76 (±0.32) |
| **F:** "Your company supports intuitive decision making. You are encouraged to make judgement calls to keep your customer happy (even when there is no paper trail supporting your decision." | 2.4 (±0.37) |

Figure 12 shows how the confidence intervals for policies C-E and A; F overlap and graphically illustrates the results of the hypothesis test in Table 18. Figure 12 includes a red line called the "indifference line." If a confidence interval crosses the indifference line the population's perception of the policy at the 95% level is ambivalent.
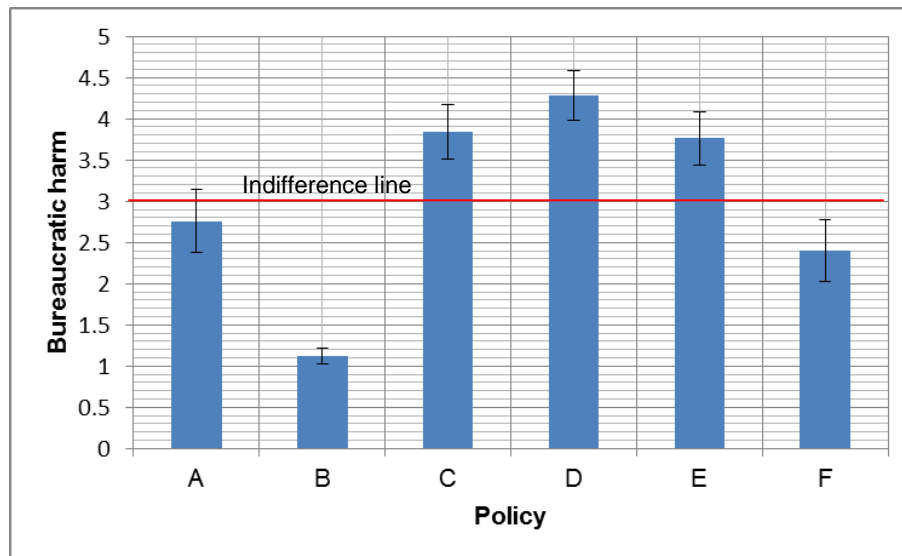
**Figure 12: Policy harm scores and confidence intervals (95% level)**

The policies A-F are grouped in terms of helpful, indifferent and harmful in Table 20.

**Table 20: Grouping of policies**

| Policy description | Group |
|---|---|
| **B:** "You are encouraged to visit and build a relationship with your customers and this is viewed as time well spent by your organisation." | Helpful |
| **F:** "Your company supports intuitive decision making. You are encouraged to make judgement calls to keep your customer happy (even when there is no paper trail supporting your decision." | |
| **A:** "Managers need to properly account for and measure everything. If it cannot be accounted for easily you cannot do it." | Indifferent |
| **C:** "There are a number of sign offs required to get permission to respond to your customer's query or complaint." | Harmful |
| **D:** "There are so many departments that are involved in the relationship with your customers that nobody recognises who is ultimately accountable for maintaining the relationship." | |
| **E:** "The majority of managers in your company never interact with customers." | |

The prevalence of the abovementioned policies is described in presented in Table 21.

**Table 21: Prevalence of policies in organisations**

| Policy | Prevalence |
|--------|-----------:|
| A | 52% |
| B | 96% |
| C | 30% |
| D | 4% |
| E | 30% |
| F | 58% |

Table 21 shows that policy B is almost ubiquitous whilst policy D is hardly present in any organisations.

### 5.3.3  Hypothesis 8

See Table 5 for the full statements of Hypothesis 8. For ease of reference the mathematical formulation of Hypothesis 8 is given below:

$$H8_0: Mean\ Bureaucratic\ harm\ score\ _{High\ self-efficacy} =$$
$$Mean\ Bureaucratic\ harm\ score\ _{Low\ self-efficacy}$$

$$H8_a: Mean\ Bureaucratic\ harm\ score\ _{High\ self-efficacy} <$$
$$Mean\ Bureaucratic\ harm\ score\ _{Low\ self-efficacy}$$

Figure 13 shows how the respondent's scores were distributed on the self-efficacy scale. Therefore the category of high self-efficacy was chosen as greater than 4.1. This resulted in 23 respondents being placed in the low self-efficacy category with the remaining 27 being placed in the high self-efficacy category. This categorisation is tested for validity later in this section.
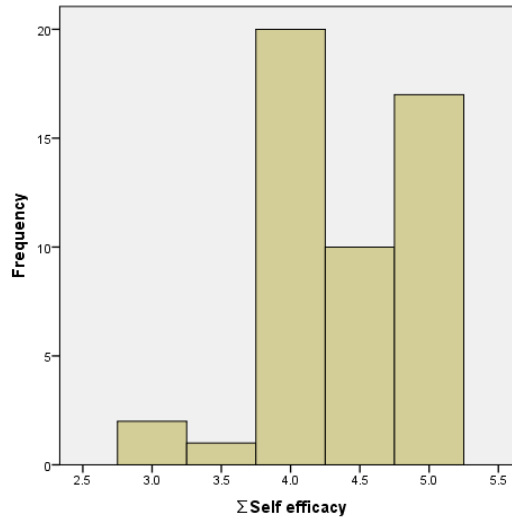
**Figure 13: Distribution of self-efficacy scale scores**

Table 22 indicates that the respondents categorised into the low self-efficacy brackets seem to view the harmful bureaucratic policies more favourably than their counterparts in the high self-efficacy bracket.

An independent samples T test was conducted because there are two independent categorical groups (low and high self-efficacy) which gave rise to a dependent variable (bureaucratic harm) on a continuous scale.

There were no significant outliers undermining the validity of the test. A normal distribution was assumed. This situation therefore satisfies the relevant criteria to perform an independent samples T test (Van den Berg, 2014b).

**Table 22: Hypothesis 8 descriptive statistics**

|  | Self-efficacy category | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| ∑ Bureaucratic harm | Low | 23 | 3.898 | .787 | .164 |
|  | High | 27 | 4.012 | .922 | .177 |

Table 23 presents the results of the independent samples T test conducted to test hypothesis 8.

**Table 23: Hypothesis 8 independent samples T test**

| | Levene's Variance Test | | t-test for Equality of Means | | |
|---|---|---|---|---|---|
| | F | Sig. | t | df | Sig. (2-tailed) |
| Equal variances assumed | 1.05 | 0.311 | -0.465 | 48 | 0.644 |
| Equal variances not assumed | | | -0.471 | 47.998 | 0.64 |

In Table 23 Levene's variance test gave a P=0.311 (P>0.05) which indicates that there is homogeneity of variances between the two samples. The P value of 0.644 (P>0.05) indicates that there is no difference between the means of the two groups at the 95% confidence level.

Therefore Table 23 shows that hypothesis $H8_0$ cannot be rejected at the 95% confidence level. Hence respondents with higher self-efficacy scores do not have differing views to respondents with lower self-efficacy scores on whether the identified policies help or hurt their ability to maintain psychological contracts with customers.

However caution needs to be exercised in accepting the results of the hypothesis test in Table 23 because fundamentally it is based on the arbitrary categorisation of a continuous variable into certain ranges. If different categories were chosen for high and low self-efficacy different results may have been obtained.

Therefore the scatter plot Figure 14 was produced to check if the data seemed to follow any trends.
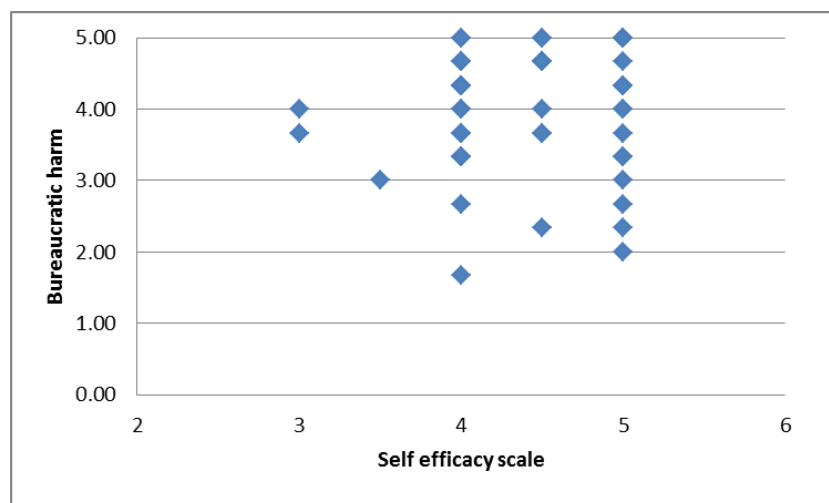


**Figure 14: Relationship between bureaucratic harm and self-efficacy**

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From Figure 10 it appears that the data did not follow any trend. However this may have been misleading as there was some overlap in the points on the scatter plot.

To determine statistically if bureaucratic harm had a linear relationship with self-efficacy a Pearson Correlation was run. This is appropriate because the sample comprised of two metric variables, the sample size was sufficiently large (N>30) and the observations were independent (Van den Berg, 2014a).

Table 24: Pearson Correlation between bureaucratic harm and self-efficacy

| | | ∑ Bureaucratic harm | ∑Self-efficacy |
|---|---|---|---|
| ∑ Bureaucratic harm | Pearson Correlation | 1 | .035 |
| | Sig. (2-tailed) | | .812 |
| | N | 50 | 50 |
| ∑Self-efficacy | Pearson Correlation | .035 | 1 |
| | Sig. (2-tailed) | .812 | |
| | N | 50 | 50 |

Table 24 shows that there is no significant linear correlation between bureaucratic harm and self-efficacy as P =0.812 (P>0.05).

Therefore it seems that the conclusion that hypothesis $H8_0$ cannot be rejected at the 95% confidence level was not the result of arbitrary categorisation but truly represents the data collected. This assumed that there was no significant non-linear relationship in the data that went undetected.

### 5.3.4 Hypothesis 9

See Table 5 for the full statements of Hypothesis 9. For ease of reference the mathematical formulation of Hypothesis 9 is given below:

$H9_0$: $Mean\ Harmful\ Bureaucratic\ procedures\ _{large\ organisation} =$
$Mean\ Harmful\ Bureaucratic\ procedures\ _{small\ organisation}$

$H9_a$: $Mean\ Harmful\ Bureaucratic\ procedures\ _{large\ organisation} >$
$Mean\ Harmful\ Bureaucratic\ procedures\ _{small\ organisation}$

Figure 7 shows the sample distribution between large and small organisations.

An ANOVA test was conducted because there were four independent categorical groups (<10 employees; <100 employees; <1000 employees and >1000 employees) which gave rise to a dependent variable (number of harmful bureaucratic policies present in respondent organisation).

There were no significant outliers undermining the validity of the test. A normal distribution was assumed. This situation therefore satisfies the relevant criteria to perform an ANOVA analysis (Van den Berg, 2014d).

Table 25 shows the descriptive statistics for Hypothesis 9. The means of the number of harmful policies present are presented graphically in Figure 15.

**Table 25: Hypothesis 9 descriptive statistics**

|  | N | Mean | Std. Deviation | Minimum | Maximum |
|---|---|---|---|---|---|
| <10 employees | 2 | .50 | .707 | 0 | 1 |
| <100 employees | 24 | .42 | .654 | 0 | 2 |
| <1000 employees | 8 | .63 | .744 | 0 | 2 |
| >1000 employees | 16 | 1.00 | .894 | 0 | 3 |
| Total | 50 | .64 | .776 | 0 | 3 |
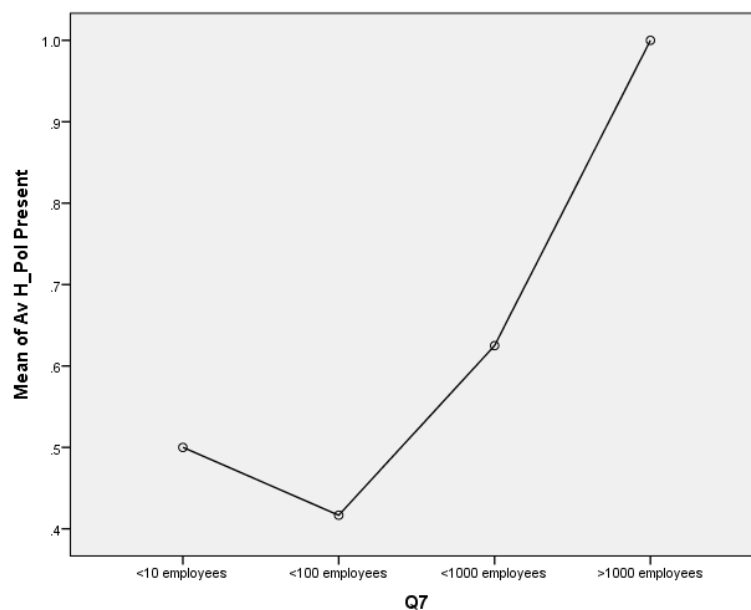


**Figure 15: Hypothesis 9 means plot**

Figure 15 seems to indicate that as the size of the respondent's organisation increases so does the prevalence of harmful bureaucratic policies. The results of the homogeneity of variance test and the ANOVA analysis for Hypothesis 9 are presented in Table 26 and Table 27 respectively.

**Table 26: Hypothesis 9 homogeneity of variance test**

Av H_Pol Present

| Levene Statistic | df1 | df2 | Sig. |
|---|---|---|---|
| .126 | 3 | 46 | .944 |

Table 26 indicates that homogeneity of variances can be assumed as P = 0.944 (P>0.05).

**Table 27: Hypothesis 9 ANOVA analysis**

Av H_Pol Present

| | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Between Groups | 3.312 | 3 | 1.104 | 1.938 | .137 |
| Within Groups | 26.208 | 46 | .570 | | |
| Total | 29.520 | 49 | | | |

The P value in Table 27 is 0.137 (P>0.05) and therefore there are no significant differences between groups. Therefore it is not necessary to continue with the post hoc analysis.

Table 27 shows that hypothesis $H9_0$ cannot be rejected at the 95% confidence level. Hence companies that employ numerous people do not have more of the identified harmful bureaucratic policies than companies that employ less people.

### 5.3.5 Hypothesis 10

See Table 5 for the full statements of Hypothesis 10. For ease of reference the mathematical formulation of Hypothesis 10 is given below:

$H10_0$: Mean Harmful Bureaucratic procedures $_{multiple\ countries}$ =
Mean Harmful Bureaucratic procedures $_{single\ country}$

$H10_a$: Mean Harmful Bureaucratic procedures $_{multiple\ countries}$ >
Mean Harmful Bureaucratic procedures $_{single\ country}$

Figure 8 shows the sample distribution between multinational and local companies in the sample.

An ANOVA test was conducted because there are three independent categorical groups (1 country; 1-5 countries; >5 countries) which gave rise to a dependent variable (harmful bureaucratic policies present in the respondent's organisation).

There were no significant outliers undermining the validity of the test. A normal distribution was assumed. This situation therefore satisfies the relevant criteria to perform an ANOVA analysis (Van den Berg, 2014d).

Table 28 presents the descriptive statistics for Hypothesis 10 and Figure 16 illustrates the mean number of harmful bureaucratic policies present in local and multinational companies.

**Table 28: Hypothesis 10 descriptive statistics**

|  | N | Mean | Std. Deviation | Minimum | Maximum |
|---|---|---|---|---|---|
| 1 Country | 25 | .36 | .569 | 0 | 2 |
| <5 countries | 5 | .60 | .548 | 0 | 1 |
| >5 countries | 20 | 1.00 | .918 | 0 | 3 |
| Total | 50 | .64 | .776 | 0 | 3 |
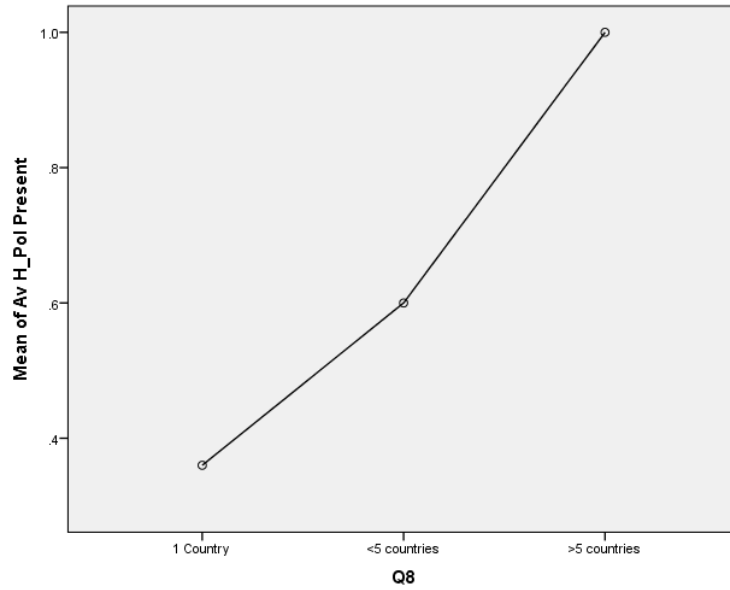
**Figure 16: Hypothesis 10 means plot**

Figure 16 seems to indicate that as the complexity (number of countries of operation) of the respondent's organisation increases so does the prevalence of harmful bureaucratic policies. Table 29 shows the results of the homogeneity of variances test for Hypothesis 10 and Table 30 shows the results of the corresponding ANOVA analysis.

**Table 29: Hypothesis 10 test for homogeneity of variances**

Av H_Pol Present

| Levene Statistic | df1 | df2 | Sig. |
|---|---|---|---|
| 1.582 | 2 | 47 | .216 |

Table 29 indicates that homogeneity of variances can be assumed as P = 0.216 (P>0.05).

**Table 30: Hypothesis 10 ANOVA analysis**

Av H_Pol Present

| | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Between Groups | 4.560 | 2 | 2.280 | 4.293 | .019 |
| Within Groups | 24.960 | 47 | .531 | | |
| Total | 29.520 | 49 | | | |

The P value in Table 30 is 0.019 and therefore there are significant differences between groups at the 95% confidence level. As there was homogeneity of variances a Tukey post hoc analysis was conducted the results of which are presented in Table 31.

**Table 31: Hypothesis 10 Tukey post hoc analysis**

| | (I) Q8 | (J) Q8 | Mean Difference (I-J) | Std. Error | Sig. |
|---|---|---|---|---|---|
| Tukey HSD | 1 Country | <5 countries | -.240 | .357 | .781 |
| | | >5 countries | **-.640**[*] | .219 | .014 |
| | <5 countries | 1 Country | .240 | .357 | .781 |
| | | >5 countries | -.400 | .364 | .520 |
| | >5 countries | 1 Country | **.640**[*] | .219 | .014 |
| | | <5 countries | .400 | .364 | .520 |

Table 31 indicates that there is a significant difference between the mean number of harmful bureaucratic policies present in local companies (present in 1 country) and multinational companies (present in more than 5 countries) as P = 0.014 (P<0.05).

Table 23 shows that hypothesis $H10_0$ can be rejected at the 95% confidence level for the case of multinational companies compared with local companies. Hence companies that operate in more than 5 countries have more of the identified harmful bureaucratic policies than companies that operate in a single country.

### 5.3.6 Hypothesis 11

See Table 5 for the full statements of Hypothesis 11. For ease of reference the mathematical formulation of Hypothesis 11 is given below:

$$H11_0: Mean\ Bureaucratic\ harm\ score\ _{senior} = Mean\ Bureaucratic\ harm\ score\ _{junior}$$

$$H11_a: Mean\ Bureaucratic\ harm\ score\ _{senior} < Mean\ Bureaucratic\ harm\ score\ _{junior}$$

Figure 5 shows the sample distribution of the  respondents' managerial level in their organisations.

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An ANOVA test was conducted because there are three independent categorical groups (senior; middle; junior) which gave rise to a dependent variable (mean bureaucratic harm) on a continuous scale.

There were no significant outliers undermining the validity of the test. A normal distribution was assumed. This situation therefore satisfies the relevant criteria to perform an ANOVA analysis (Van den Berg, 2014d).

The descriptive statistics for Hypothesis 11 are presented in Table 32. The mean bureaucratic harm scores for the categories of senior, middle and junior management are presented in Figure 17.

**Table 32: Hypothesis 11 descriptive statistics**

|        | N  | Mean  | Std. Deviation | Minimum | Maximum |
|--------|----|-------|----------------|---------|---------|
| Junior | 4  | 3.666 | 1.186          | 2.000   | 4.667   |
| Middle | 28 | 3.952 | .809           | 1.667   | 5.000   |
| Senior | 18 | 4.037 | .892           | 2.333   | 5.000   |
| Total  | 50 | 3.960 | .856           | 1.667   | 5.000   |
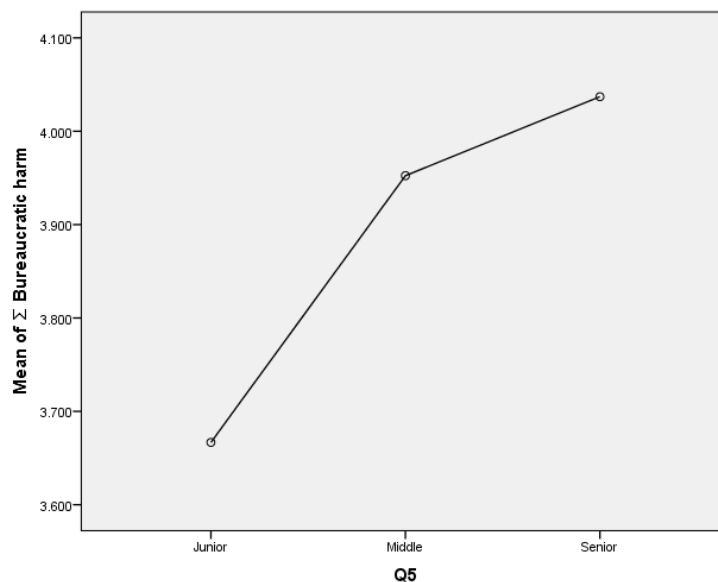


**Figure 17: Hypothesis 11 means plot**

Figure 17 seems to indicate that as the seniority of the respondent increases so does the perceived harmfulness of bureaucratic policies. Table 33 shows the results of the

homogeneity of variances test for Hypothesis 11 and Table 34 shows the results of the corresponding ANOVA analysis.

**Table 33: Hypothesis 11 homogeneity of variances test**

∑ Bureaucratic harm

| Levene Statistic | df1 | df2 | Sig. |
|---|---|---|---|
| .440 | 2 | 47 | .647 |

Table 33 indicates that homogeneity of variances can be assumed as P = 0.647 (P>0.05).

**Table 34: Hypothesis 11 ANOVA analysis**

∑ Bureaucratic harm

| | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Between Groups | .452 | 2 | .226 | .300 | .742 |
| Within Groups | 35.469 | 47 | .755 | | |
| Total | 35.921 | 49 | | | |

The P value in Table 34 is 0.742 (P>0.05) and therefore there are no significant differences between groups. Therefore it is not necessary to continue with the post hoc analysis.

Table 34 shows that hypothesis $H11_0$ cannot be rejected at the 95% confidence level. Hence there is no difference between how respondents of differing levels of seniority perceived the harmful bureaucratic policies identified.

### 5.3.7 Hypothesis 12

See Table 5 for the full statements of Hypothesis 12. For ease of reference the mathematical formulations of Hypothesis 12 is given below:

$H12_0: Mean\ Bureaucratic\ harm\ score_{\,long\ tenure\ in\ current\ role} =$
$Mean\ Bureaucratic\ harm\ score_{\,short\ tenure\ in\ current\ role}$

$H12_a: Mean\ Bureaucratic\ harm\ score_{\,long\ tenure\ in\ current\ role} <$
$Mean\ Bureaucratic\ harm\ score_{\,short\ tenure\ in\ current\ role}$

Figure 6 shows the sample distribution between the respondents experience in their current roles.

An ANOVA test was conducted because there were four independent categorical groups (0-5 years, 6-10 years, 11-20 years and >20 years) which gave rise to a dependent variable (mean bureaucratic harm) on a continuous scale.

There were no significant outliers undermining the validity of the test. A normal distribution was assumed. This situation therefore satisfies the relevant criteria to perform an ANOVA analysis (Van den Berg, 2014d).

Table 35 shows the descriptive statistics pertaining to Hypothesis 12.

**Table 35: Hypothesis 12 descriptive statistics**

|  | N | Mean | Std. Deviation | Minimum | Maximum |
|---|---|---|---|---|---|
| 0-5 years | 14 | 3.904 | .767 | 2.333 | 5.000 |
| 6-10 years | 11 | 4.090 | .559 | 3.333 | 5.000 |
| 11-20 years | 16 | 3.895 | 1.133 | 1.667 | 5.000 |
| >20 years | 9 | 4.000 | .833 | 2.000 | 4.667 |
| Total | 50 | 3.960 | .856 | 1.667 | 5.000 |

Table 35 indicates that there seems to be no difference between the means of the bureaucratic harm across the various tenure categories. Table 36 shows the results for the homogeneity of variance test for Hypothesis 12 and Table 37 shows the corresponding results for the ANOVA analysis.

**Table 36: Hypothesis 12 test for homogeneity of variances**

∑ Bureaucratic harm

| Levene Statistic | df1 | df2 | Sig. |
|---|---|---|---|
| 3.727 | 3 | 46 | .018 |

Table 36 indicates that homogeneity of variances cannot be assumed as P = 0.018 (P<0.05).

**Table 37: Hypothesis 12 ANOVA analysis**

∑ Bureaucratic harm

|  | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Between Groups | .312 | 3 | .104 | .134 | .939 |
| Within Groups | 35.610 | 46 | .774 | | |
| Total | 35.921 | 49 | | | |

The P value in Table 37 is 0.939 (P>0.05) and therefore there are no significant differences between groups. Therefore it is not necessary to continue with the post hoc analysis.

Table 37 shows that hypothesis $H12_0$ cannot be rejected at the 95% confidence level. Hence there is no difference between how respondents of differing tenure perceived the identified harmful bureaucratic policies.

However caution needs to be exercised in accepting the results of the hypothesis test in Table 37 because fundamentally it is based on an arbitrary categorisation of a continuous variable into certain ranges. If different ranges were chosen for tenure different results may have been obtained.

Therefore the scatter plot Figure 18 was produced to check if the data seemed to follow any trends.
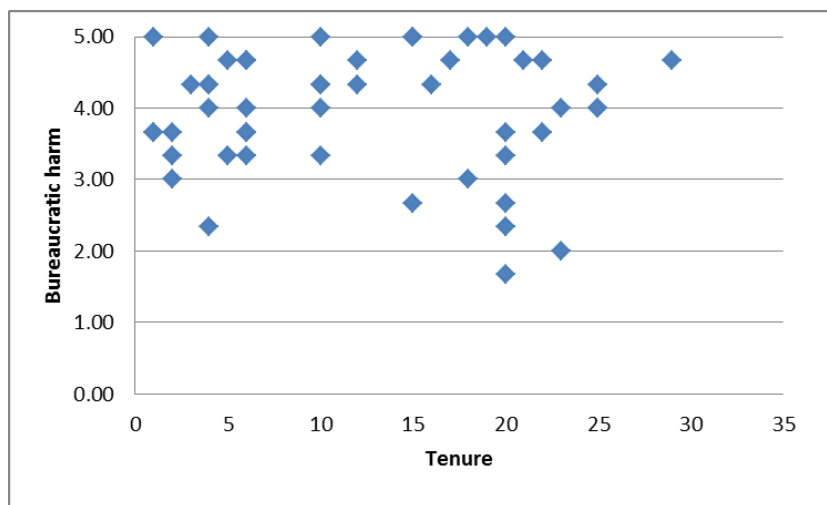


**Figure 18: Relationship between tenure and perception of bureaucratic harm**

From Figure 18 it appears that the data does not follow any trend.

To determine statistically if bureaucratic harm had a linear relationship with tenure a Pearson Correlation was run. This is appropriate because the sample comprised of two metric variables, the sample size was sufficiently large (N>30) and the observations were independent (Van den Berg, 2014a).

**Table 38: Pearson Correlation between bureaucratic harm and tenure**

|  |  | ∑ Bureaucratic harm | Q6 |
|---|---|---|---|
| ∑ Bureaucratic harm | Pearson Correlation | 1 | -.040 |
|  | Sig. (2-tailed) |  | .781 |
|  | N | 50 | 50 |
| Q6 | Pearson Correlation | -.040 | 1 |
|  | Sig. (2-tailed) | .781 |  |
|  | N | 50 | 50 |

Table 38 shows that there is no significant linear correlation between bureaucratic harm and tenure as P = 0.78 (P>0.05).

Therefore it seems that the conclusion that hypothesis $H12_0$ cannot be rejected at the 95% confidence level was not the result of arbitrary categorisation but truly represents the data collected. This assumed that there was no significant non-linear relationship in the data that went undetected.

### 5.3.8 Hypothesis 13

See Table 5 for the full statements of Hypothesis 13. For ease of reference the mathematical formulation of Hypothesis 13 is given below:

$$H13_0: Mean\ Bureaucratic\ harm\ score_{good\ times} =$$
$$Mean\ Bureaucratic\ harm\ score_{tough\ times}$$

$$H13_a: Mean\ Bureaucratic\ harm\ score_{good\ times} \neq$$
$$Mean\ Bureaucratic\ harm\ score_{tough\ times}$$

Figure 4 shows the sample distribution of respondents' perception of the current economic climate.

An independent samples T test was conducted because there are two independent categorical groups (good times and tough times) which gave rise to a dependent variable (bureaucratic harm) on a continuous scale.

There were no significant outliers undermining the validity of the test. A normal distribution was assumed. This situation therefore satisfies the relevant criteria to perform an independent samples T test (Van den Berg, 2014b).

Table 39 shows the descriptive statistics pertaining to Hypothesis 13.

**Table 39: Hypothesis 13 descriptive statistics**

|  | Q4 | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|---|
| ∑ Bureaucratic harm | Good times | 3 | 3.555 | 1.644 | .949 |
|  | Tough times | 47 | 3.985 | .807 | .117 |

Table 39 seems to indicate that respondents who felt they were in a good market perceive bureaucratic policies as less harmful than those in a tough market. However Table 39 also indicates that on 3 respondents felt that they were in a good market and therefore based on this small sample size it is necessary to exercise caution. Table 40 shows the results of the independent samples T test for Hypothesis 13.

**Table 40: Hypothesis 13 independent samples T test**

|  | Levene's Variance Test | | t-test for Equality of Means | | |
|---|---|---|---|---|---|
|  | F | Sig. | t | df | Sig. (2-tailed) |
| Equal variances assumed | 4.716 | 0.035 | -0.841 | 48 | 0.404 |
| Equal variances not assumed |  |  | -0.45 | 2.062 | 0.696 |

Table 40 indicates that equal variances cannot be assumed as P = 0.035 (P<0.05). The T test in Table 40 shows that P = 0.696 (P>0.05). Therefore hypothesis $H13_0$ cannot be rejected at the 95% confidence level. Hence there was no difference between how respondents with different perspectives on the current economic climate perceived the identified harmful bureaucratic policies.

### 5.3.9 Summary of hypothesis testing

Table 41 summarises the results of the 13 hypothesis tests conducted.

**Table 41: Summary of results of hypothesis testing**

| Hypothesis | Result |
|---|---|
| $H1_0$ | Cannot be rejected at the 95% confidence level |
| $H2_0$ | Can be rejected at the 95% confidence level |
| $H3_0$ | Can be rejected at the 95% confidence level |
| $H4_0$ | Can be rejected at the 95% confidence level |
| $H5_0$ | Can be rejected at the 95% confidence level |
| $H6_0$ | Cannot be rejected at the 95% confidence level |
| $H7_0$ | Can be rejected at the 95% confidence level |
| $H8_0$ | Cannot be rejected at the 95% confidence level |
| $H9_0$ | Cannot be rejected at the 95% confidence level |
| $H10_0$ | Can be rejected at the 95% confidence level |
| $H11_0$ | Cannot be rejected at the 95% confidence level |
| $H12_0$ | Cannot be rejected at the 95% confidence level |
| $H13_0$ | Cannot be rejected at the 95% confidence level |

As shown in Table 5 each of these hypotheses helps to answer one of two broad problems: the main research problem and the sub research problem.

The extensive hypothesis testing conducted helps to paint a composite picture of the answers to these two problems. The generation of this picture is the subject of the discussion section of this report.

# 6 Discussion of results

This chapter discusses the results in light of the theory presented in the literature review. The limitations imposed by the sample and the research questionnaire are discussed upfront. The results are then discussed under the broad banners of the main research problem and the sub research problem.

For ease of reference the main and sub research problems are presented below and the hypotheses pertaining to each are shown in Table 42.

**Main research problem:** What supplier specific policies are most harmful or helpful to building the psychological contract between individuals in the supplier firm and the individuals in the customer firm?

**Sub problem:** What variables influence the degree to which marketing managers in supplier firms positively or negatively perceive bureaucratic policies? What variables help predict the prevalence of harmful bureaucratic policies in organisations?

**Table 42: Hypotheses pertaining to main and sub research problem**

| Main research problem | Hypothesis 2-7 |
|---|---|
| Sub research problem | Hypothesis 1and 8-13 |

## 6.1 Discussion of sample

### 6.1.1 Applicability and reliability of sample

The sample was purposively selected to study the contractual transaction B2B relationship identified by Cannon and Perreault (1999). Figure 2 and Figure 3 show that almost all of the respondents (approximately 90%) have current experience of this kind of B2B relationship. This high number is due to the purposive sampling that was used. The results therefore are highly applicable as they reflect the opinions of individuals with real world experience of the specific B2B relationship that is being studied.

The sample has no significant outliers. This is borne out by the frequency distributions such as Figure 11 which shows that the distributions have no gaps in them.

### 6.1.2   Sample limitations

The fact that the sample was small (N=50) placed limitations on the relationships that could be reliably studied.  For example Figure 10 shows that there were only six respondents who identified themselves as working in coercive environments.  While there appears to be a trend in the way these individuals perceive harmful bureaucratic policies this cannot be statistically isolated because of the small sample size.

Figure 4 shows that respondents overwhelmingly perceived their organisations to be facing difficult economic times which aligns with what was predicted for the companies in the commodity industry by Macdonald and Ovaska (2016). The cross sectional nature of this study means that unfortunately the impact of tough economic circumstances on the way bureaucratic policies are perceived could not be reliably isolated. This would have been an interesting relationship to study as Nickell et al. (2013) described how some companies are changing policies in tough economic situations.

Figure 5 shows that only 8% of respondents identified themselves to be junior managers and therefore the sample is skewed towards the higher levels of management.  The low percentage of junior manager respondents means that their views on bureaucratic policies cannot be reliably isolated from the views of senior managers.

### 6.1.3   Diversity of sample

Although the sample had limited diversity in some aspects (such as respondent perception of current economic climate) there were many other areas in which the sample leant itself towards answering the research problems.

Figure 6 shows that the respondents had diverse amounts of experience in their current roles. Figure 7 and Figure 8 shows an approximately equal spread between small and large companies as well as between local and multinational companies. This spread enables the comparison of respondents' perceptions of bureaucratic policies across different sizes and levels of complexity of organisations.

### 6.1.4 Summary of sample discussion

Overall the sample allowed for a thorough investigation into the research problems. The main limitations of the sample pertain to investigating the relationship between the coercive environment, management level and the impact of recession on the way respondents perceive bureaucratic policies.

## 6.2 Main research problem

Hypotheses 2-7 related to the main research problem where the impact of six different policies on supplier marketing managers' ability to maintain psychological contracts was examined. These policies were categorised as helpful, indifferent and harmful.

### 6.2.1 Hypothesis 2 (Policy C)

Hypothesis 2 statement: "The policy of having multiple sign offs to respond to a customer's complaint or query will be perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers."

Policy C statement from questionnaire: "There are a number of sign offs required to get permission to respond to your customer's query or complaint."

Hamel and Zanini (2016) identified that many modern corporates have a number of sign offs required to get permission to respond to a customer's query or complaint which results in lower response times and the potential frustration and loss of the customer. This is in line with the results presented in Figure 12 which showed that supplier marketing managers viewed this policy as harmful. Not only is this policy viewed as harmful but Table 21 shows that Policy C was present in 30% of the respondents' organisations. Therefore Policy C is something managers should be aware of because not only is it perceived to be harmful to the ability to maintain psychological contracts with customers but it is also relatively common in contemporary organisations.

### 6.2.2 Hypothesis 3 (Policy D)

Hypothesis 3 statement: "The policy of having many departments involved in relationships with customers will be perceived by supplier marketing agents as harmful

to the ability to maintain psychological contracts with customers because it confuses who is ultimately accountable for maintaining the relationship."

Policy D statement from questionnaire: "There are so many departments that are involved in the relationship with your customers that nobody recognises who is ultimately accountable for maintaining the relationship."

Hamel and Zanini (2016) noted that in many modern corporates there are so many departments that are involved in the relationship with customers that nobody recognises who is ultimately accountable for maintaining the relationship. This ultimately leads to lower customer service. This is in line with the results presented in Figure 12 which showed that supplier marketing managers viewed this policy as harmful to their ability to maintain healthy psychological contracts with customer marketing agents in a B2B context. However Table 21 shows that Policy D was present in only 4% of the respondents' organisations. Therefore whilst Policy D is theoretically harmful it seems that most organisations have managed to overcome the difficulty of excessive departmentalisation.

The fact that organisations largely seem to be effective at communicating who is responsible for maintaining customer relationships could have various root causes. The first reason may be the proliferation of the "Management by Objectives" (MBO) philosophy which was developed over 60 years ago and which more recently gained increasing traction under the banner of the "Balanced Scorecard" (Dinesh & Palmer, 1998). This philosophy cascades goal setting and goal congruence through an organisation which may have resulted in increasing clarity with regard to who is accountable for each specific goal. The second reason may have to do with the fact that the study concentrated on B2B marketing and not B2C marketing. B2B marketing is different to B2C marketing in that there are a smaller number of potential customers and the relationships are generally longer term (Cohn, 2015). This difference could imply that there is inherently more clarity on who is responsible for maintaining a B2B relationship than a B2C relationship.

### 6.2.3  Hypothesis 4 (Policy E)

Hypothesis statement: "The policy of having an organisational structure where the majority of managers never interact with customers will be perceived by supplier

marketing agents as harmful to the ability to maintain psychological contracts with customers."

Policy E statement from questionnaire: "The majority of managers in your company never interact with customers."

Hamel and Zanini (2016) noted that a harmful form of bureaucracy is that in many companies today the majority of managers in a company never interact with customers. Due to the fact that these managers do not interact with customers it is believed that they do not understand what is required to keep customers happy. However often these managers are in charge of key resources such as logistics or finance which are needed by customer facing managers to satisfy customer needs. This agrees with the results presented in Figure 12 which shows that supplier marketing managers viewed this policy as harmful to their ability to maintain healthy psychological contracts with customers. Furthermore Table 21 shows that Policy E was also present in 30% of the respondents' organisations. Therefore Policy E is something managers should guard against because not only is it perceived to be harmful to the ability to maintain psychological contracts with customers but it is also common in contemporary organisations.

The difficulty posed by Policy E could potentially be overcome by ensuring that non-customer facing managers such as CIO's have key performance metrics (KPI's) which are aligned to serving their customer facing colleagues (Mitra, Sambamurthy, & Westerman, 2011). According to Mitra et al. (2011) CIO's are looking to communicate the value they bring to other members of the organisations by communicating to other business executives by asking them "What are your key measures of success and how can I contribute?" (p. 58). The challenge remains however that not all non-customer facing departments may feel the need to prove their legitimacy. For example an established department like accounting may feel it does not need to align its KPI's to other units as it is already well established and embedded within organisations (Scott, 2008).


### 6.2.4 Hypothesis 5 (Policy B)

Hypothesis statement: "The policy of encouraging employees to visit and build relationships with customers will be perceived by supplier marketing agents as helpful to the ability to maintain psychological contracts with customers."

Policy B statement from questionnaire: "You are encouraged to visit and build a relationship with your customers and this is viewed as time well spent by your organisation."

Hamel and Zanini (2016) noted that employees in modern corporations often spend a lot of time on non-value adding tasks such as completing complex performance appraisals and filling in multiple reports. Meanwhile these employees could rather be encouraged to go visit and build relationships with customers. This is in line with the results presented in Figure 12 which show that supplier marketing managers viewed this policy as helpful to their ability to maintain healthy psychological contracts with customers. Interestingly Table 21 shows that Policy B was present in 96% of the respondents' organisations. Therefore Policy B is almost ubiquitous in all organisations and might not be a source of differentiation.

However it is conceivable that the phrasing of the question failed to capture the tension highlighted by Hamel and Zanini (2016) between visiting customers and completing internal documents. It is possible that respondents answered this question by generically considering whether their organisation valued spending time with customers and not considering the type of trade off envisioned by Hamel and Zanini (2016). A better phrasing of the question might have been: "Your boss would prefer it if you constantly attended to your customer's needs first even if that meant you were often late to hand in internal reporting documents."

### 6.2.5   Hypothesis 6 (Policy A)

Hypothesis statement: "The policy of needing to account for and measure everything will be perceived by supplier marketing agents as harmful to the ability to maintain psychological contracts with customers."

Policy A statement from questionnaire: "Managers need to properly account for and measure everything. If it cannot be accounted for easily you cannot do it."

Vanharanta et al. (2014) noted that organisational elites have a tendency to want to properly account for and measure everything. This tendency often prevents individuals from taking courses of action which might rationally be the best option in favour of following a path which is more readily measureable. An example of this sort of behaviour is taking out foreign exchange contracts so that the exact exchange rate applicable to a transaction can be isolated without regard to the premium that is paid to

the bank for these contracts. However the results presented in Figure 12 show that supplier marketing managers viewed this policy as indifferent to their ability to maintain healthy psychological contracts with customer marketing agents in a B2B context. Furthermore Table 21 shows that Policy A is present in 52% of the respondents' organisations. This indicates that approximately half of the organisations represented will not allow marketing managers to do something that cannot be readily accounted for.

Table 17 shows that Policy A had the highest standard deviation of respondents' perceptions of how helpful or harmful a policy was. Figure 11 shows that Policy A (question 12 from the questionnaire) had a distribution with two peaks at either end of the spectrum. Respondents were split, 46% viewed the policy as helpful or somewhat helpful whilst 42% viewed the policy as harmful or somewhat harmful. Only 12% of respondents viewed the policy as indifferent. Interestingly the confidence interval approach resulted in deeming this policy as indifferent.

The divide in respondents' opinions is interesting. One explanation could be that the profession of accounting is deeply ingrained and accepted by respondents as essential for business success. Therefore many of the respondents did not consider what impact it would have on relationships with customers despite being asked to but instead reverted to the axiom "accounting is good and necessary." This argument connects to how Scott (2008) described the phenomenon of professionals writing the script of modern business when he stated that: "Professionals are not the only, but are — I believe — the most influential, contemporary crafters of institutions" (p. 223). Therefore being asked to question the established hegemony accountants currently enjoy within the organisational hierarchy may have resulted in the mixed views of the respondents towards Policy A.


### 6.2.6   Hypothesis 7 (Policy F)

Hypothesis statement: "The policy of encouraging intuitive decision making to satisfy customer requests even when this action cannot be properly accounted for and measured will be perceived by supplier marketing agents as helpful to the ability to maintain psychological contracts with customers.

Policy F statement from questionnaire: "Your company supports intuitive decision making. You are encouraged to make judgement calls to keep your customer happy (even when there is no paper trail supporting your decision)."

Vanharanta et al. (2014) noted that certain environments tended to support marketing managers when they made intuitive decisions with the goal of satisfying customers whereas other environments strongly discouraged this kind of initiative. Vanharanta et al. (2014) also noted that when marketing managers are given this freedom within the correct environment they can contribute significantly towards organisational performance. This is in line with the results presented in Figure 12 which show that supplier marketing managers viewed this policy as helpful to their ability to maintain healthy psychological contracts with customers. Furthermore Table 21 shows that Policy F is present in 58% of the respondents' organisations. This may be partially due to the fact that the sample is skewed slightly towards senior levels of management which tend to have more discretion than junior levels of management. Nevertheless this shows that most companies recognise the value that can be unlocked by allowing marketing managers to make intuitive decisions.

### 6.2.7 Summary of hypotheses pertaining to the main research question

The discussion of Hypotheses 2-7 yielded several insights into the main research problem of "what supplier specific policies are most harmful or helpful to building the psychological contract between individuals in the supplier firm and individuals in the customer firm?"

Psychological contracts have been identified as a mechanism for understanding the individuals involved in B2B marketing relationships (Arnott et al., 2007). Arnott et al. (2007) noted that healthy psychological contracts indicate trusting relationships and that violations of the psychological contract pointed towards a breakdown of trust. Trent (2016) highlighted that from the supplier's side there are many benefits to building a trusting relationship - for example lower transaction costs and becoming the strategic partner of the buyer.

In this context Policies C-E were identified as harmful to the psychological contract. What do these policies have in common that makes them harmful? How can managers ensure that the negative effects of these policies are mitigated if these policies are unavoidable? All three harmful policies can potentially be viewed more generally as organisational culture problems. Excessive signoff policies, obfuscating departmentalisation and harm caused to customer relationships by non-customer facing managers are indicative of an inwardly focused organisation that needs to be reoriented towards the market.

Market reorientation requires pushing departments and managers that are non-customer facing to consider customer needs. This process is difficult to entrench in company culture and represents the last stage of the customer focus journey described by Gulati and Oldroyd (2005).  Facing a similar challenge, Jeff Immelt, CEO of General Electric, attempted to combat what he believed to be the inward focus of his organisation by raising the profile of the marketing function and insisting that vice president level marketing officers were appointed to each business unit (Bartlett, Hall, & Bennett, 2008). This research on the impact of policies on the psychological contract may provide a new way of helping business leaders think about customer focus as opposed to internal focus. This is because psychological contracts consider the strength of a relationship, the warmth present in a relationship and ability to keep promises in a relationship (Lövblad & Bantekas, 2010). The "policy DNA" of an organisation may therefore provide a new measure of customer focus by considering how the policies present in an organisation may harm customer relationships.

Customer relationships are not only harmed by policies but they can also be helped. The two policies that were identified as helpful (B and F) were related to visiting customers and demonstrating flexibility towards them. Balcomb (2014) noted that bureaucracy has a tendency to dehumanise people but according to Lövblad and Bantekas (2010) psychological contracts require warmth and flexibility to remain strong.

There was one policy (Policy A) which was thought to be internally focused which was judged by marketing managers as indifferent to their ability to maintain healthy psychological contracts.  This was the policy of have to "account for and measure everything." However upon closer inspection this policy could be argued to possess a customer focus counter force because an accurate account of business dealings allows marketing managers to demonstrate to customers that promises have been kept which is one of the core aspects of the psychological contract (Lövblad & Bantekas, 2010).

From the discussion of harmful and helpful policies two broad themes have emerged. These are the inward focus of an organisation (as opposed to a customer focus) and the humanising nature of a policy.  Where a policy was humanising such as encouraging flexibility in the response to customer requests it was viewed as good for the health of the psychological contract. Where a policy was inwardly focused such as signoffs to respond to a customer query it was viewed as harmful to the psychological contract.

This discussion results in the following model in Figure 19 being proposed. The model is based on Balcomb (2014) and Lövblad and Bantekas (2010) and their respective conceptualisations of bureaucracy and psychological contracts. The model suggests that every business policy has an inherent pull in it. Either it will pull the organisation towards internal focus by the forces of isomorphism or it will pull the organisation toward customer focus by the forces of active customer focus interventions. If the tendency of a policy is towards internal focus it will push managers into behaviour that is damaging towards customer relationships. If the tendency of the policy is more relationship focused it will push managers to reduce the control and efficiency in the organisation in order to satisfy the demands of the relationship. The model suggests that it is the business leader's job ultimately to neutralise the harmful pull of policies by customer focus interventions or by control interventions. One example of how a business leader attempted to correct the focus of the policies in his organisation was already referenced in the case of Jeff Immelt driving market focus at GE (Bartlett et al., 2008).
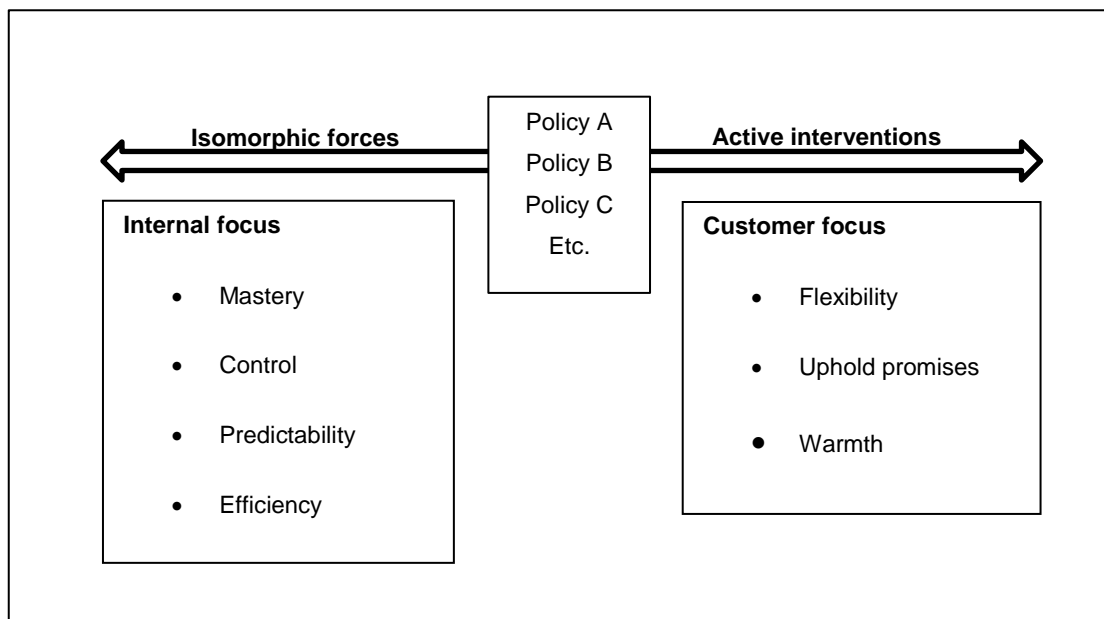


**Figure 19: Model to evaluate business policies**

Future research will elaborate on this model and provide a grading scale for evaluating a policy's pull towards internal or customer focus. Ultimately this can result in the mapping of organisation's "policy DNA." By obtaining a sample of an organisations

policy DNA it should be possible to predict what defects are likely to be present in relation to how the organisation balances customer focus and control.

## 6.3 Sub research problem

Hypotheses 1 and 8-13 related to the sub research problem. The discussion of these hypotheses gives insight into which variables impact the way marketing managers perceive bureaucratic policies. Furthermore the discussion of these hypotheses gives insight into whether it is possible to predict whether a certain organisation has a high prevalence of harmful bureaucratic policies.

### 6.3.1 Hypothesis 1

Hypothesis statement: "When an organisation is identified as having coercive formalisation the employees will perceive bureaucratic policies to be more harmful than the employees working in organisations with enabling formalisation."

According to Adler and Borys (1996) it is not the presence of formalisation (policies and rules) in an organisation that determines whether employees react negatively to a policy; it is the logic behind the formalisation that determines the response of employees.  In the questionnaire there were four questions dedicated to gauging the level of coercive logic present in the respondents' organisations.  These questions were combined into a coercive logic scale which Table 10 showed was internally consistent. The formal hypothesis test conducted in Table 13 showed that there was no difference at the 95% confidence level in the way respondents with low coercion scores and high coercion scores viewed harmful bureaucratic policies. These results appear to be contrary to Adler and Borys' paper.

However Figure 10 shows that there were only 6 respondents with coercion scores of higher than 3.  Isolating these individuals perception on the graph shows that they seem to have a far more unified view about the harmful nature of the bureaucratic policies put before them.  This was an interesting phenomenon but due to the small sample size of respondents with high coercion scores these results could not be analysed further.

Another consideration Adler and Borys (1996) submitted is that employees respond to the logic behind policies and not the policies themselves.  Potentially by the way the policies were worded in the questionnaire they already carried within themselves an

imprint of coercive or enabling logic. For example Policy C stated that there were a number of signoffs required to obtain "permission" to respond to a customer's query. It is possible that the word "permission" already carries with it connotations of coercion. Therefore the assumption that employees who work in more coercive environments perceive harmful bureaucratic policies as more harmful than employees who work in less coercive environments may be wrong. The more correct interpretation may be that all employees perceive policies with underlying coercive logic as more harmful than other policies regardless of whether their current environment is coercive or not.

### 6.3.2   Hypothesis 8

Hypothesis statement: "Respondents with higher self-efficacy scores will have less extreme views than respondents with lower self-efficacy scores on whether policies help or hurt their ability to maintain psychological contracts with customers."

Self-efficacy theory states that individuals with high self-efficacy are less likely to give up on a task and blame external forces for their failure (Robbins & Judge, 2013). The questionnaire contained three questions dedicated to gauging the level of self-efficacy of respondents. These questions were taken from the Sherer and Maddux (1982) self-efficacy scale. Table 8 shows that the scale generated from these questions was internally consistent. The formal hypothesis test conducted in Table 23 shows that respondents with higher self-efficacy scores do not have differing views to respondents with lower self-efficacy scores on whether the identified policies help or hurt their ability to maintain psychological contracts with customers.

On face value this appears to contradict the literature because individuals with high self-efficacy are expected to have a belief that they are able to control their environments by taking matters into their own hands (Schwarzer, 2014). Therefore it was hypothesized that high self-efficacy individuals would not perceive the issues posed by harmful bureaucratic policies as negatively as those with low self-efficacy.

However, Schwarzer (2014) also offers an alternative view of the construct of self-efficacy as "a self-confident view of one's capability to deal with certain life stressors" (p. 9). This alternative view shows that an individual with high self-efficacy might not necessarily perceive harmful bureaucratic policies differently to an individual with low self-efficacy but the difference will be in the self-confidence with which they respond to the problem.

### 6.3.3 Hypothesis 9

Hypothesis statement: "Larger organisations will have more harmful bureaucratic policies than smaller organisations."

Large organisations are generally structurally complex and therefore more difficult to control (Real et al., 2014). Bureaucracy has been identified at its core to be a philosophy of control, mastery and predictability (Balcomb, 2014). Therefore combining these two ideas bureaucratic policies are expected to be numerous in large organisations with many employees. Figure 15 seems to indicate that as the size of the respondent's organisation increases so does the prevalence of harmful bureaucratic policies. However the formal hypothesis test conducted in Table 27 illustrated that there was no difference in the number of harmful bureaucratic policies present in large and small companies.

This result appears to be contradictory to the literature. However this could be due to the fact that respondents were asked whether three harmful policies were present in their organisation and this list is by no means exhaustive. Results more agreeable to the literature may have been achieved if respondents were asked about a larger number of harmful bureaucratic policies.

### 6.3.4 Hypothesis 10

Hypothesis statement: "Organisations with offices in more than one country will have more harmful bureaucratic policies than organisations that operate in a single country."

The complexity of organisations makes them more difficult to control and hence bureaucracy is expected to emerge as a response to these challenges (Grinyer & Yasai-Ardekani, 1981). As corporations move from local to multinational their complexity increases. The formal hypothesis test in Table 30 as well as the post hoc analysis in Table 31 confirms that the number of harmful bureaucratic policies present in multinational corporations is greater than the number of harmful bureaucratic policies present in local corporations. This result also suggests that the dichotomy between local and multinational organisations is a better predictor of the presence of harmful bureaucratic policies than the number of employees in an organisation.

### 6.3.5   Hypothesis 11

Hypothesis statement: "Supplier marketing agents who are senior in their organisations will perceive bureaucratic policies as less harmful than supplier marketing agents who are junior in their organisation."

Authority is the right to decide by virtue of rank how other members in the organisation should perform a task or even to decide which tasks should be performed in the first place (Tannenbaum, 2013). Senior members of organisations therefore have more discretion than junior members of organisations when it comes to whether bureaucratic policies are followed because they have more authority. The increased discretion senior managers possess can be thought of as a "veto right." Due to the "veto right" belonging to senior managers it was hypothesized that they would view harmful bureaucratic policies as less harmful than junior managers. However the formal hypothesis test in Table 34 indicates that there is no difference between the way senior managers and junior managers view harmful bureaucratic policies.

Therefore it seems that while senior managers have more discretion than other managers regarding whether to obey bureaucratic policies this does not influence the way in which they perceive these policies. However it must be remembered that this hypothesis test was based on a small number of junior managers (N=4) and therefore the result should be treated with some scepticism.


### 6.3.6   Hypothesis 12

Hypothesis statement: "Supplier marketing agents who have spent a long time in their organisations will perceive bureaucratic policies as less harmful than supplier marketing agents who have not spent a long time in their organisations."

Social network theory offers an explanation for how individuals can influence an organisation even though they are not the highest ranking (Serrat, 2009; Tichy et al., 1979) . As relationships take time to build it was hypothesized that respondents with longer tenure in their current positions would wield more power (based on social network theory) and would therefore be less concerned with harmful bureaucratic policies as they had the networks to work around them. However the formal hypothesis test conducted in Table 37 shows that there was no difference between the way that respondents with differing levels of experience viewed harmful bureaucratic policies.

The explanation for this could be similar to the explanation of the results of hypothesis 11. Respondents with more social network power may be able to overcome the problems posed by harmful bureaucratic policies more effectively than their peers but this does not necessarily mean they perceive the policies as less harmful.

### 6.3.7   Hypothesis 13

Hypothesis statement: "Supplier marketing agent's perception of the harm caused by bureaucratic policies will be impacted by whether they perceive their industry to be going through difficult economic times."

Marketing managers are under increased pressure during a recession due to retrenchments and increased marketing activity (Nickell et al., 2013; Smallbone et al., 2013). It was hypothesized that this increased pressure would impact the way marketing managers viewed harmful bureaucratic policies. The formal hypothesis test conducted in Table 40 shows that the macroeconomic environment does not impact the way supplier marketing managers perceive harmful bureaucratic policies.

However this should not be given much weight due to the small sample size of managers who viewed their companies as experiencing good times (N=3). The fact that the vast majority of managers (94%) viewed their companies as going through a recession is important information for the generalizability of this study. When considering the results of this study it should always be kept in mind that the bulk of respondents viewed their organisations as facing difficult economic times.

### 6.3.8   Summary of hypotheses pertaining to the sub research question

The discussion of Hypotheses 1 and 8-13 has yielded several insights into the sub research problem of what variables influence the perception of the identified harmful bureaucratic policies and whether it is possible to predict which organisations will play host to these harmful policies.

This study has shown that while various groups have different abilities to cope with bureaucratic policies this does not mean it affects their perception of the harmful nature of these policies. Senior managers do not perceive the identified harmful bureaucratic policies differently to junior managers. Respondents with high self-efficacy do not perceive the identified harmful bureaucratic policies differently to respondents with low self-efficacy. Respondents with vast experience do not perceive the identified harmful

bureaucratic policies differently to respondents with minimal experience. This result is helpful because future research can build on the premise that while peoples' experience under harmful bureaucratic policies may be different their perception of the harmful policies is not different.

Literature indicates that peoples' perception of bureaucratic policies is influenced by the logic in the organisation in which the policy exists (Adler & Borys, 1996). However this study found that that people who work in organisations with a dominant coercive logic perceive harmful bureaucratic policies similarly to people who work in an enabling environment. One potential explanation for this phenomenon is that the coercive nature of the policies was communicated through the language used in the questionnaire (as was discussed under hypothesis 1).

With regard to what variables can help predict the presence of the identified harmful bureaucratic policies one variable was identified: complexity of business (local vs multinational). Based on literature it is expected that organisational size is also a good predictor (Real et al., 2014). One potential explanation for why this study did not find this is that the list of harmful bureaucratic policies tested was by no means exhaustive.

# 7 Conclusion

This chapter highlights the salient results from the discussion and their implications for theory and management. Then the limitations of the study are summarised and finally the direction for future research is suggested.

## 7.1 Principal findings

The principal theoretical findings of this study are presented below under the banners of the main and sub research problem.

### 7.1.1 Main research problem theoretical findings

The main research problem was "What supplier specific policies are most harmful or helpful to building the psychological contract between individuals in the supplier firm and the individuals in the customer firm?"

This study was the first of its kind to examine the relationship between institutional theory and B2B marketing through the lens of the psychological contract. The specific bureaucratic policies present in companies were likened to the bars of the "iron cage" which link together to create the institutional environment in which marketers operate. This study analysed six different policies identified by Hamel and Zanini (2016) and Vanharanta et al. (2014). Table 20 illustrated the effect of these policies on the psychological contract in a B2B marketing context.

The identified policies were seen to have a profound effect on marketing managers' ability to maintain healthy psychological contracts with contractual transaction B2B customers. The B2B contractual transaction relationship identified by Cannon and Perreault (1999) is by nature low in the relational aspect as it emphasises binding agreements, conservative operational linkages and low buyer/seller adaptations. Therefore the fact that this study found that policies within the supplier organisation can influence the psychological contract in this specific B2B relationship implies that other more interactive B2B relationships should be even more sensitive to these policies. Therefore a major contribution of this study to the literature is that psychological contracts in a B2B marketing setting must take cognisance of the institutional environment in which the supplier and buyer agents operate.

Furthermore several commonalities between the helpful, indifferent and harmful policies also constitute a major research finding of this study. Helpful policies were identified as those which at their core encouraged customer focus. This customer focus allowed marketing managers in the supplier firm to maintain the psychological contract as conceptualised by Lövblad and Bantekas (2010) as keeping their promises to customers and treating them with warmth and flexibility. Harmful policies were identified as those policies which drove supplier marketing managers into an internally focused mind-set which was described by Balcomb (2014) as mastery, control, predictability and efficiency. There was one policy which was judged by marketing managers as indifferent to the ability to maintain psychological contracts with customers. This policy balanced internal focus and customer focus which neutralised each other.

These commonalities between helpful, indifferent and harmful policies led to a model being proposed in Figure 19. This model forms the basis of the future research that is suggested later in this section.

### 7.1.2 Sub research problem theoretical findings

The sub research problem was: "What variables influence the degree to which marketing managers in supplier firms positively or negatively perceive bureaucratic policies? What variables help predict the prevalence of harmful bureaucratic policies in organisations?"

Table 43 summarises the impact the variables tested had on the perception of bureaucratic policies.

Table 43: Summary of impact of variables on perception of policies

| Variable | Impact |
|---|---|
| Degree of coercive formalisation in respondent organisation | No impact on perception of policies* |
| Self-efficacy of respondent | No impact on perception of policies |
| Respondent management level | No impact on perception of policies* |
| Respondent tenure | No impact on perception of policies |
| Respondent organisation macro-economic climate | No impact on perception of policies* |

\* The sample was not ideal to test this relationship. This is discussed later under the limitations section.

From Table 43 it is evident that while various groups have different abilities to cope with bureaucratic policies this does not mean it affects their perception of the harmful nature of these policies.

One variable was identified as a good predictor of the prevalence of harmful bureaucratic policies – complexity of business (where complexity was defined as the number of countries an organisation operates in). It was also noted that the number of employees is also expected to be a good predictor of the prevalence of harmful bureaucratic policies in an organisation. The reason it is believed that this study did not identify this is because respondents were only asked about the presence of three harmful policies in their organisations which is by no means an exhaustive list.

## 7.2  Implications for management

This study has some interesting implications for business leaders. Throughout this paper it has been argued that a strong psychological contract in B2B relationships indicates a trusting relationship (Arnott et al., 2007). Trent (2016) expounded on the various benefits to suppliers of maintaining a trusting relationship with buyers in a B2B context.

Therefore business leaders need to be aware of the policies they allow to germinate within their organisations in the same way a gardener needs to be wary of allowing alien species to grow. While these alien plants may seem beautiful they drain the nutrients and water from the soil and destroy the indigenous ecosystem. This study has shown that certain policies encourage an inwardly focused organisation which strives for mastery, control, efficiency and predictability ahead of maintaining customer relationships.

Some business leaders such as Jeff Immelt (CEO of General Electric) have attempted to fight against the inward focus of their organisation by elevating the importance of the marketing function within their company (Bartlett et al., 2008). Other business leaders have embarked on the "quest for customer focus" such as that described by Gulati and Oldroyd (2005). However this study provides the complementary strategy of considering the policies within a company and whether they encourage market focus or internal focus. It is the task of the business leader to ultimately strike the correct

balance between policies encouraging control and policies encouraging customer focus. This study provides business leaders with the model proposed in Figure 19 against which to hold up policies and interrogate if their pull towards internal or customer focus. Therefore this research provides a novel approach to business leaders to help ensure their companies' institutional environments actually support their customer focus initiatives.

## 7.3 Limitations of the research

The main limitation of this study relates to the sample collected. While the sample collected was strong in many respects due to its purposive nature it nevertheless imposed several limitations. Another aspect in which the research is intentionally limited is the scope.

### 7.3.1 Under representation of key demographics

The sample size was small (N=50) and several key demographics were under represented. These were junior managers (only 8% of the sample), respondents working for organisations going through good economic times (only 6% of the sample) and respondents working in highly coercive environments (only 12% of sample). Therefore this increases the chance of making a type two error where the null hypothesis is not rejected when it is actually false (Taylor, 2016). In order to decrease the risk of making a type two error a larger sample size would be needed (Imdadullah, 2012).

### 7.3.2 Limited number of policies tested

This study only examined marketing managers' perceptions of six different policies. The analysis would have been more robust if more policies had been tested. For example only three harmful policies were identified and based on these three harmful policies it was concluded that companies with thousands of employees do not have more harmful policies than companies with hundreds of employees. Clearly this test needs to be repeated with a more exhaustive set of harmful policies.

### 7.3.3 Scope of research

Figure 1 shows that this research only considered the research problem from the supplier marketing agents' perspective and yet the same research also needs to be conducted from the buyer's perspective. Buyers also have a need to maintain strong psychological contracts with suppliers they identify as strategic as this has been identified a new form of competitive advantage (Trent, 2016).

Furthermore, only a single type of B2B relationship was studied – the contractual transaction relation identified by Cannon and Perreault (1999). Analysis of other kinds of B2B relationships was beyond the scope of this research.

## 7.4 Directions for future research

The model proposed in Figure 19 serves as an interesting starting point for future research. Additional policies can be tested against this model to determine its robustness. Then different types of B2B relationships can be tested –for example the mutually adaptive or customer is king relationship identified by Cannon and Perreault (1999). Once a holistic picture emerges of how bureaucratic policies affect B2B psychological contracts from the suppliers' perspective, attention can then be turned to studying this relationship from the buyers' perspective.

Adler and Borys' (1996) paper on coercive logic also warrants more consideration in the context of bureaucracy's effect on psychological contracts. The use of coercive language when describing the policies could be used to test respondents' reactions of how they perceive the policy will affect the B2B psychological contract.

The testing of additional policies will also serve to create a more comprehensive list of helpful and harmful policies for managers to be aware of.  In a sense this can be viewed as mapping the bureaucratic genome, where individual policies are genes which combine to make up the policy DNA of an organisation.

Finally the linkages between policies can also be studied.  For example a policy may not be harmful if accompanied by another policy which neutralises its negative effects. Extending this idea, an organisation may be customer focused overall if the correct balance between control oriented and relationship oriented policies is achieved.

## 7.5  Concluding note

This study was concerned with "crafting psychological contracts in the presence of iron cages" or more colloquially maintaining strong relationships with customers in the presence of bureaucracy.  Vanharanta et al. (2014) examined how the institutional environment supported marketing managers when it came to making intuitive decisions. Lövblad and Bantekas (2010) considered how psychological contracts could be used to better understand B2B marketing relationships. This study has combined these ideas by considering the relationship between institutional theory and B2B marketing when viewed through the lens of psychological contracts.  This field has shown to be fertile soil for new research which assists business leaders in setting policies that maintain the balance between control and customer focus.

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# 9 Appendix

## 9.1 Questionnaire

Below is a verbatim copy the questionnaire that was sent out to respondents via web link using the survey monkey platform.

**Industrial marketing survey: Consent**

**Question 1:** Good day, I'm conducting research on the industrial marketing of commodities as part of my studies towards an MBA. Specifically, I would like to understand how a company's bureaucratic landscape and culture helps or hurts its marketing agents' ability to maintain key customer relationships.

To that end I would greatly appreciate it if you would fill out my questionnaire.

- It should take approximately 10 minutes of your time.
- There are 28 multiple choice questions.
- Your participation in this survey is anonymous.
- The data collected from you will be used without identifiers.
- By completing this survey you indicate that you voluntarily participate in this research.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

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- I agree to be part of this study
- I do not agree to be part of this study

**Question 2:** Does your organisation sell a commodity product? Mirriam Webster defines a commodity product as: "a good or service whose wide availability typically leads to smaller profit margins and diminishes the importance of factors (such as brand name) other than price."

- Yes
- No

**Question 3:** Are you involved in representing your company in the sale of commodities to another business where there are written contracts in place that govern this relationship? For example distributorship agreements and/or sales contracts.

- Yes
- No

**Question 4:** How would you characterise the current market in which your company operates?

- Good times: Companies in your market are generally performing well financially
- Tough times: Companies in your market are generally under financial pressure

**Industrial marketing survey: Background information**

**Question 5:** What is your level in your organisation? Please choose the option which best describes you.

- Top level manager (CEO/CFO/CMO/CIO/Director etc.) Responsible for the strategic direction of the company. Accountable to shareholders for performance.
- Middle level manager (Branch manager/department manager/general manager etc.) Responsible for implementing strategic plans and goals. Accountable to top level managers for performance.
- Low level manager or associate (Foreman/Supervisor/Associate etc.) Accountable to middle level managers for performance.

**Question 6:** How many years of experience do you have in your current role?

**Question 7:** How many people does your organisation employ?

- Less than 10
- More or equal to 10; Less than 100
- More than or equal to 100; Less than 1000
- More than or equal to 1000

**Question 8:** How many countries around the world does your company have offices in?

- 1
- More than 1; Less than 5
- More than 5

**Industrial marketing survey: Background information**

For the following three questions, please rate the extent to which you agree or disagree with the statement.

**Question 9:** When you set goals for yourself you normally achieve them.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**Question 10:** You try to learn new things even when they look difficult to you.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**Question 11:** When you can't do a job the first time you attempt it, you keep trying until you can accomplish it.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**Industrial marketing survey: Thought experiment**

Imagine that the following policies (A-F) were implemented in your company. How would these policies affect your ability to maintain strong, warm relationships with your customers and how would the policies enable you or inhibit you from keeping your written and unwritten promises to your customers. Think specifically of customers with whom you had written supply contracts in place.

**Question 12:** Policy A: "Managers need to properly account for and measure everything. If it cannot be accounted for easily you cannot do it."

- Harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Irrelevant to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them

**Question 13:** Policy B: "You are encouraged to visit and build a relationship with your customers and this is viewed as time well spent by your organisation."

- Harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Irrelevant to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them

**Question14:** Policy C: "There are a number of sign offs required to get permission to respond to your customer's query or complaint."

- Harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Irrelevant to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them

**Question 15:** Policy D: "There are so many departments that are involved in the relationship with your customers that nobody recognises who is ultimately accountable for maintaining the relationship."

- Harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Irrelevant to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them

**Question 16:** Policy E: "The majority of managers in your company never interact with customers."

- Harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Irrelevant to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them

**Question 17:** Policy F: "Your company supports intuitive decision making. You are encouraged to make judgement calls to keep your customer happy (even when there is no paper trail supporting your decision)."

- Harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat harmful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Irrelevant to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Somewhat helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them
- Helpful to my ability to maintain strong, warm relationships with customers and keep my promises to them

**Industrial marketing survey: Organisation**

For the following questions please indicate if the statements are a good description of the company where you currently work.

**Question 18:** Statement A: "Managers need to properly account for and measure everything. If it cannot be accounted for easily you cannot do it."

- This is an accurate description of my organisation
- This is not an accurate description of my organisation

**Question 19:** Statement B: "You are encouraged to visit and build a relationship with your customers and this is viewed as time well spent by your organisation."

- This is an accurate description of my organisation
- This is not an accurate description of my organisation

**Question 20:** Statement C: "There are a number of sign offs required to acquire permission to respond to your customer's query or complaint."

- This is an accurate description of my organisation
- This is not an accurate description of my organisation

**Question 21:** Statement D: "There are so many departments that are involved in the relationship with your customers that nobody recognises who is ultimately accountable for maintaining the relationship."

- This is an accurate description of my organisation
- This is not an accurate description of my organisation

**Question 22:** Statement E: "The majority of managers in your company never interact with customers."

- This is an accurate description of my organisation
- This is not an accurate description of my organisation

**Question 23:** Statement F: "Your company supports intuitive decision making. You are encouraged to make judgement calls to keep your customer happy (even when there is no paper trail supporting your decision)."

- This is an accurate description of my organisation
- This is not an accurate description of my organisation

**Industrial marketing survey: Organisation 2**

Please indicate how strongly you agree or disagree with the statements regarding your organisation.

**Question 24:** Your organisation is characterized by formalised rules, manuals and policies that govern work behaviour.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**Question 25:** In your organisation employees are constantly given the opportunity to help improve the systems that are in place (for example the accounting system) instead of being forced into implementing the system blindly.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**Question 26:** In your organisation tasks are highly partitioned and employees who move beyond their specific departments are told "that's not your job."

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**Question 27:** Managers in your organisation take great care to explain why tasks must be completed not just that they must be completed.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**Question 28:** Managers in your organisation fear the opportunism of employees more than they value the potential contributions of these employees.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

## 9.2 Rationale behind the development of the questionnaire

Table 44 defends each question included in the questionnaire by highlighting its grounding in literature.

**Table 44: Rationale behind the development of the questionnaire**

| Section | Question | Rationale and supporting literature |
|---|---|---|
| Consent | 1. | Anonymity was offered to allay any concerns respondents had that their responses could be used against them. This was also important as many of the respondents were known to the researcher and it was necessary as far as possible to remove any social desirability bias (Sarnaick, 2015) |
| Filtering | 2. | It was necessary to determine which respondents worked for organisations that sold commodity products. The reason this is important is it was decided to study the contractual transaction B2B relationship as described by Cannon and Perreault (1999). This relationship is characterised by binding agreements, conservative operational linkages and low buyer/seller adaptations which is typical of the commodity industry. |
| | 3. | Asking the respondents whether they are involved in marketing commodities when there are written contracts in place governing the relationship helps to isolate the respondents who have experience of the contractual transaction B2B relationship as described by Cannon and Perreault (1999) |
| Influencing variables | 4. | Firms tend to reduce spending on key account management teams during a recession (Nickell et al., 2013). The effect of this on the perception of bureaucratic policies was argued in the literature review. It is therefore important to determine if supplier marketing agents believed they were in a recession. |

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| | 5. | Based on Tannenbaum (2013) it was argued that the perception of bureaucratic policies could change with seniority. Therefore it was necessary to determine the level of seniority of the respondents. |
|---|---|---|
| | 6. | Based on social network theory described by Tichy et al. (1979) years of experience was expected to change the supplier marketing manager's perspective of certain bureaucratic policies. Therefore it was necessary to determine how many years the supplier marketing agents had worked in their current role. |
| | 7 - 8 | Based on Grinyer and Yasai-Ardekani (1981) it was expected that as the number of employees in an organisation increased and the number of international offices increased so would the number of bureaucratic policies in the organisation. Therefore it was necessary to ascertain the number of employees and the number of international offices the organisations the respondents worked for had. |
| Self -efficacy | 9 - 11 | These three questions came from the Sherer and Maddux (1982) self-efficacy scale from the general section to give a proxy for the respondent's self-efficacy. In the literature review it was argued that respondent's self-efficacy could potential influence their perspective on bureaucratic policies. |

| Policies thought experiment | 12 - 17 | Respondents were asked to imagine if policies (A-F) were implemented in their company and how these policies would affect their ability to maintain strong, warm relationships with their customers and how would the policies enable them or inhibit them from keeping their written and unwritten promises to your customers. Respondents were asked to think specifically of customers with whom they had written supply contracts in place.

Each of the policies were identified by Vanharanta et al. (2014) and Hamel and Zanini (2016).

The phrase psychological contract was not used anywhere in the questionnaire because it was believed that respondents would have found this terminology confusing. Instead a similar conceptualisation to that of Lövblad and Bantekas (2010) was used. In their questionnaire where they sought to determine the health of a psychological contract between a supplier and a buyer they asked questions which fell into three broad categories: warmth of relationship, strength of relationship and ability to fulfil promises.

Therefore in order to conduct the thought experiment on how the various policies were affecting the strength of the psychological contract the supplier marketing agents were asked how the respective policy would affect their "ability to maintain strong, warm relationships with customers and keep my promises to them".

Finally respondents were asked to consider how these policies would impact their ability to maintain these psychological contracts with customers who had written supply contracts in place.  This was to steer the respondents towards considering the contractual transaction B2B relationship as described by Cannon and Perreault (1999). |

| | | |
|---|---|---|
| Policy prevalence | 18-23 | Having determined which policies the supply marketing managers deemed as harmful or helpful it was then necessary to determine the prevalence of these policies in organisations so as to be able to estimate the perceived harm bureaucratic policies were causing to an organisation.<br><br>This group of questions is essential to answering the main research question. |
| Underlying motivation | 24-28 | This group of questions was based on Adler and Borys' (1996) article about the motivations underpinning different kinds of bureaucratic policies.  These questions sought to categorise the respondents organisations into organic, enabling, autocratic or mechanistic according to the descriptions found in this paper. |

## 9.3   Ethical clearance report

Dear Mr Paul Nieuwoudt

Protocol Number: **Temp2016-01370**

Title: **Application for ethical clearance for industrial marketing questionnaire**

Please be advised that your application for Ethical Clearance has been APPROVED.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

Adele Bekker