Fairness in Supply Chain Relationships: The Value and Consequence for Reputation and Sustainability

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Abstract

The purpose of this research is to examine a notion, which is commonly perceived as subjective and endogenous known as fairness (also referred to as justice or impartiality) in the supply chain context. The principal aim of supply chain relationships is to create an avenue where competitive advantage can be achieved both as individual firms and as a chain through working collaboratively on supply chain operations and tasks. By collaborating with autonomous firms, concerns arise about whether the benefits, rewards and risks of relationships are apportioned in a fair (just) and satisfactory manner. This is evident in today’s supply chains where chain partners portray opportunistic and unethical behaviours using their bargaining power negatively and betraying partner’s trust. A number of studies have reported the significance of fairness in supply chain relationships, particularly promoting collaboration and improving relationship performance. Nonetheless, the significance of fairness in supply chain relationships has been a rather neglected area in the supply chain literature. Therefore, this study aims to fill some of the gaps that are present in the literature. Through a socio-economic lens, this study will probe the issue of fairness in supply chain relationships using the social exchange and equity theories as the analytical lens. Conceptualizing fairness into three main types (distributive, procedural and interactional), this study aims to understand the concept in the business to business relationship setting. A particular focus steers towards how perceiving fairness affects the development of relationships between buyers and suppliers in the supply chain. This aspect is of significant value because a good relationship between supply chain partners is a crucial antecedent for any stable exchange relationship. To fully understand the worth of fairness in this context, there is a need to consider the consequence for long-lasting relationships. As a result, this research considers two critical factors that have been neglected in the pertinent supply chain fairness literature such as firm reputation and relationship sustainability. Through in-depth executive interviews, interesting findings were revealed concerning the role that fairness perception plays in moulding a sustainable relationship between businesses and creating a positive firm image. The results of the authors’ exploratory work are presented as quotations to provide the body of the relevant subject. Findings show that the notion of fairness in the inter-organizational relationship context is a double-edged sword with prospective positive and negative effects on relationship development process between supply chain partners. Fairness is also a very ‘sensitive’ subject that many firms elude from, but largely impacts on an organization’s behaviour towards its partners. It is critical that when managing relationships with other firms in a supply chain, fairness should be at the forefront of the relationship banner by managers.

Keywords: Fairness, Social exchange theory, Equity theory, Relationship development
Introduction

Relationships between buyers and suppliers in the supply chain are different according to specific circumstances, contexts and objectives, which range from traditional, arm’s length and adversarial relations to very multifaceted networks of collaborating firms (Harland, 1996; McIvor and Humphreys, 2004; Cousins and Menguc, 2006; Goffin et al., 2006). For example, the traditional arm’s length relationship which include features of low involvement between parties involved concentrates on pricing during negotiations, quality and delivery improvement (Goffin et al., 2006). Whereas, collaborative relationships between buyers and suppliers are seen as strategic partnerships where benefits derived from new product or service development, shared capital investments, integration of business processes, and increased knowledge offer benefit to both firms involved (Cousins and Menguc, 2006). However, researchers, such as Jones (1995); (Christopher, 1998) state that successful companies recognize that the transfer of costs up and down the supply chain does not make firms competitive due to the fact that all costs make their way back to the final market place. Instead firms that engage in collaborative relationships that help to improve the efficiency of the supply chain as a whole for the mutual benefit of all parties involved, are more likely to be successful. The literature emphasised that the core and driving force of an effective SCM is to collaborate among chain partners in order to maximise the chain value beyond the boundaries of an individual firm.

The literature has viewed collaborative relationships between supply chain partners as superior, but new findings have emphasised the relevance of developing a set of relationships with supply chain partners, with different relationships offering unique advantages or results (Cousins and Crone, 2003). For instance, close collaborative relationships are most suitable for products that are complex, require innovation and are critical to the buying firm (Hornibrook et al., 2009). Whereas, arm’s length relationships are supposed to be more applicable for simple, commodity type products. More so, buyer-supplier relationships in the supply chain have been frequently investigated at the firm level of analysis; but Cousins and Menguc (2006) note that this assumes there is only one relationship in existence between Firms A and B, but in reality there are a number of different relationships operating at the product or service level. The literature views relationships as processes that can be tailored to suit particular results, and then applied effectively once the suitable sourcing strategy is identified (Hornibrook et al., 2009). However, this doctrinaire opinion of strategy has failed to acknowledge the role of people and their relationships with others in the implementation process. In support, Staughton and Johnston (2005) stressed on how important the management of such relationships with external organizations is for attaining the anticipated aim of improving performance.
The literature has paid little consideration to the “softer” aspects of supply chain relationships by asking important questions such as, how the behaviour of individuals impacts relationship outcomes (Harland et al., 2004; Burgess et al., 2006), the role of inter-personal relationships in the development of business relationships (Andersen and Kumar, 2006; Plank and Newell, 2007; Koulikoff-Souviron and Harrison, 2008; Gedeon et al., 2009). The emphasis on this neglected aspect is due to the fact that supply chains and relationships are managed by human beings with feelings and emotions which could have a potential impact on the relationship.

But having recognized this point, one significant factor that affects individual’s actions and reactions is the perception of fairness (Masterson et al., 2000). Likewise, because businesses are established to make profit, being in a business relationship where fairness is absent or not valued by other members can have damaging consequences for the relationship stability and longevity. In today’s competitive business environment, this matter is progressively becoming a trending concern for business to business relationships within the supply chain, and also generating increasing attention from the academic literature (Griffith et al., 2006; Liu et al., 2012; Narasimhan et al., 2013). It is also a norm that by collaborating with autonomous firms, concerns arise about whether the benefits, rewards and risks of relationships are apportioned in a fair (just) and satisfactory manner (Liu et al., 2012). In supply chains today, there are cases of unfairness, opportunistic and unethical behaviours being reported by firms, especially companies with lesser bargaining power and lower capital base (Huo et al., 2016). Such behaviours which are perceived as unfair by other members in the chain can influence indicators of a strong and sustainable relationship such as trust, commitment and satisfaction (Fernandes and Calamote, 2016). Similarly, to influence the capabilities of partners, firms need to establish a strong relationship that encompasses high levels of trust, commitment and satisfaction (McIvor, 2009). In recognition of these behaviours is the credit that supply chain relationships involve both economic and social interactions (Griffith et al., 2006). As social transactions, supply chain relationships require partners to act and perform activities in a fair and satisfactory manner to be beneficial to all (Liu et al., 2012). The perceptions of fairness have been identified to play a significant role in successful supply chain relationships (Liu et al., 2012). Several research studies have also suggested that fairness practices in dealings with supply chain partners are important in enhancing relationship performance (Choi and Wu, 2009). Studies have also shown that unfair treatment and dealings with supply chain partners can result in poor relationship performance due to potential opportunism from another partner (Anderson and Jap, 2005).

But, while these accounts clearly prove the important role and relevance of fairness in managing supply chain relationships, extant research on fairness in this area has been incomplete and still nascent (Narasimhan et al., 2013). This rather neglected research area may also be due to that fact that fairness as a concept is very complex and it can be approached from a normative angle (how
should we act) and behavioural angle (how we do act). More so, fairness in the supply chain can involve navigating large power differences as well as engaging with supplier practices (Kim, 2000; Hingley, 2005b; Hingley, 2005a; Nyaga et al., 2013). Past studies have examined fairness in relation to different outcomes such as relational behaviour and long-term orientation (Griffith et al., 2006), unethical behaviours (Kaynak et al., 2015; Huo et al., 2016), performance (Liu et al., 2012; Narasimhan et al., 2013), but they have omitted its consequence for relationship development. Few studies such as Kumar et al. (1995) have examined the effects of fairness perceptions on relationship quality, but their study was also carried out over two decades ago, which makes the current findings obsolete. Moreover, (Kumar et al., 1995) failed to consider all the dimensions of fairness (both the structural and social aspect) in their study. As a result, it is important to consider the impact of all the three dimensions of fairness on relationship development factors. Other scholars such as Wagner et al., (2011) have also considered reputational effects in their study of buyer-supplier relationships. But the existing knowledge concerning the significance of fairness in this area warrants new research to develop our understanding. In response to the recognized gaps in the literature, this research attempts to address two key questions:

1. How does the perception of fairness influence firm reputation?
2. What influence does fairness perception have on the relationship sustainability?

The doctrines of fairness are central in equity theory and social exchange theory. The former embeds the notion that individual companies are more likely to commit to an existing relationship, even under uncertainty, if they believe that rewards will be commensurate with their invested efforts (Adams, 1965). The latter embeds the notion that the transacting parties in a relationship aim to interact with one and other on the basis of expectation of rewards and avoidance of punishment (Emerson, 1976). To answer the research questions, through a socio-economic lens, this study used in-depth executive interviews with key informants in business-to-business type relationship in the supply chain context. The qualitative research methodology was embraced for three focal reasons. First, due to the sensitivity of fairness as a topic, its value for business relationships can be accurately discovered through the beliefs and experience of individual managers. Second, the nature of our research questions warrants the adopted methodology due to the exploratory nature of the study. Third, most studies on fairness in the supply chain domain have derived their results quantitatively, therefore necessitating rich qualitative results on the subject matter to contribute to the existing knowledge.
The rest of the article reviews the literature on fairness and the relevant areas being studied, followed by a methodology section, findings and conclusion.¹

### Theoretical background

**The value of fairness in today’s business market**

Due to environmental complexity and uncertainty, increased competition has focused attention on the development of policies to build effective on-going supply chain relationships (Primo and Amundson, 2002; Johnston et al., 2004). Today, competition has shifted from one business versus another business to supply chain versus supply chain (Cigolini et al., 2004; Wu et al., 2014a). Supply chain partners are also far more demanding than before due to the change in the business environment and higher expectations from end consumers. The transformation of the technological landscape also makes it easier for end consumers to inform others about their experience with a product or service. There is a lot more pressure on the supply chain to meet demands and expectations across the chain. As a result, supply chain partners expect more from each other e.g. manufacturers expect more from their suppliers than just reliable deliveries of high-quality, well-priced parts and components, and the same from the supplier’s perspective. Therefore, managing supply chain partner’s resources effectively and treating the supply chain equitably is an important aspect and consideration of a firm’s ability to compete in the market place (Griffith et al., 2006). To have an influence on supply chain partner’s capabilities, firms must create a strong relationship, characterized by cooperative and relational norms (McIvor, 2009).

The literature has stressed the significance of ethical behaviours in business relations, mentioning as critical in all business environments (Kaynak et al., 2015). The success of buyer-supplier relationship in the supply chain also depends on long-term orientations within an ethical context which is considered to be a basic obligation in terms of effective fulfilment of management activities (Desselle et al., 2012; Kaynak et al., 2015). The growing competitive environment, heating up with the emergence of new and powerful competitors in the markets tempts entities to perform unfair and carryout unethical maneuvers in their commercial relations with the aim of gaining a competitive advantage (Hingley, 2005a; Ireland and Webb, 2007). Accordingly, trust between parties is betrayed, there will be shrinkage in level of commitment between parties, the level of satisfaction between parties will reduce, conflicts will arise, and relationships become broken (Kumar et al., 1995; Kumar, 1996; Kwon and Suh, 2004; Gorton et al., 2015). Williamson, (1983) highlight the importance of fair implementations as well as legal and particular regulations.

¹ The theoretical thinking of this research was an initial idea by Luo (2007) and further mentioned by Liu et al. (2012) as an interesting area for research.
in terms of the prevention of opportunistic and unethical behaviours. The primary subjects constituting a basis for the effective management of activities carried out between parties in many sectors can be summarized as follows (Desselle et al., 2012): (a) regulations including ethical rules, which increase the commitment to the entity should be made, (b) the implementations should be fair and (c) required respect for the individuals should be displayed.

The study of fairness in organizations has usually been at the individual phase and the intra-organizational level (Konovsky, 2000; Colquitt, 2001). Recently, studies emerging have started to highlight the significance of fairness in other organizational settings such as teams (Roberson and Colquitt, 2005), mergers and acquisitions (Meyer, 2001), and supply chain partnerships (Blancero and Ellram, 1997; Duffy et al., 2003; Fearne et al., 2005). Though, perceptions of fairness may or may not be the same at the individual, the firm or the supply chain relationship level, depending on a number of factors that could have a moderating effect. The application of a theoretical framework that has been developed and applied at the manager: worker and group level within a single organization fails to consider the potential impact on perceptions of fairness of personal relationships both within and between organizations; contextual factors at the task, firm, network and industry level; and performance outcomes of the individual firm and focal supply chain relationship. The notion of fairness in supply chain relationships remains therefore vague and unexplored, especially the role of inter-personal relationships on perceptions of fairness between firms; and the theoretical definition.

**Fairness in supply chain relationships**

The notion of fairness can be traced back to the early 1960’s to the time of Plato and Aristotle, and has since then attracted increased importance in organizational research. Organisational theorists used two types of fairness (distributive and procedural) to measure fairness in the domains of managerial fairness and employee performance appraisals in the work setting, and organizational performance (Gilliland, 1993). Later, a third dimension which focused more on the interpersonal side between managers and employees was suggested and introduced named interactional fairness (Gilliland, 1993). In recent years, there has been an emerging literature on the business case for fairness. This research area mirrors the vast literature focused on employee/employer-related fairness and extra-role behaviour. The concept of fairness is gradually being introduced to the intra-organisational setting. Fairness in supply chains is an important and interesting research topic because supply chain partners are often in different positions of power or at different stages of the chain, which exposes the weaker party to vulnerabilities (Kumar, 1996). Greenberg and Cropanzano (1993) recognized that the concept of fairness has different understandings and meanings in relation to specific circumstances, but the general consensus is
that fairness is a subjective and individualistic topic that is difficult to define due its multidimensional nature (Luo, 2007).

The first dimension – distributive fairness – was defined by Adams (1965) as equity, signifying its existence when a person, for his or her own situation, perceives that the ratio of outcomes to inputs are equal to the ratio of outcomes to inputs of others. In the supply chain and relationship management context, the performance outcomes in the relationship are deemed fair if investments in effort and resources compare favourably with outcomes. The focus of distributive fairness relates to how the benefits and risks are shared between the buyer and supplier (Yilmaz et al., 2004; Griffith et al., 2006).

The second fairness dimension – procedural fairness – focuses on the consistency in decision making (Loch and Wu, 2007), and derived from the idea of instrumentality (Luo, 2007), suggests that people are often concerned about fairness in the process, and will view procedures as fair if they perceive that they have control over the process (Caldeira et al., 1976). In the context of supply chain relationships, procedural fairness relates to the following activities: the consistency of the buyer’s purchasing policies, the degree to which a supplier can question and challenge a supplier’s policies, or the extent to which a buyer or supplier provides rational explanations for certain decisions affecting its interaction partner (Kumar, 1996; Yilmaz et al., 2004). Distributive fairness is concerned with people’s reaction to how resources or allocation, whereas procedural fairness focuses on people’s reactions to the procedures used for resolving disputes and allocating outcomes (Liu et al., 2012). These two dimensions represent the structural aspect of fairness as they relate to concerns of formal procedures and fair distribution (Tyler and Bies, 1990).

The third dimension of fairness – interactional fairness – anchored in the idea of social exchange (Luo, 2007), represents the social aspects of fairness relating to people’s reactions during interpersonal and social interactions (Colquitt et al., 2001). The interpersonal treatment and communication received by people during interactions are important factors in the perception of fairness (Tyler and Bies, 1990). This social dimension of fairness concentrates on the perceptions of fairness regarding interpersonal treatment, conduct during human interactions, and concerns of open-communication of information (Tyler and Bies, 1990). In the supply chain relationship context, interactional fairness refers to the actions and the degree of interpersonal sensitivity that supplier’s employees exhibit towards representatives of buyer’s (Zaefarian et al., 2016). It relates to the social glue of business relationships such as politeness, honesty, dignity, and empathy (Greenberg and Cropanzano, 1993).

The common agreement among past fairness studies is that fairness is a key factor for building and maintaining long-lasting relationships in any social exchange (Yilmaz et al., 2004). The relationship between a buyer and a supplier is not only concerned with economic transactions
explicated in a contract, but also with social interactions that may influence organizational behaviours (Cousins and Menguc, 2006). From a process viewpoint (Dwyer et al., 1987), a buyer-supplier relationship can be observed as a sequence of relationship stages through which interactions happen (Liu et al., 2012). Therefore, the concept of fairness has been emphasised as a key element in buyer-supplier exchanges (Dwyer et al., 1987). Walker and Pettigrew (1984) stated that if the distribution of rewards is commensurate to the efforts expended, the exchange partners are more likely to commit to one another even when uncertainty is high. Distributive fairness also minimises the likelihood of opportunism in the relationship and stimulates effort (Luo, 2007). Johnson et al. (2002) also indicated that unfairness in allocation of efforts and distribution of rewards can lead to harmful consequences for the relationship that include lack of trust and increased conflict causing an unstable partnership. Procedural fairness on the other hand signifies unbiasedness, consistency and ethical decision making (Luo, 2007). It is important for partners to have mechanisms that address disagreements within the relationship in a manner that is fair (Narasimhan et al., 2013). Procedural fairness process can aid in providing “voice” to the stakeholders in the relationship and help in promoting superior performance (Folger, 1977). Likewise, interactional fairness promotes harmony, reduces conflict and improves collaboration in a supply chain relationship (Luo, 2007). Overall, fairness can promote long-term orientations and positive relational behaviour, performance and can also cause tensions in exchange relationships if not managed properly.

The theoretical lenses: social exchange theory and equity theory

‘Perception’ is a process of interpretation of sensory impressions of the environment (Coren, 2003). Perception however depends on the individuals’ attitude, motives interests, experience and the expectations. Human beings desire to be treated appropriately during day-to-day activities and impartially when a certain amount of effort is devoted to an assignment. People are motivated to maximize their own resource gains by working with others to evolve collective group-enforced rules about fair reward allocation (Tyler and Bies, 1990; Tyler, 1994). A vital contribution of social psychology to the study of the antecedents of individuals’ feelings and behaviours in groups is the demonstration that people in groups and organizations react to third-party allocations and dispute resolution decisions by evaluating their fairness, not simply their absolute or relative favourability (Tyler, 1994) p.850. The perceptions and attitudes that people hold are formed as a result of experience and socialization (Martin, 2005).

The social-exchange based resource model argues that people want to maximize the resources they obtain from social interactions, a goal they believe is facilitated by following rules of fairness dimensions. As close supply chain relationships are primarily formed to maximise the difference between purchasing costs and sales price, improve service levels and overall value, individual
firms expect certain rewards from their interactions. Such expectations are also on the basis of monetary and non-monetary investments to the relationship. The social exchange theory (SET) argues that individuals or cooperate organisations interact for rewards or with the expectation of a reward from their interaction with others (Homans, 1958; Emerson, 1976). This theory underpins the logic of interactional fairness.

Unlike distributive and procedural fairness, which are largely embedded in economic exchange, interactional fairness is incrementally embedded in a social exchange climate (Luo, 2007), which is not bound by any specified terms or responsibilities but the social norms prevalent in the society surrounding social relationships (Granovetter, 1985).

Equity theory sheds light on the implication of fair distribution of resources and outcomes in exchange relationships and stresses the association between sharing returns and each part’s actual contribution and responsibility. Equity is the basic norm of distributive fairness, and inequity leads not only to the dissatisfaction of a suffering party but also to other harmful consequences, such as discontinuity of on-going exchanges, jeopardy adaptation, and reduction of commitment, and consequences that that even eventually harm the relationship itself (Adams, 1965). Equity theory also indicates that individuals or parties are more likely to commit to an existing relationship, even under uncertainty, if they believe that rewards will be commensurate with their efforts (Walker and Pettigrew, 1984). Through the effect of equity, distributive fairness is a normative force that affects each participant’s motives for repeated exchanges (Luo, 2007). If participants deem they are treated unfairly as to outcome sharing, their incentives are hindered and they may even work against each other’s interests: interparty conflicts, unstable interdependence, or even relationship termination may happen (Johnston et al., 2004). Researchers also hold that inequity in gain sharing that is disproportional to a party’s contribution yields the potential hazard of opportunistic behaviour (i.e., self-interest seeking with guile) in a continuing relationship, creating a significant obstacle to confident cooperation (Williamson, 1999).

The long-term perspective: reputational and sustainability consequences

Supply chain relationships should have value for the participants involved and generate sustainable prospects over time. Due to the nature of the business environment today, many firms are forced to retain suppliers, and the need to remain competitive also adds to the pressure, causing firms to enter into relationships with a long-term view in contrast to the traditional arms-length setup (Cousins and Menguc, 2006). Although, some firms will still prefer to operate arms-length relationship, but the benefits of close supplier relationships such as cost reduction, quality improvement, product and service innovation etc., have been revealed in the literature (Goffin et al., 2006).
Table I. An overview of fairness studies in marketing and supply chain research

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<tr>
<th>Theoretical</th>
<th>Fairness Dimension</th>
<th>Study Type</th>
<th>Limitations</th>
<th>Study Type</th>
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<tr>
<td>(Frazier, 1983)</td>
<td>Fairness - distributive</td>
<td>Conceptual</td>
<td>One dimension of fairness (distributive) based on equity was research.</td>
<td>This was the first study that included the justice/fairness concept in inter-organizational relationships in supply chain. Depending on the level of perceived equity, a channel partner will adjust its levels of contribution to a channel relationship.</td>
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<td>(Dwyer et al., 1987)</td>
<td>General fairness - fair or unfair sanctions</td>
<td>Conceptual</td>
<td>Justice perception is limited to the power execution in the exploration stage of the development of buyer-seller relationships.</td>
<td>This study delineates five phases (i.e., awareness, exploration, expansion, commitment, and dissolution) in the development of buyer-seller relationships. Firms test and evaluate each other in the exploration phase. The exercise of power, if perceived as just (or legitimate) by channel members, will promote voluntary compliance and behaviors to achieve collective goals.</td>
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<td>(Frazier et al., 1988)</td>
<td>Fairness - distributive</td>
<td>Conceptual</td>
<td>Only one dimension of fairness (distributive justice based on equity) was considered.</td>
<td>This study examines the just-in-time exchange relationship between original equipment manufacturers and their suppliers of components in interest, initiation, rejection, implementation, and review stages. High perceived equity is proposed to enhance satisfaction in the review stage.</td>
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<td>(Narasimhan et al., 2009)</td>
<td>Distributive fairness</td>
<td>Modeling</td>
<td>Only distributive fairness was examined.</td>
<td>This study examines the optimal pricing strategy of the supplier (i.e., distributive fairness) in lock-in situations (i.e., buyer power) through a game-theoretical model.</td>
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<th>Theoretical</th>
<th>Fairness Dimension</th>
<th>Study Type</th>
<th>Limitations</th>
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<tr>
<td>(Anderson and Weitz, 1992)</td>
<td>General fairness - reputation</td>
<td>Survey</td>
<td>Small, convenient sample.</td>
<td>The more transactional (less relational) the norm of solidarity, higher the level of perceived unfairness; perceived unfairness related to retained hostility.</td>
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<td>(Kumar et al., 1995)</td>
<td>Distributive; Procedural</td>
<td>Survey</td>
<td>One-sided data from the small buyer; examines relationships between small dealers and their large suppliers.</td>
<td>Introduces distributive and procedural fairness in channels research; establishes the positive link between fairness and channel relationships. A dealer’s perceptions of supplier fairness have positive effects on relationship quality (conflict, trust, commitment) and these effects are moderated by the outcomes the dealer receives and environmental uncertainty; procedural fairness has relatively stronger effects than distributive fairness.</td>
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<td>(Duffy et al., 2003)</td>
<td>Distributive; Procedural</td>
<td>Interview/Qualitative</td>
<td>Competition commission report</td>
<td>The consistency of responses across the sectors suggests that most of the points raised extend beyond the unique experiences of individual firms. Therefore the findings of the interviews are presented in aggregate for distributive justice and each dimension of procedural justice, as defined by Kumar (1996), and discussed in relation to issues covered by the Code of Practice where applicable.</td>
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<td>Study</td>
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<td>(Fearne et al., 2005)</td>
<td>Distributive; Procedural</td>
<td>Survey</td>
<td>The results demonstrate the heterogeneity in relationships between</td>
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<td>supermarkets and their suppliers of own-label products in the main</td>
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<td>commodity sectors to the extent to which retail and supply chain</td>
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<td>strategy is likely to influence the way in which supermarkets deal with</td>
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<td>suppliers. Best practice was most evident in the two supermarket</td>
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<td>supply chains where supply base rationalisation has virtually ceased</td>
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<td>and the adoption of lead suppliers and sole suppliers has been most</td>
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<td>(Yilmaz et al., 2004)</td>
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<td>small wholesalers (82% of wholesalers have fewer than 20 employees) and</td>
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<td>their major suppliers.</td>
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<td>(Luo, 2007)</td>
<td>Distributive; Procedural; Interational</td>
<td>Survey</td>
<td>When goal differences between parties are high, the joint effect on</td>
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<td>alliance performance of procedural and distributive justice is</td>
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<td>significantly positive. When interactional justice is high, procedural</td>
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<td>justice exerts a stronger performance effect.</td>
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<td>(Ellis et al., 2009)</td>
<td>Procedural; Informational</td>
<td>Observations and Survey</td>
<td>No direct data on the micro justice processes underlying these macro-data</td>
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<td>of value creation. Procedural justice reduces the positive effects of</td>
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<td>informational justice on financial return during the integration process,</td>
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<td>while it magnifies the effects of informational justice on the combined</td>
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<td>firms' market position during integration efforts.</td>
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<td>(Gu and Wang, 2011)</td>
<td>Update later</td>
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<td>Marketing channel of a leading manufacturer of food products in Hong</td>
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</table>

Profit allocation, treatment compared with other suppliers, respect
The concept of fostering relational bonds leading to reliable repeat business has evolved to a concept of building long-term relationships among partners in a supply chain (Wagner et al., 2011). Fairness perceptions are predominantly crucial for relationships with a long-term view due to the fact that the collaboration needs to take place to a certain extent to leverage the capabilities and resources of each other in order to achieve objectives set mutually. The failure to develop perception of fairness in the relationship has consequences that might impact the long-term view of the relationship destructively. A few cases are existing in the literature which demonstrate the power of a fair supply chain relationship.

A firm’s reputation is an intangible asset defined in several ways. For the purpose of the study and the context of the research, reputation is framed as the buyer’s perception of the supplier firm’s fairness, honesty and concern about the buying firm (Ganesan, 1994). The definition of an organization’s reputation branches from the work of Fombrun (1996) who have categorised three important elements:

1. reputation is based on perceptions;
2. it is the aggregate perception of all stakeholders; and
3. it is comparative.

Managers grow an impression of who and what a firm represents by the way a firm administers its assets (Reese and Kossovsky, 2011) and on individual experiences (Lloyd, 2011). Supply chain partners are able to develop their impressions of others through a multitude of different avenues such as their personal experience with the product or service being offered, their interactions with employees and so forth. This concept considers a gathering of experiences unique of each party or collective impersonations of all stakeholders (Lemke et al., 2013). Such elements will enable managers detect and appraise the reputation of organizations over a period of time. A positive reputation can be a source of competitive advantage for businesses (Rindova et al., 2005) and financial performance (Eberl and Schwaiger, 2005). Buyer-supplier relationship uncertainty can also be minimised when suppliers are appraised based on their reputation (Rindova et al., 2005). A negative reputation is also related to relationship values such as trust (Anderson and Weitz, 1989).

The perception of fairness by parties in a business relationship is a significant behavioural measure in economics (Fehr and Schmidt, 1999). Perceived fairness is also important to the behaviour of consumers (Bolton and Alba, 2006), and the behaviour of organizations (Dubinsky et al., 1993). The seminal work of Spence (1973) examines signaling theory from the perspective of economics, distinguishing the different unalterable attributes of individuals, and unalterable attributes of firms which are subject to manipulation. For example, factors such as age, level of
education, country of origin, firm’s culture, are factors that are not easily altered. But factors that can influence or manipulate a firm’s reputation and influence opinions are corporate social responsibility (CSR) efforts, philanthropic activities, media announcements regarding strategic decisions (Wagner et al., 2011), and even a firm’s brand (Ghosh and John, 2009).

Though reputation is an unobservable attribute, it is given “visible form” through positive or negative observable factors that influence perceptions regarding the firm’s capabilities and intentions, such as the way the firm treats relationship partners or what is stated in a firm’s annual report (Wagner et al., 2011). Signaling theory provides support concerning the notion that a firm’s reputation (supplier) is a signal that could positively or negatively influence another firm’s (buyer) perception about the exchange relationship (Anderson and Weitz, 1989; 1992). Supporting this claim that the reputation of a supplier is a signal to buyers and other relevant stakeholders, stability can be enhanced by avoiding the development of a poor reputation for treatment of channel members (Anderson and Weitz, 1989 p. 322).

Similarly, a reputation for fairness by a firm also enhances commitment among parties in the relationship (Anderson and Weitz, 1989). It was also stated by Anderson and Weitz (1989) “that individuals and companies deliver signals of their future actions via their presentations. Individuals are exclusively attuned to behaviours which enable them to infer cooperative rather than competitive tendencies. An individual is more willing to commit to another if the other person holds a reputation for cooperative behaviour, and the same mechanism operates among firms”. In all, the degree to which a supplier is believed to be concerned about the customer and fair and honest in its dealings with the buying firm is of utmost relevance in inter-organizational exchanges. Likewise, the perception that an exchange relationship with a supplier will continue on a long-term basis by a buyer implies their commitment to the relationship.

Although the significance and benefits of fairness have been highlighted such as relationship performance, relationship quality, its significance for the long-term perspective of the relationship is still nascent in the pertinent literature. Likewise, while the consequences of positive or negative reputations are generally understood from the perspective of strategic management and marketing, little is known about the consequences of fairness for a firm’s reputation in an inter-organizational relationship setting. A lack of such an understanding also limits our understanding of managing inter-organizational relationships in the supply chain context. These recognized gaps will be explored via practitioner interviews conducted with key and relevant informants in the industry.
Research method

Research design and company selection

When examining the nature of a complex phenomenon such as fairness, a careful consideration must be done to avoid methodological issues. This research considered the suggestion made by Guba (1990) in selecting an appropriate research paradigm. Key questions such as what the ontology, epistemology and methodology of this research were considered cautiously. In all, this research is interpretivist in nature, with the perspective that there is no single reality or truth, and reality needs to be interpreted. Therefore, this study considers itself a phenomenological research using qualitative interviews to obtain knowledge.

Due to the exploratory nature of this study and the concept of fairness being relatively new in the supply chain domain, this research was wholly conducted for three key reasons: (1) to satisfy the authors’ curiosity and desire for a better understanding of the research topic, (2) to test the feasibility of undertaking a more extensive study, and (3) to develop the methods to be employed in any subsequent study. To empirically investigate fairness as an underlying factor that influences exchange relationships between firms, we adopted the qualitative research design. The qualitative field research design is particularly appropriate to the study of those attitudes and behaviours better understood within their natural setting (Babbie, 2013) - here, supply chain fairness, as opposed to somewhat artificial settings of experiments and used surveys. We studied focal firms and their relationship with supply chain partners as the unit of analysis. A total of 26 relationships were studied in the context of buyers (focal firms) and their suppliers. We only examined the perspective of the buyer in the study, asking key questions about their relationship with key suppliers. A main restraining factor to conducting a dyadic analysis was the exclusive “access”, a major bottleneck in conducting business and management research (Myers, 2013; Bryman, 2015). Likewise, fairness is perceived as very “sensitive” by many organizations and their impression of the research’s aim is often misunderstood due to concerns relating to where results of such a sensitive topic will end up.

Companies contacted (named as Firm 1 to Firm 26) were firms that operated in majorly in the manufacturing and services sector in the United Kingdom. These firms also included a mixture of large and small firms based on their employee size and sales revenue. When considering the selection of firms to be used, a number of selection criterion was utilized such as; the company must be prepared to voluntarily disclose information; they should be engaged in a buyer-supplier type relationship; valuable and informative respondents such as purchasing and supply chain managers; ability to represent various voices; and the company must have been in existence for more than five years and in any form of buyer-supplier relationship for a minimum of between two years. Although collecting data from a single industry will reduce industry variation noises,
yet due to the exclusive exploratory nature of this study, a general understating of its value from various voices in these industries is believed to add value to the generation of knowledge for both practitioners and academics.

Data collection
With a purposive sampling of key informants, the main source of data in this study was 26 semi-structured interviews collected between August 2016 and July 2017. For each company, face-to-face interviews were organized with the focal companies (an overview is displayed in Table I). As we were mainly concerned about the impact of fairness perception of the key aspects of the long-term relationship development process which are firm reputation and relationship sustainability, interviewees were chosen based on their knowledge on interactions with their supplier such as being a point of contact in past dealings. These interviewees were also asked to choose a specific supplier that they work with the most (either at the current time or in the past) and interview questions were based around the relationship with that specific company. So, based on the past dealings, experiences and relational exchanges with the particular firm chosen, the standard interview guide questions were tailored in the context of that specific relationship and events. The interview protocol was grounded in the initial review of the literature which allowed for comparability of answers and increasing the reliability of the research (Yin, 2009). Hence, the interviews followed a standard under broadly defined topics in relation to specific relationship exchanges and happenings, with open-ended questions and probes to encourage detailed responses.

All interviews commenced with general enquiries about the background and position of the interviewee and the history of the relationship with the supplier. The questions were kept broad as a deliberate act to give the respondents freedom in their answers (Glaser and Strauss, 2009). We asked participants to evaluate their current relationship with key suppliers, and recall particular scenarios where perceptions of fairness have influenced their behaviour as company toward the supplier(s). Particularly, we were interested in how these influenced reputation and relationship sustainability. The interviews were conducted at the company facility or at off-site locations (e.g. at locations suitable for the participants).

Ethical concerns are an important aspect of conducting research (Bryman, 2012). Ethical approval was gain from the relevant University Ethics Committee before the data collection commenced. All the key informants were also required to provide consent before the collection of data occurred with them. This phase provided the opportunity for the participants to have a clearer understanding of the aim, benefits, expectations and risks of the research (Bryman, 2012). We also obtained agreement to participate which happened often after the initial contact.
Table 1 Excerpt of coding

<table>
<thead>
<tr>
<th>Data reduction (first-order codes)</th>
<th>Second-order</th>
<th>Third-order</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Perceiving fairness is like changing the gear from gear 1 to gear 2 if you were riding a car, it does have a very significant role on how we value that business through seeing that they value us with their fair dealings with us”. (Firm 5)</td>
<td>Relationship value</td>
<td>Relationship longevity</td>
</tr>
<tr>
<td>“Based on our past experience as a business and my own individual experience with individuals I dealt with before, I will not anymore transact with businesses who are not fair, I just wouldn’t do it because it’s just too difficult”. (Firm 10)</td>
<td>Continuity</td>
<td></td>
</tr>
<tr>
<td>“We have terminated relationships with supply chain partners in the past based on how unfairly we were being treated by them, especially over time”. (Firm 17)</td>
<td>Relationship termination</td>
<td></td>
</tr>
<tr>
<td>“If you are perceiving your supplier to be treating you fairly in all relevant areas, you are more likely to collaborate in more partnership with them. If it’s going the other way and you feel the supplier is treating you unfairly, you are more likely to do that and more likely to start distancing yourself from them, or consider changing suppliers (Firm 9)</td>
<td>Change of supplier</td>
<td></td>
</tr>
<tr>
<td>“So as simple as fairness sounds, it’s a very delicate part of the relationship building and sustainability and the collaborative process”. (Firm 11)</td>
<td>Building and sustainability</td>
<td></td>
</tr>
<tr>
<td>“I guess the length of the relationship is a vital factor that is affected when fairness or unfairness is perceived as the case may be”. (Firm 13)</td>
<td>Length of relationship</td>
<td></td>
</tr>
<tr>
<td>“This has a big impact on our reputation and image especially in the eyes of our end consumers”. (Firm 6)</td>
<td>Reputation and image</td>
<td>Firm reputation</td>
</tr>
<tr>
<td>“Extremely paramount because from a reputational viewpoint, as the public sector we all need to be aware that we are delivering the service …”. (Firm 7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Fairness in this case also impacts on reputation because when you are working with another supplier or with your supply chain you want both sides to be recognized for the good things that you do”. (Firm 1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Asides from the reputational damage on the end consumers’ angle, don’t forget that supply chain partners are also customers in some sense and reputation also glows along the chain….”. (Firm 23)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“We would see that as not fair and that could have a huge impact on our reputation if substantiated which takes years and years to build reputation but takes just minutes to destroy it”. (Firm 25)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Fairness is about understanding of the organizations that are in the relationship and working collaboratively to reduce waste and seek the opportunity for gain share”. (Firm 2)</td>
<td>Equal gain sharing</td>
<td>Distributive fairness</td>
</tr>
<tr>
<td>“Fairness is about creating the environment that facilitates ethical trading through considerations of equal benefits with price and costs”. (Firm 3)</td>
<td>Equal benefits</td>
<td></td>
</tr>
<tr>
<td>“Fairness is ensuring that both parties receive a reasonable outcome”. (Firm 16)</td>
<td>Reasonable outcome</td>
<td></td>
</tr>
<tr>
<td>“We would like to think that the customers are thinking about the sustainable benefits such as value for money- that we are buying from trusted suppliers, there is no unethical practice going on”. (Firm 4)</td>
<td>Value for money</td>
<td></td>
</tr>
<tr>
<td>“I think fairness is trying to be transparent, is trying to be where possible commercially honest and upfront so you don’t end up trying to be unfair to one party or the order for the benefit yourself”. (Firm 15)</td>
<td>Transparency</td>
<td>Interactional fairness</td>
</tr>
<tr>
<td>“I think fairness is really about being open so that everybody has got an equal opportunity to reap the best benefit from the relationship”. (Firm 21)</td>
<td>Openness</td>
<td></td>
</tr>
<tr>
<td>“I would describe it from a perspective that fairness and value go hand in hand which has a lot do to with mutual respect is part of that equation”. (Firm 22)</td>
<td>Mutual respect</td>
<td></td>
</tr>
<tr>
<td>“Fairness is trying to understand where our supplier seats and where we should seat rather than driving them down the bottom”. (Firm 26)</td>
<td>Mutual empathy</td>
<td></td>
</tr>
<tr>
<td>“My way of defining fairness is through some structured governance processes that allow you to walk within the boundaries of the governance without losing control of the situation”. (Firm 20)</td>
<td>Structured governance process</td>
<td>Procedural fairness</td>
</tr>
<tr>
<td>“Fairness with our suppliers involves embracing the same principles and working to achieve these standards”. (Firm 19)</td>
<td>Joint working principles</td>
<td></td>
</tr>
<tr>
<td>“‘‘Treat everybody exactly the same as everybody else and giving everybody the same opportunities’’. (Firm 18)</td>
<td>Clear responsibility</td>
<td></td>
</tr>
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</table>

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Before each interview began, it was clarified to respondents that they could withdraw from the study at any point and their participation was voluntary. This step helped to create a relaxed atmosphere and reduced producing biased data set. After each interview, it was explained that their insights would be transcribed and a copy will be sent back to them to validate, which gave the respondent a chance to edit the transcript (Patton, 1990; Yin, 2013). With qualitative data being difficult to analyse, the findings were cross-checked by an anonymous outsider with experience in analysing qualitative interviews, to help achieve reliability of data.

In an effort to overcome some of the potential difficulties, a dramaturgical model was utilised for the interviews as suggest by qualitative researchers such as (Gubrium and Holstein, 2002; Hermanns, 2004; Myers and Newman, 2007). The dramaturgical model treats the individual interview as a drama. The drama (the interview) has a stage, props, actors, an audience, a script, an entry, and an exit. The quality of the performance affects the extent to which the interviewee discloses important information which in turn affects the quality of the data (Myers and Newman, 2007).

**Data analysis**

In analysing our interviews, we followed the three steps suggested by Miles and Huberman (1994); data reduction, data display and conclusion. We started by reducing the data to quotes, sentences and/or paragraphs that were strictly relevant for answering the research questions (first-order codes). After, the data was examined from separate perspective. First, we analysed data in relation to the concept of fairness in the supply chain context to determine whether it’s existing conceptualization sufficient. Secondly, we analysed data in relation to the influence of perceiving fairness on firm reputation as opposed to perceiving unfairness. Thirdly, we analysed data relating to the influence of perceiving fairness for relationship sustainability. For example, we coded all first-order codes into descriptive second-order categories such as “value for money”, “transparency”, “Joint-working principles”, etc. This allowed us to get a first indication of the different elements that constitute what fairness means to different firms in the supply chain. Furthermore, it enabled us deduce third-order themes in relation to the fairness dimensions of Narasimhan et al., (2013). An excerpt of the coding is illustrated in Table 1.

**Discussion**

Reputation, from a social network view point, has been identified as a critical “soft” type of actor attribute or tie among actors in a supply chain (Borgatti and Li, 2009; Galaskiewicz, 2011). A supplier can use its reputation as a signal to current and potential customers that its success is due to integrating values such as fairness and trust with tangible business results. Thus, a benefit of
fairness perception is good reputation in the supply chain, and with end consumers. This point is particularly vital because end consumers have now started to embrace supply chain fairness as a yardstick when making purchasing decisions. People are especially attuned to behaviours which allow them to infer cooperative rather than competitive tendencies. An individual manager is more willing to commit to another if the other person holds a reputation for cooperative behaviour. The same principle works with firms because human beings are in control of firms. Fairness in this case also impacts on reputation because when working with another supplier or with your supply chain, both sides to be recognized for the good things that they do. A supplier’s perceived reputation at the beginning or initiation phase of the relationship as a fair company could be a signal to buying firms and individuals that the supplier has a potential of being cooperative and just in the prospective exchange relationship. More so, buyers would favourably continue relationships with suppliers that constantly exhibit cooperative behaviour and signal cooperative behaviour with a good reputation (Homans, 1974).

A buyer’s interest in building or maintaining and enduring the relationship with a supplier can be influenced by the perception of fairness. Future collaboration intention concern is also a crucial element that could be affected positively by the perception of fairness, and adversely by the perception of unfairness. This research found that the perception of fairness impacts on relationship continuity and future collaboration intentions.

In contrast to the focus on economic outcomes by economic theory, social exchange acknowledges the that firms in exchanges relationships in a supply network evaluate the outcomes of the collaboration against pre-conceived reward expectations (Thorelli, 1986). Such expectations comprise of economic elements and social values (Blau, 1968; Granovetter, 1985). A buyer’s perception of fair benefits, fair gains or fair economic rewards from the current relationship with the supplier would inform their intention to continue the relationship in the future capturing the idea of economic fairness in sharing relational benefits. Since there is an established debate that the main purpose of buyer-supplier relationships is to generate some economic or performance outcome, the significance of fairness in long-term relationships, or in sharing the pie of economic rewards is extremely crucial (Griffith et al., 2006; Jap, 2001). Therefore, maintaining long-term relationships depends heavily on the behaviour that is signalled during an existing relationship, such as honesty, trustworthiness, loyalty, respect, communication etc.

This study also found that perceiving fairness in supply chain relationships can promote problem solving. Conflict is derived from the diversion of goal attainment by a supply chain partner, and it minimizes the potential to achieve efficiency in the relationship and decreases relationship performance (Ross et al., 1997). When buyer perceives fairness, this creates the avenue for minimization of potential issues that may occur. Perceiving fairness in contrast to unfairness is
very important is because it can help with avoiding any misunderstanding that would usually occur in the process of inter-organizational exchange.

The perceptions of unfairness can threaten the future of a working relationship. Supply chain partners that experience fairness during the relationship dealings are more likely to signal an interest in the future of the relationship (Morgan and Hunt, 1994). Again, trust and fairness are like hand and glove where if one is not present, then neither is the other. The actions of a buyer in the relationship can affect how a supplier will trust them moving forward. If a buyer perceives trust and economic value to be both satisfactory in their relationship with their supplier, these positive indications should reduce a need to look for additional suppliers (Silseth, 2008), especially since close supply chain relationships provide significant benefits and advantages to its partners in today’s competitive and uncertain market (Cao and Zhang, 2011). Reducing the need search for additional suppliers has implications towards perceptions of relationship continuity with existing suppliers.

Firm relationships based on long-term orientation tend to rely on cooperation, goal sharing, risk allocation, etc. to maximise relationship value (Lages et al., 2005). A further consequence of unfairness in the supply chain relations was revealed. Many respondents mentioned that they will usually terminate a relationship if they feel there is no benefit and reward for them. Several cases were given which stress the importance of fairness for relationship continuity and at the same time illustrates the repercussions for relationship termination if unfairness is present.

Overall, this research’s findings stress the importance of fairness in dealings between supply chain partners particularly because the survival of firms operating in competitive environments depends on the loyalty of their customers and the long-term connections that are established between firms. Established long-term relationships between buyers and suppliers assists in avoiding adverse results. The findings in the research show that the development of relationship continuity in contrast to discontinuity or termination depends on the fair behaviour displayed by parties through elements such as respect, honesty, reward sharing etc. It was revealed that the existence of unfair behaviours and the implementation of unfair processes will push supply chain partners’ away, making the maintenance of the existing relationship impossible. The findings in this research show that perceiving fairness in supply chain relationships is an antecedent of the long-term elements of the relationship. Critical elements such as the intention to collaborate in the future, longevity of the relationship, conflict resolution, and firm reputation can be influenced positively when fairness is perceived.

2 This research is exploratory nature of this research based on the suggestions and logical thinking of past studies in intra and inter-organizational fairness. Some of the respondent firms expressed concerns of anonymity and privacy with regards to their participation in this research due to the delicate nature of the topic.
Conclusion

The findings of this research contribute to the ongoing investigations in supply chain relations by shedding light on the role of fairness. The significance of fairness has been largely overlooked in investigation of supply chain relationships despite being recognized as a driver of buyer-supplier relationship performance. Although fairness has been recognized as a formative means for reducing relationship damage and termination, our findings identify it to be an antecedent for the constructs of collaboration and inter-organizational relationship longevity. Our study ascertains that the concept of fairness is personal and interpreted according to an individual firm’s peculiar situation.

Recent studies that have examined fairness in the supply chain context have wholly considered one angle; its consequence mainly for indicators of an outstanding relationship and performance. However, researchers have neglected a vital element in their investigation which relates to long-term perspective of such a perception. Therefore, this research has certain implications for theory and practice.

Theoretical implications

Our study contributes to organizational fairness research by extending fairness to the inter-organizational level such as the buyer-supplier relationship setting in supply chains. Past studies have wholly focused on the intra-organizational level of fairness with a focus on concerns such as employee satisfaction, managerial fairness, team management etc. (Colquitt et al., 2001), and minor devotion has been capitalised on fairness issues in supply chain associations (Griffith et al., 2006). This research therefore fills a void and is original insofar as no other has sought to explore long-term consequences of fairness perception in such a context. As our study is one of the first to explore long-term repercussions in the buyer-supplier relations, we are able to add new insights on a supply chain and maybe network level. The interviews provide a clear evidence that the perceptions of fairness are important in collaborations with chain partners and have a strong influence on an organization’s reputation, and relationship sustainability. All perceptions of fairness (distributive, procedural, interactional) are significant and have a strong influence.

Managerial implications

Accomplishing interdependent relationships with external providers that is mutually beneficial and enhances the ability of both to create value is gradually becoming a concern for many firms, particularly for firms who are members of strategic supply chain collaborations. This study also provides managerial contributions. Although beyond the organizational boundary, the values of fairness perceptions have been recently highlighted in theory and practice, this research provides
new insights demonstrating that fairness is essential for building long lasting supply chain relationships that are equally valuable through key collaborative activities. Hence, the findings of this research offer managers’ direction on how to manage their interactivities with their supply chain partners through the adoption of schemes that are able to effectively encourage fair practices during transactions. Our findings particularly reveal that fairness is a concept that needs to be included in trading agreements and placed at the forefront of the relationship banner.

**Limitations and research implications**

Although there was a determination to provide a reliable and valid study that would contribute to both theory and practice, the complexity of an examination of a concept such as fairness in the supply chain context logically creates constraints and limitations. The exploratory nature of our research with the primary aim of validating the initial ideas from past studies also added to the limitations. Our research was extremely exploratory in nature and we were only able to use interviews to have a clearer knowledge of sources of the perceptions of fairness for supply chain relations. To be able to fully explore and capture the full representation of fairness perceptions, we suggest for future research to conduct interviews on a larger scale to have a deeper understanding and for clarification purpose. By no means do we claim that the outcomes investigated here make a complete supply chain fairness model in the inter-organizational context. Future studies may also explore the influence of fairness on other factors vital to the long-term relationship development process.

Furthermore, we would also propose larger future studies by collecting data from different industries to clarify whether industry type and competition are factors that influence the dynamic interplay of fairness. We also appreciate that it is suitable to conduct data collection from a single industry to avoid noises of industry-level difference, but we strongly feel that the results derived can be generalizable to different business sectors due to the in-depth nature of interviews.

Finally, we recommend for future studies to empirically test our propositions with quantitative data, so that generalizability and validity of our findings are increased. Although this research was preliminary in nature, we believe that it could create a new line of research for the supply chain management literature for future studies that may consider a broader model with a parallel idea.
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