Student-Manager Surrogacy in Supply Chain Decision Making

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Numerous business researchers commonly use students as manager surrogates. It is therefore critical for business researchers to understand the viability of this target population for research purposes. In this study, we empirically investigated the student-manager surrogacy in supply chain decision making contexts. From an experimental research, we found that students appeared to have similar decision-making patterns as managers and could be used as surrogates for managers in relational and cooperative supply chain contexts, but not in transactional or competitive supply chain contexts. The methodological implications of the findings for future research are also discussed.

College students have been commonly used as surrogates for managers in business research. Whether college students are reasonable surrogates for managers and business professionals is a question that has evolved into a hotly debated issue (Dobbins, Lane, & Steiner, 1988a, 1988b; Slade & Gordon, 1988). Researchers have empirically investigated this issue in various decision-making contexts such as accounting (Ashton & Kramer, 1980), project investment (Bateman & Zeithaml, 1989a, 1989b; Chang & Ho, 2004), marketing (Corfman & Lehmann, 1994; Roering, Schooler, & Morgan, 1976), lobbying (Potters & van Winden, 2000), production scheduling (Remus, 1986, 1996), ethical dilemmas (Bean & D'Aquila, 2003; Wyld & Jones, 1997) and human resources (Barr & Hitt, 1986). The research findings have been mixed, suggesting that the suitability of using students as surrogates for managers in decision making is context-dependent and contingent on the students'

familiarity with the assigned tasks (Hughes & Gibson, 1991; Gordon, Slade, & Schmitt, 1986). In other words, students can be used as surrogates for managers in some *case-specific circumstances*. This study adds to this line of research by investigating whether business students can be surrogates for managers in the supply chain decision-making context.

Supply chain management (SCM), viewed as a key source of competitive advantage in today's business, has increasingly gained attention from practicing managers, consultants, and business scholars and has developed into an established research arena in the literature (e.g. Li, Ragu-Nathan, Ragu-Nathan, & Rao, 2006; Morris & Carter, 2005; Thomas & Griffin, 1996). Several scholars have suggested that SCM research can benefit from longitudinal research design in unveiling causal relationships among various constructs in the supply chain phenomenon (e.g. Carter & Jennings, 2004; Rabinovich, Bailey, & Carter, 2003). However, given the complexity of the supply chain phenomenon, conducting large-scale research based on powerful research techniques such as longitudinal design and research replication becomes quite challenging and often impractical. Although the use of students as experimental subjects has been criticized for its external validity limitation, it has some advantages from practical considerations such as convenient access to data and minimal cost associated with data collection (Cunningham, Anderson, & Murphy, 1974; Gordon et al, 1986). If students are proven to be reasonable surrogates for managers in the supply chain decision-making context, the practical advantages of student samples will make a large-scale longitudinal research design with replications operationally feasible, allowing SCM researchers to leverage the strengths of such research techniques.

As this study focuses on the student-manager surrogacy in the supply chain decision-making context, the levels of analysis in this study involve students and purchasing/supply chain managers. In addressing the validity of such surrogacy, this study examines the similarity of the decision-making pattern of students and that of the managers. Supporting results of this study would suggest that research findings based on student subjects can be reasonably generalized to practicing manager subjects in the supply chain decision-making context. It is worth-noting that the purpose of this study is not to provide empirical support for the use of student subjects for convenience sake alone; we are still in support of using practicing managers as subjects whenever possible. Our intent in this study is to examine the viability of trading the relevancy gained from using manager subjects for the operational feasibility of more rigorous research methods gained from using student subjects.

This paper is organized into four sections. First, we review the literature and propose our hypotheses. Next, our research methodology is explained in the second section. In the third section, our data analysis and results of the study are described. In the final section, the findings, contributions, practical implications, and limitations of this study, as well as avenues of future research are discussed.

Literature Review

Whether college students can be used as surrogates for managers in the decision-

making process has provoked debate among scholars (Dobbins et al, 1988a, 1988b; Slade & Gordon, 1988) and led to empirical investigations on this issue in various contexts. A number of studies provide evidence to support the suitability of using students as surrogates for practicing managers. For example, in marketing contexts, Roering and colleagues (1976) found that the evaluations of marketing practices performed by business students and business professionals yielded congruent results, leading to the suggestion that business students could be used as reasonably accurate surrogates for business professionals. Corfman and Lehmann (1994) also found no significant difference between business students and marketing managers in their study of the Prisoner's Dilemma in advertising budgeting decisions. Similarly, Bateman and Zeithaml (1989a) conducted repeated studies on R&D investment decision using undergraduate business students (in their first study) and practicing managers (in their second study) as experimental subjects and found that both studies yielded consistent results. They also surveyed executives and MBA students and asked them to predict the results of the experiment. The survey results showed that the predictions of both the executives and MBA students were consistent although inaccurate (Bateman & Zeithaml, 1989b). Wyld and Jones (1997) also found there to be no significant difference between non-managerial students and those with managerial roles in organizations in their ethical decision making. In addition, from a lobbying experiment, Potters and van Winden (2000) found that the behavioral differences between undergraduate student subjects and professional subjects were generally small, and that eighty percent of professional subjects showed no behavioral difference from student subjects.

Remus (1986, 1996) also found that graduate business students and line managers attained approximately the same cost efficiency when solving production scheduling problems whereas undergraduate business students made less effective decisions and resulted in significantly high overall costs. Ashton and Kramer (1980) approached this line of research in accounting contexts and found that in evaluating thirty two hypothetical payroll internal control cases, undergraduate auditing students and professional auditors showed no significant difference in their decision making in approximately two-thirds of the cases. They also observed that auditing students and professional auditors displayed similar patterns of cue utilizations although the professional auditor group had slightly greater judgment consensus than the auditing student group. Lastly, Ford and Hegarty (1984), when studying the use of students in managerial decision making, discovered strong agreement between the cognitive maps of a group of MBAs and a group of full-time practicing managers concerning the overall causality of context, structure, and performance variables in a study of decision maker beliefs concerning the causes and effects of structure. They conclude that training and education play a major role in developing students into better surrogates for managers in the decision process.

Nevertheless, several research studies have resulted in evidence that does not support the appropriateness of using student subjects in place of business professionals. Bean and D'Aquila (2003) found that undergraduate accounting students responded to accounting ethical dilemmas, embedded in six financial reporting cases, in different manners from accounting professionals (CPAs). Similarly,

Hughes and Gibson (1991) revealed that even after going through a training program, graduate students still scored significantly differently on several variables from professional decision makers in the use of a decision support system generator. Barr and Hitt (1986) found that in human resources contexts, the decision process of students and that of managers were quite different. Specifically, students and managers used different criteria in making decisions pertaining to job applicant selection and compensation, and students tended to rate job applicants more highly and offered much higher starting salaries than managers. Frederickson (1985) also found that MBA students and executives had different process of making the same strategic decisions while Staw and Ross (1980) found that administrators' investment decisions were influenced by the norm for consistency to a greater degree than those of students. More recently, Chang and Ho's (2004) research findings indicated that students and managers were quite different in their decision process. From their investment decision experiment, they found that managers were more sensitive to contextual information (i.e., degree of project completion, favorable vs. unfavorable information) than students when making project investment decisions, while students exhibited inconsistencies between their resource allocation decisions and the project continuation decisions.

In sum, the empirical research examining the student-manager surrogacy collectively has produced mixed findings, leading some scholars to suggest a contingency approach – whether students can be surrogates for practicing managers is context-specific and depends on students' knowledge and familiarity with assigned managerial tasks (Hughes & Gibson, 1991; Gordon et al, 1986). To our knowledge, the subject surrogacy research has not been done in supply chain decision-making contexts. Given the growing research interest in SCM coupled with the need for more rigorous SCM research techniques such as large-scale longitudinal research designs, which can be made more operationally feasible with student samples, this study contributes to the dual fields of subject surrogacy in business research and SCM in general by investigating the suitability of students as surrogates for managers in supply chain decision-making contexts.

Hypotheses and Research Methods

Hypothesis

Current literature suggests that whether students can be surrogates for managers is context-specific, and that student-manager surrogacy is more accurate particularly when students have knowledge about the assigned managerial tasks and/or are familiar with the tasks (Hughes & Gibson, 1991; Gordon et al, 1986). This is based on the logic that in the context in which students share similar skill sets, experiences, and knowledge as professional managers, both groups can exhibit similar decision making patterns. Some ways to increase the knowledge and skills needed for students to become familiar with managerial tasks could include education, training, and repetitive exposure to different kinds of managerial activities (Ford & Hegarty, 1984; DeNisi & Dworkin, 1981). Training and education can play a major role in developing students into more reasonable surrogates for professional managers in the decision

process, as students acquire requisite knowledge, become familiar with tasks in the decision process, and then use the acquired knowledge in a similar manner to their professional counterparts (Ford & Hegarty, 1984; DeNisi & Dworkin, 1981).
Guided by the above arguments, we can expect that in an experimental setting, students who are exposed to supply chain management concepts in the business classroom may exhibit the behavior of practicing managers on various managerial tasks in supply chain decision-making contexts. Therefore, we hypothesize that students exposed to SCM concepts in Operations Management courses can be reasonable surrogates for managers in supply chain decision-making contexts. Our hypothesis is summarized as follows:

> Hypothesis 1: Students in Operations Management classes have the same patterns of decision making in supply chain contexts as practicing managers.

Previous Study

Joshi and Arnold (1998) conducted a study in which industrial purchasing professionals were subjects of a scenario-based experiment investigating how a buyer's dependence on a supplier and relational norms in the buyer-supplier relationship could influence the buyer's compliance decisions (see Appendix A for the scenarios used in their experiment). They found (1) that at a high degree of relational norms, the buyer's dependence on a supplier was positively related to the buyer's compliance decisions, and (2) that at a low degree of relational norms, the buyers' dependence on a supplier was not related to the buyers' compliance decisions. This study is a replication of Joshi and Arnold's study, using students in Operations Management courses as experimental subjects. The comparison between the findings of this study and those of Joshi and Arnold's will unveil whether students and purchasing managers have similar decision-making patterns in buyer-supplier relationships and supply chain contexts. Using two key findings of Joshi and Arnold as the points of comparison, we divide Hypothesis One into two specific hypotheses as follows:

> Hypothesis 1a: In the high relational norms scenario, the dependence on the supplier of students as purchasing managers is positively related to their compliance decisions (similar to the managers' decision-making pattern in Joshi and Arnold's study).

> Hypothesis 1b: In the low relational norms scenario, the dependence on the supplier of students as purchasing managers is not related to their compliance decisions (similar to the managers' decision-making pattern in Joshi and Arnold's study).

Sample and Experimental Design

Subjects in this study were 300 undergraduate students enrolled in senior-level Operations Management courses, 187 and 113 of which were from an urban Master's-level university in the Midwest region and a rural Master's-level University in the Mid-Atlantic region, respectively. SCM concepts were integrated into Operations

Management courses at both universities. At the time of the data collection, students had already been exposed to some of the relevant issues in supply chain management such as outsourcing, make vs. buy, and purchasing. The subject pool characteristics included (a) 55.37% men and 44.63% women; (b) 21.55% minority and international students, and 79.45% white students; and (c) 40.77% had at least one year of managerial experience.

As in Joshi and Arnold's (1998) study, we randomly assigned subjects into four groups based on a two-by-two experimental design of low vs. high relational norms and low vs. high dependence, illustrated in Figure 1. Subjects were asked to read a short business case, verbatim from the validated business scenario used in Joshi and Arnold's study, in which they assume the role of a purchasing manager at a midsize electronic equipment manufacturer and are responsible for the purchase of microchips – an important component of the company's product. Therefore, they need to purchase the microchips on a regular basis. At the end of the case, subjects were provided with information indicating that the microchip supplier was involved in a labor dispute and temporarily unable to guarantee on-time delivery, which potentially caused their company problems in meeting delivery to customers. Subjects were then asked to rate the nature of their reaction to the supplier's call for their regular supply order and request for patience. It is noted that all subjects were provided with the same materials for the introduction and the conclusion of the case scenario. However, they received different manipulation materials pertaining to relational norms and dependence in the supplier relationship, based on which group they were assigned to. (See Figure 1 for the experimental design and manipulations and Appendix A for the full description of the case).

Figure 1: *Experimental Design*

		Manipulation 1: Relational Norms	
		Low	High
Manipulation 2: Dependence	Low	Group 1	Group 2
	High	Group 3	Group 4

Variables, Data Coding and Statistical Model

Subjects' Compliance Decision was the dependent variable in this study. Compliance was also measured by Joshi and Arnold's validated 6-item instrument (see Appendix B). Factor analysis was performed to summarize most of the total variance into the minimum number of principal components (Hair, Anderson, Tatham & Black, 1995), and our analysis indicated that all six items were highly correlated and loaded onto a single component with a Cronbach's Alpha of 0.76. Therefore, we used the Principal Component Analysis (PCA) score as a single composite measure of

Compliance Decision. Relational Norm's manipulation (coded as 1 and 0 for high and low degrees) was the moderating variable whereas the Dependence manipulation (coded as 1 and 0 for high and low degrees) was the independent variable in this study. In addition, control variables included the university location (i.e., urban vs. rural campus), and subjects' gender, ethnicity and years of managerial experience. The urban and rural campuses were coded as 1 and 0, respectively. Similarly, male was coded as 1, and female was coded as 0. Ethnicity, simply categorized into white and minority/international, was coded as 1 and 0, respectively, whereas years of managerial experience were kept as continuous variables.

In testing our proposed hypotheses, we divided our sample into two sub-samples based on the low and high degrees of relational norms. We then used two separate regression analyses to examine the relationship between Dependence and Compliance Decision under the different conditions of low and high Relational Norms. The regression models are as follows.

Model 1 for the high Relational Norms sub-sample: $Compliance = constant + b_1 Dependence + b_2 Campus + b_3 Managerial\ Experience + b_4 Gender + b_5 Ethnicity + errors$

Model 2 for the low Relational Norms sub-sample: $Compliance = constant + b_1 Dependence + b_2 Campus + b_3 Managerial\ Experience + b_4 Gender + b_5 Ethnicity + errors$

Data Analysis and Results

Correlations summarized in Table 1 indicated that both Relational Norms and Dependence manipulations had significant positive associations with subjects' Compliance Decision ($p<0.01$). Campus also had a significant negative association with subjects' Ethnicity ($p<0.01$), which underlines the fact that the student body of the urban campus was more diverse and had a significantly greater proportion of minority/international students than that of the rural campus. However, the Variance Inflation Factor did not indicate multi-collinearity between them, thus not violating the assumption underlying multiple regression analysis.

Table 1: *Correlation Matrix*

Variable	1	2	3	4	5	6	7
1. Compliance	1.00						
2. Relational Norms	0.41**	1.00					
3. Dependence	0.27**	-0.01	1.00				
4. Campus	-0.04	0.00	-0.03	1.00			
5. Managerial Experience	0.11	0.03	0.05	0.01	1.00		
6. Gender	0.06	0.01	-0.08	-0.05	0.10	1.00	
7. Ethnicity	0.04	-0.02	-0.05	-0.19**	0.01	0.07	1.00

**p<0.01

Table 2 will reveal the multiple regression results with Compliance Decision as the dependent variable. Model 1 was to test Hypothesis 1a – the positive effect of Dependence on Compliance Decision under the high Relational Norms condition. After controlling for Campus, Managerial Experience, Gender and Ethnicity, Dependence was positively associated with Compliance Decision ($p<0.01$), yielding a strong support for Hypothesis 1a. Two control variables including Managerial Experience and Gender were also found to be positively related to Compliance Decision at $p<0.1$ and $p<0.05$, respectively, indicating that under the high Relational Norms condition, subjects with more managerial experience and male subjects were more likely to comply with the supplier request than their counterparts who possessed less managerial experience and were female. Model 2 was to test Hypothesis 1b - the null effect of Dependence on Compliance Decision under the low Relational Norms condition. After controlling for the above control variables, Dependence was still positively related to Compliance Decision ($p<0.001$), and none of the control variables had any significant effects on Compliance Decision under the low Relational Norms condition. This result disconfirms Hypothesis 1b.

Table 2: *Results of Regression Analyses*

Dependent Variable: Compliance Decision	Model 1: High Relational Norms	Model 2: Low Relational Norms
	Beta[a]	Beta[a]
Control Variables:		
Campus	0.04	-0.10
Managerial Experience	0.14†	-0.01
Gender	0.17*	0.00
Ethnicity	0.06	0.04
Independent Variable:		
Dependence	0.24**	0.40***
R Square	0.12	0.18
Adjusted R Square	0.08	0.15
F Value	3.52**	6.01***

a Standardized regression coefficients
† $p<0.10$
* $p<0.05$
* $p<0.01$
*** $p<0.001$

We also performed an analysis of variance (ANOVA), using Compliance Decision as the dependent variable and Dependence as the independent variable under both low and high Relational Norms conditions. The results are shown in Table 3, indicating that the means of the low and high Dependence groups are significantly different under both low and high Relational Norms conditions with $p<0.001$ and $p<0.01$, respectively. In addition, we graphically summarize the findings of this study in

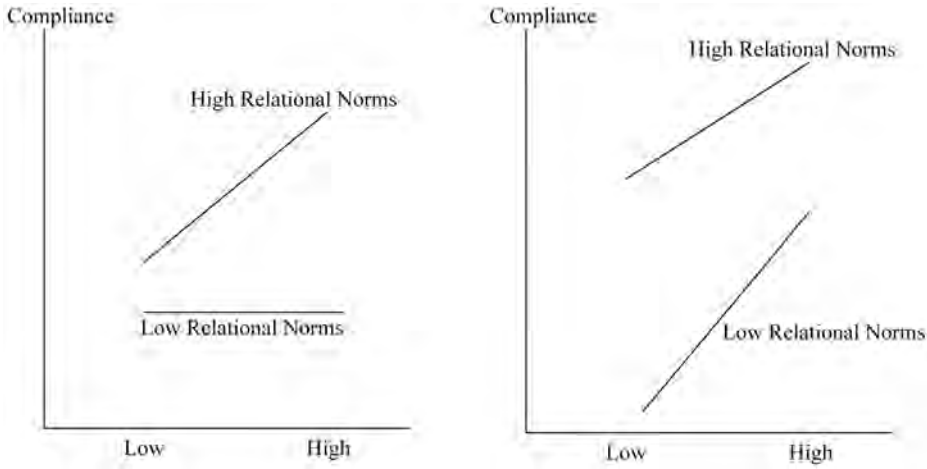
comparison with those of Joshi and Arnold's (1998) in Figure 2, suggesting that (1) when the supplier relationship is characterized by a high degree of Relational Norms, student subjects appear to have a similar pattern of decision making as manager subjects, and (2) when the supplier relationship is characterized by a low degree of Relational Norms, student subjects seem to have a vastly different pattern of decision making from manager subjects.

Table 3: *Results of ANOVA*

	Group Mean	
Dependent Variable: Compliance Decision	High Relational Norms Sub-sample	Low Relational Norms Sub-sample
Low Dependence Group	0.19	-0.76
High Dependence Group	0.63	-0.08
F Value	8.18**	25.90***

** p<0.01
*** p<0.001

Figure 2: *Results of this study in comparison with those of Joshi and Arnold's (1998)*



Discussion and Conclusions

The results provide mixed support for our main hypothesis; that is, business students in Operations Management classes have similar decision-making patterns as practicing managers in supply chain contexts. Specifically, our study suggests that students appear to have similar decision-making patterns as practicing managers and may be used as reasonable surrogates for managers *only* in relational and cooperative

supply chain contexts, *not* in transactional and competitive supply chain contexts. These findings lend further support to the well-established argument in the subject surrogacy literature that whether students can be used as surrogates for practicing managers is context-specific (Hughes & Gibson, 1991). This contingent applicability resembles some previous research findings while contrasting with others. For example, Hughes and Gibson (1991) discovered that students who received training in decision support systems still achieved scores in the use of a decision support system generator significantly different from those attained by professional decision makers, leading to the conclusion that whether students can be surrogates for managers in the decision process may be dependent upon specific decision situations. This study in part supports Hughes and Gibson's view, as our findings suggested that students who were exposed to SCM concepts had a similar decision making pattern to that of practicing managers only in the cooperative supply chain context, not in the competitive one.

In addition, our research findings, to some degree, contradict those of Ford and Hegarty (1984) in their study on the use of students in managerial decision making. They found that students with training and education could develop their decision-making pattern resembling that of practicing managers. However, our findings are consistent with theirs only in the cooperative supply chain context, not in the competitive one. Such contrasting findings could be explained by the fact that SCM concepts embedded in undergraduate Operations Management classes may prescribe the cooperative aspect of supplier relationships as the way to leverage suppliers' capabilities to create firms' sustainable competitive advantage. This also reflects Cox, Lonsdale, Sanderson and Watson's (2004) remark that the literature in SCM, buyer and supplier relationships and competitive advantage has put a great emphasis on long-term, cooperative buyer-supplier relationships to the extent that power structure in the relationships is de-emphasized. As students exposed to SCM concepts with the emphasis on cooperative supplier relationships, they are more familiar with issues in the cooperative nature of supplier relationships and are more likely to make similar decisions to practicing managers in such context. On the other hand, students may not be sufficiently exposed to the power-struggle and opportunistic side of supplier relationships, which is also the reality in today's business. Thus, they are not equipped to deal with various issues in the competitive supplier relationships as practicing managers are.

Another possible explanation could be that students in general have less mental strengths or less managerial insights than practicing managers in dealing with supplier opportunism in the supplier relationships. As Joshi and Arnold (1998) explained, managers in the high dependence on the supplier and low relational norms situation are not likely to comply with the supplier's request because of their realization that compliance may invite more opportunistic behaviors from the supplier. Conversely, students who assume the role of purchasing manager are under the pressure of their dependence on the supplier and do not have strong relational norms as an alternative governance. Therefore, as their dependence on the supplier increases, they may become short-sighted and submissive to the supplier and are more likely to comply with the supplier's request.

This study makes two contributions to the literature. First, it provides an empirical support to the contingency perspective of student-manager surrogacy as well as empirically investigating the appropriateness of using students as surrogates for managers in supply chain decision-making contexts, which has not been done before in the subject surrogacy literature. Second, this study makes a methodological contribution to the SCM literature by unveiling that students can be used as reasonable surrogates for practicing managers in relational and cooperative supply chain contexts. This may open avenues for more rigorous research methods such as large-scale longitudinal research with replications. Longitudinal research in SCM tends to be confined to small-sample studies such as case study and field research. Large-scale longitudinal research with or without replications is operationally difficult for various reasons including (a) time constraints of managers to participate in any study for a long period of time, (b) issues of management turnover or attrition in various industries, and (c) the amount of time and cost needed for longitudinal research efforts. Using students as surrogates for managers could be a happy-medium solution if SCM researchers are to make large-scale longitudinal studies operationally feasible.

The findings of this study also provide two practical implications. First, while researchers may prefer manager subjects to student subjects, researchers can still use students to pretest the research instrument in their cooperative supply chain research endeavors with a reasonable degree of validity. In addition, from the pedagogical standpoint, management educators can use students in place of practicing managers in the process of developing cooperative SCM techniques and training programs.

This study still has some limitations, which may provide directions for future research. First, this study used business students who have been exposed to SCM concepts in Operations Management classes as experimental subjects. Therefore, the generalization of the findings is confined to business students *with* some SCM knowledge rather than business students in general. Future research may replicate this study, using business student subjects who have not been exposed to SCM concepts to see whether the findings of this study can still hold. In addition, this study only compared the patterns of students' and managers' *compliance* decisions in supply chain contexts. Whether the findings of this study remain robust in various decision situations in supply chain contexts is subject to future empirical investigations.

Appendix A: Scenario and Experimentl Manipluations

Introduction

You are a purchasing manager responsible for the purchase of microchips for a midsize electronic equipment manufacturer. Microchips are an important component for the equipment that you manufacture; therefore they need to be purchased on a regular basis. You have one existing supplier for this component.

Low Dependence

As purchasing manager responsible for microchips, you find yourself in a situation wherein it is not difficult for you to find a suitable replacement for the existing

supplier. If you decide to stop purchasing from this supplier, you could easily replace their volume with purchases from alternative suppliers. There are many competitive suppliers for microchips and you can switch to them without incurring any search costs. Switching suppliers is not going to have any negative effects on the quality or design of the equipment that you manufacture. Your production system can easily be adapted to use components from a new supplier. The procedures and routines that you have developed are standard and they are equally applicable to any supplier of this component. The skills that your people have acquired in the process of working with the supplier can easily be changed to fit another supplier's situation. You can therefore terminate your relationship with your present supplier without incurring any costs.

High Dependence

As purchasing manager responsible for microchips, you find yourself in a situation wherein it is difficult for you to find a suitable replacement for the existing supplier. If you decide to stop purchasing from this supplier, you could not easily replace their volume with purchases from alternative suppliers. There are very few, if any, competitive suppliers for microchips and you cannot switch to them without incurring significant search and verification costs. Switching suppliers is also going to have negative effects on the quality or design of the equipment that you manufacture. Your production system cannot be easily adapted to use components from a new supplier. The procedures and routines that you have developed are unique and hence they are not applicable with any other supplier of this component. The skills that your people have acquired in the process of working with the supplier cannot easily be changed to fit another supplier's situation. You cannot therefore terminate your relationship with your present supplier without incurring significant costs.

Low Relational Norms

Both you and your supplier bring a formal and contract governed orientation to this relationship. Exchange of information in this relationship takes place infrequently, formally, and in accordance to the terms of a pre-specified agreement. Even if you do know of an event or change that might affect the other party, you do not divulge this information to them. Strict adherence to the terms of the original agreement characterizes your relationship with this supplier. Even in the face of unexpected situations, rather than modifying the contract, you adhere to the original terms. You have an "arm's length" relationship with your supplier. You do not think that the supplier is committed to your organization—in fact; you think that if you did not carefully monitor this supplier's performance, they would slack off from the original terms. Above all, you see your supplier as an external economic agent with whom you have to bargain in order to get the best deal for yourself.

High Relational Norms

Both you and your supplier bring an open and frank orientation to the relationship. Exchange of information in this relationship takes place frequently, informally, and not only according to a pre-specified agreement. You keep each other informed of any event or change that might affect the other party. Flexibility is a key characteristic of this

relationship. Both sides make ongoing adjustments to cope with the changing circumstances. When some unexpected situation arises, the parties would rather work out a new deal than hold each other responsible to the original terms. You tend to help each other out in case of unexpected crises. If your supplier is unable to fulfill an order, they recommend an alternative source of supply for the same. Above all, you have a sense that your supplier is committed to your organization and that they work with you keeping your best interests in mind. You see each other as partners, not rivals.

Conclusion

Recently, the supplier informed you that they are involved in a labor dispute. Consequently, they are temporarily unable to guarantee on-schedule delivery. This creates some uncertainty for your organization. Delayed delivery of microchips, may, for example, cause problems for your organization in meeting delivery schedules to customers. The supplier has called to get your regular order. Drawing from experience, how would you be most likely to react in this situation? Please rate each of these statements to the extent that they match with your expectation of your reaction.

Appendix B: Compliance Scale Items

Scale: 1-7 (1 = strongly disagree, 7 = strongly agree)

1. I would hang in there and wait for the labor dispute to be resolved.
2. I would be continually looking out for another supplier to replace the existing supplier (reverse coded).
3. I would patiently wait for the supplier's performance to return to its original level.
4. I would accept the terms and conditions of an alternative supplier (reverse coded).
5. In my negotiations with this supplier, I would imply that they were in danger of losing our business (reverse coded).
6. I would terminate our relationship with this supplier (reverse coded).

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