This is to certify that the

dissertation entitled

The Role of Organizational Categorization in Interorganizational Marketing Negotiations: Implications for Minority Supplier Purchasing Programs

presented by

Alicia Diane Cooper

has been accepted towards fulfillment
of the requirements for

Doctor of ~~Philosophy~~ degree in ~~Business Ad~~ministration

Forrest S. Carter
Major professor

Date 8/7/98

INTEROP

THE ROLE OF ORGANIZATIONAL CATEGORIZATION IN INTERORGANIZATIONAL MARKETING NEGOTIATIONS: IMPLICATIONS FOR MINORITY SUPPLIER PURCHASING PROGRAMS

By

Alicia Diane Cooper

A DISSERTATION

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

DOCTOR OF PHILOSOPHY

Department of Marketing and Supply Chain Management

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ABSTRACT

THE ROLE OF ORGANIZATIONAL CATEGORIZATION IN INTERORGANIZATIONAL MARKETING NEGOTIATIONS: IMPLICATIONS FOR MINORITY SUPPLIER PURCHASING PROGRAMS

By

Alicia Diane Cooper

Many companies are attempting to align their purchasing and supply base strategies with corporate strategies in order to achieve competitive advantage (Monczka and Trent 1995). However, the role of corporate minority supplier purchasing programs within this changing organizational environment has not been examined. Specifically, the extent to which the present structure of minority supplier purchasing programs enhances, or deters, the creation of strategic partnerships with minority suppliers has not been addressed. To that end, this dissertation explores the extent to which the categorization of suppliers as 'minority' influences the negotiation process and subsequent outcomes.

A theoretical model derived from Self Categorization and Social Identity Theories is developed to examine purchasing agent negotiations with suppliers that have been categorized as minority. To test the model, a field study of university purchasing agents was conducted. The hypothesized model was tested using structural equations modeling.

This dissertation contributes to marketing theory by extending these theories from social psychology into the marketing literature and providing a theoretical basis for the study of minority supplier purchasing programs. In

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addition, the findings of this research offer practical implications regarding the use of various negotiation strategies by purchasing agents as well as the structure of minority supplier purchasing programs. Results from this study help to bring together the academic and managerial analyses of purchasing agent negotiations.

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Lord, I have given up my pride and turned away from my arrogance. I am not concerned with great matters or with subjects too difficult for me.
Instead, I am content and at peace. As a child lies quietly in it's mother's arms, so my heart is quiet within me...Trust in the Lord now and forever!

Psalm 131 (TEV)

This dissertation is dedicated to God Almighty, without whose love, guidance, unyielding support , and most of all, grace I could not have completed this journey. Thank You for teaching me the true meaning of sacrifice through Your son Jesus. Thank You Jesus for the gift of abundant life! This dissertation is also dedicated to my mother, Allene Carol Austin Cooper and my father, William Lawrence Cooper Sr. Thank you for the gift of life! Also, to my brothers Billy and Carl, my sisters-in-law Janie and Shelia, and my nieces and nephews Michael, Alicia, Brittany, Ashley, Alonso, and Nicholas, and all of my friends and extended family; thank you for all of your love, patience, and support as I embarked upon this journey.

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ACKNOWLEDGMENTS

I would like to thank the members of my dissertation committee for their invaluable insight and extreme patience in the completion of this dissertation:

Dr. Forrest S. Carter, chairperson,

Dr. Roger J. Calantone,

Dr. David J. Closs and

Dr. Ernest S. Betts.

I would also like to thank my family and friends; my mentors Dr. Edward Davis, Dean Paul Parker Sr., Dr. Robert Lynn, Dr. Genice Rhodes-Reed, Rev. Dr. Jeremiah A. Wright, Jr. and Mr. Carl Denoms Sr.; the administrative staff of the Department of Marketing and Supply Chain Management (or whatever new name the department may have!); my classmates; my church family at Trinity United Church of Christ in Chicago; the Youth Church at TUCC; the black graduate students at Michigan State University and across the country; my friends from St. Stephen's Community Church; and all of those who helped make a way for me. Words cannot express the love I have for you! God bless you!

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CHAPTER 1

INTRODUCTION

1.1 OVERVIEW

For more than a decade new forms of business organization have emerged and changed the structure within organizations as well as the relationships between them. These new organizations are characterized by an emphasis on relationship management, flexibility, and specialization and have been referred to as "networks" (Miles and Snow 1986; Thorelli 1986), "value-added partnerships" (Johnston and Lawrence 1988), and "alliances" (Ohmae 1989). They engage in transactions within ongoing relationships and depend on negotiation, rather than market-based processes, as a principal basis for conducting business (Webster 1992).

As organizational structures have changed, so has the role of marketing within these firms. The role of marketing in these new organizations is to help design and negotiate the strategic partnerships with vendors through which the firm deploys its distinctive competence (Webster 1992). This new organizational emphasis has elevated the status of the procurement function as well, as companies have gained a new respect for the potential that purchasing has to contribute to the firm.

Many companies are now attempting to align their purchasing and supply base strategies with corporate strategies to achieve competitive advantage (Monczka and Trent 1995). However, the role of corporate minority supplier purchasing programs within this changing organizational environment has not been

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has not been examined. Specifically, the extent to which the present structure of minority supplier purchasing programs enhances, or deters, the creation of strategic partnerships with minority suppliers has not been addressed. To that end, this dissertation will explore whether the categorization of suppliers as 'minority' influences the negotiation process and subsequent outcomes. Implications for the role of minority supplier purchasing programs in developing strategic partnerships may then be assessed.

1.2 MINORITY SUPPLIER DEVELOPMENT: FROM SOCIAL RESPONSIBILITY TO SOURCING STRATEGY

Initial efforts to promote minority supplier development emerged from the government as well as the corporate business community, with social responsibility as the guiding theme. The Minority Business Development Agency was established in 1969 to direct public policy toward assisting in minority business development. Government mandate to source from minority firms began primarily as the result of Public Law 95-507 in 1978, which required companies bidding for federal contracts to submit, prior to contract award, a plan that included percentage goals for the use of minority-owned firms. The most widely accepted definition of a minority-owned firm is a company that is at least 51% owned, managed and controlled by one or more minority (i.e., African American, Hispanic American, Native American or Asian-Pacific American) persons (*Purchasing* 1995). Table 1.1 highlights government legislation that has had an impact on minority suppliers.

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Source: *Purchas*

Table 1.1
Minority Supplier Legislation

1969	Executive Order 11485 establishes the U. S. Office of Minority Business Enterprise within the Commerce Department to mobilize federal resources to aid minorities in business
1971	Title 41, Federal regulations that require all federal contracts exceeding $500,000 to contain a clause encouraging contractors to use minority firms as sub-contractors on a best-effort basis
1971	Executive Order 11625 expands on EO 11405 and gives the Commerce Secretary the authority to implement federal policy in support of minority business enterprise programs; provide technical and managerial assistance to disadvantaged businesses; and coordinate activities between all federal departments to aid in increasing minority business development
1977	The Public Works Employment Act amended, requiring that 10% of each Federal Construction Grant be awarded to minority firms
1977	The Railroad Revitalization and Regulatory Reform Act requires that recipients of financial grants and their subcontractors establish a goal of 15% of purchases to be awarded to minority businesses
1978	Public Law 95-506 mandates that bidders for federal contracts in excess of $500,000 for goods and services and $1 million for construction submit, prior to contract award, a plan that includes percentage goals for the use of minority subcontractors
1983	Executive Order 12432 directs all agencies of the federal government to develop specific goals for expanding procurement opportunities to minority businesses
1986	Public Law 99-661 requires affirmative efforts by all government contractors toward a three-year goal of 5% minority and disadvantaged business participation in Defense Department purchases
1989	California General Order 156 calls for setting goals for use of minority suppliers by utilities regulated by the state public utilities commission and threatens withholding action on utility rate cases where utilities fail to show compliance with the order

Source: *Purchasing* (1995)

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The requirement of minority set-asides increased the pressure on government contractors to develop minority-owned businesses as suppliers. While these laws primarily applied to government contractors, their enactment in some instances awakened large companies to opportunities they had previously overlooked. As a result, many purchasing departments in large firms implemented 'minority-owned' business purchasing programs designed specifically to increase the amount of purchases from these firms (Dollinger and Daily 1989; Pearson et al. 1993). More recently, 'second-tier' purchasing programs have been developed by large corporations in an effort to encourage their primary suppliers to purchase goods and services from minority suppliers (*Purchasing* 1995).

What began as "corporate do-goodism" is now becoming an entrenched, albeit specialized, part of the sourcing strategy of many corporations (*Purchasing* 1995). However, attempts to meet federal requirements and voluntary efforts to aid in the economic development of minority and small businesses often end in failure and frustration for both parties (Bates 1985; Dollinger and Daily 1989; Pearson et al. 1993; Spratlen 1978). Hence, the mechanisms by which minority supplier purchasing programs can become a part of sourcing strategy deserve careful consideration.

1.3 CATEGORIZATION IN INTERORGANIZATIONAL MARKETING RELATIONSHIPS

While the categorization of suppliers into groups such as 'minority' exists primarily to fulfill organizational needs, it may have both social and

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psychological consequences. This distinctive categorization of firms may act to differentiate corporate purchasing agents from minority supplier representatives and affect the nature of the relationship that develops between them. An important consequence of this *organizational* categorization, therefore, may be that it activates *social* categorization processes whose consequences may be dysfunctional. It is believed that these organizationally defined categories shape social interactions between individuals as well as the outcomes observed as a result of these interactions (Kramer 1991).

A substantial stream of literature exists which examines the effects of social categorization on interpersonal and intergroup behavior (cf. Brewer and Kramer 1985; Messick and Mackie 1989; Rothbart and John 1985; Tajfel 1982). Moreover, the social and psychological repercussions of categorization processes in organizations are beginning to receive attention from organizational theorists (Ashforth and Mael 1989; Baron and Pfeffer 1989; Kramer 1991; Lansberg 1989). However, the focus of this research has been on interpersonal and intergroup behavior *within* the organization, and few detailed discussions exist which examine how categorization processes affect interdependent behavior *between* organizations. This subset of issues has been largely overlooked by marketing scholars as well.

Organizational categorization tends to activate social categorization processes among individuals that affect their perceptions of their interdependence with others (Kramer 1991). This is because individuals structure their perception of themselves and their perception of others by means of abstract social categories (Turner 1982). These categories are then internalized by the individuals as aspects of their self-concepts.

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These categorization processes serve two important psychological functions. First, they help individuals define themselves, a process called *self-categorization*. In this sense, the categories serve as frames of reference that locate the individual in the complex network of intra- and inter-group relationships. Second, the level of categorization helps individuals define their social relations with others or their *social identity* (Turner 1987). As a result, the individual is not conceptualized as behaving independently, but rather as a social actor embedded in these intra- and inter-group relationships.

Therefore, it is posited here that the negotiation process is shaped by the nature of the organizational categories that are salient to individuals during this process. When individuals assume membership in organizations, they acquire identities associated with the various organizational categories into which they are placed (Kramer 1991). Thus, when members of different organizations interact with each other, they interact not as individuals *per se*, but with regard to the organizational and social categories with which they identify (Kramer 1991; Sherif 1966; Tajfel 1974). Ring and Van de Ven (1994) suggest that a congruent understanding of this identity is a necessary, but not sufficient, condition for negotiating parties to commit and enter into cooperative interorganizational relationships. This categorization and identification may, in turn, act as a situational constraint that affects self-esteem and influences behavior during the negotiation process and subsequent negotiation outcomes (See Figure 1.1)[1]. The extent to which this phenomenon occurs in negotiations

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1 Figure 1.1 adapted from Graham (1986).

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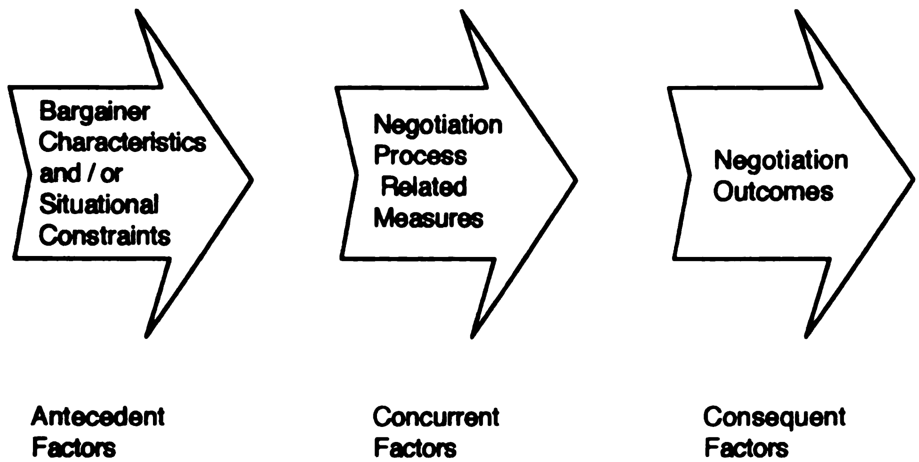
involving participants in minority supplier purchasing programs deserves further exploration.

Figure 1.1
General Model of Interorganizational Marketing Negotiations



To date, we have little other than anecdotal evidence, primarily from business magazines such as *Black Enterprise* and *Hispanic Business*, regarding minority business enterprises. In addition, a few empirical studies have been conducted which examine minority supplier / purchasing agent relationships from an economic perspective (Dollinger and Daily 1989; Guinipero 1980; Pearson et al. 1993). However, researchers have neglected to examine the behavioral aspects of interactions between purchasing agents and minority suppliers. Self Categorization Theory (SCT) and Social Identity Theory (SIT) (Tajfel 1974; Tajfel and Turner 1977) may provide a theoretical basis for exam

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basis for examining the impact of this categorization on purchasing agent negotiations with minority suppliers.

1.4 RESEARCH DESIGN

1.4.1 Research Objectives

The research objectives of this dissertation are twofold: (1) to present a social psychological perspective (i.e., SCT and SIT) as a basis for examining negotiations between purchasing agents and participants in minority supplier purchasing programs and (2) to investigate the extent to which the categorization of suppliers as 'minority' influences the behavior of purchasing agents during the negotiation process and subsequent negotiation outcomes.

1.4.2 Research Questions

The proposed model presented in Figure 1.2 represents the relationships to be examined in this study. Considering the objectives set forth in this dissertation, the research questions to be pursued are as follows. With regard to purchasing agent negotiations involving firms that are participants in minority supplier purchasing programs:

1. Does organizational identity influence the purchasing agent's self-esteem?
2. Do self-esteem needs influence the purchasing agent's use of various negotiation strategies?
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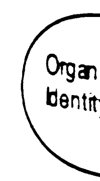

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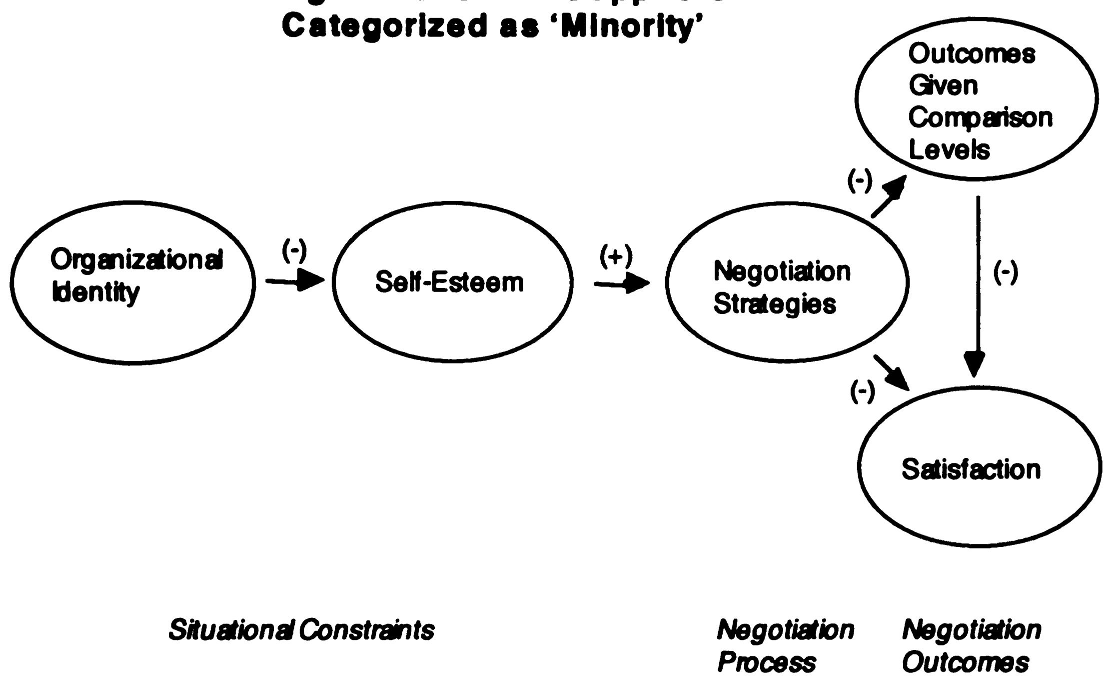
satisfaction with the negotiation, as well as evaluations of the outcomes obtained through negotiating with this supplier, relative to a similar supplier?

4. Does the evaluation of the outcomes obtained through negotiating with this supplier directly influence satisfaction with the negotiation?

5. Does the hypothesized model represent negotiations with suppliers which are not participants in any type of supplier purchasing program?

Figure 1.2
Proposed Model of Purchasing Agent Negotiations with Suppliers Categorized as 'Minority'



1.4.3 **Research Design Overview**

The models illustrated in Figures 1.1 and 1.2 were used to develop the statistical path model to be analyzed in this study. The path model will be tested with a sample of purchasing agents responding to questions regarding a recent negotiation w

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negotiation with a supplier that is a participant in the organization's minority supplier purchasing program. For comparison purposes, a sample of purchasing agents will be asked to respond about negotiations with a supplier that is not a participant in any type of supplier purchasing program. The EQS (Bentler 1992) structural equation modeling program will be used to analyze the model.

A survey research design will be employed in this dissertation. A sample of purchasing agents from universities with 10,000 or more students will be contacted for participation in the study. The membership directory of the National Association of Educational Buyers will provide the sampling frame. The research constructs will be measured through a variety of multiple-item scales.

1.5 EXPECTED CONTRIBUTIONS OF THE RESEARCH

1.5.1 Theoretical Contributions

This dissertation is expected to provide significant theoretical contributions to the marketing literature. Following Webster's (1992) recommendation, theoretical concepts from the literature on social psychology, organizational behavior, and marketing are combined in this study. While Dwyer, Schurr and Oh (1987) recommended the use of negotiations as a framework for analyzing marketing relationships almost a decade ago, this dissertation will be one of a relative few marketing studies to employ this framework (for exceptions see Ganesan 1993; Graham 1988; Mintu 1990; Perdue and Summers 1991; Rinehart and Page 1992). In addition, this dissertation

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dissertation will extend Self Categorization and Social Identity Theories into the marketing literature and present the construct of 'organizational identity' as a possible antecedent to the interorganizational marketing negotiation process. The literature on minority business development is likely to benefit as well from a social psychological examination of minority supplier purchasing programs.

1.5.2 **Managerial Contributions**

This dissertation is expected to provide practical implications regarding firm strategy and structure. Value creation and sharing between firms are important activities for firms seeking to advance in business markets, and these activities are believed to take place during the negotiation process (Anderson 1995; Bazerman and Carroll 1987; Day 1994). Therefore, a better understanding of the negotiation strategies used in interorganizational marketing relationships will assist managers in understanding how value is, *or is not*, created and shared through the use of various negotiation strategies during interorganizational marketing negotiations.

This dissertation will also examine the effects of the 'minority' supplier categorization on the behavior of purchasing agents during negotiations. The extent to which this categorization leads purchasing agents to identify with suppliers in a manner which may be dysfunctional will be examined. Recommendations for enhancing interorganizational marketing relationships through adaptations to the structure of minority supplier purchasing programs will be provided.

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1.6 SUMMARY

This chapter briefly described the thrust of this dissertation. The focus of this research is on the organizational categorization of suppliers as 'minority' and its influence on purchasing agent behavior during interorganizational marketing negotiations. A discussion of minority business development in the U.S. was presented as well. A model examining purchasing agent negotiations with suppliers that have been categorized as minority was outlined.

This dissertation proposes the use of a survey research design. The research objectives relevant to this dissertation were also highlighted. Finally, the expected theoretical and managerial contributions of this dissertation were provided.

Chapter 2 will present a review of the literature on minority supplier development. The conceptual model and hypotheses which provide the foundation for this study will be developed in Chapter 3. In Chapter 4 the research methodology to be used in this study is outlined. The data will be analyzed and the results presented in Chapter 5, followed by a discussion of the theoretical and managerial implications of this research in Chapter 6.

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CHAPTER 2

LITERATURE REVIEW

This chapter presents a review of the relevant literature for examining the behavioral aspects of negotiations between minority suppliers and purchasing agents. Literature from research on minority business development will be discussed. The extent to which the organizational categorization of suppliers as 'minority' influences negotiations between purchasing agents and minority suppliers is of interest to this study.

Scholarly research regarding minority business enterprises is scarce, however, studies which are of relevance to minority suppliers may be classified into three general areas: (1) public policy discussions, (2) comparisons between minority and non-minority firms, and (3) examinations of corporate purchasing programs.

2.1 PUBLIC POLICY DISCUSSIONS

The first area of research discussed here is directed at examining the public policy issues surrounding minority business development. Levinson (1980) used an historical approach to examine the evolution of minority business enterprise (MBE) assistance programs. The study determined that there has been a transition from administrative programs based on racial/ethnic guidelines to statute-based programs that focus on social and economic disadvantage. The author concludes that these new programs will better assist those firms

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those firms truly in need of assistance and lead to the "enhancement of the general economic welfare of the nation" (p. 99).

Bates (1985) examined the impact of preferential procurement policies on minority businesses. The author suggested that these preferential policies are beneficial in removing traditional barriers to MBE participation in the economy and reducing the costs associated with a transition to a less discriminatory economy. However, with regard to "which" minority firms should be the primary recipients of preferential purchasing policies, i.e., the most deprived firms or those firms with the greatest prospects for business success, the author believes that long-term economic and social benefits will be accrued by assisting those firms which have the greatest potential to contribute to the overall economy.

In a later analysis, Bates and Williams (1996) examined the extent to which selling to government through preferential procurement had strengthened MBEs. Small business profiles of minority and non-minority owners compiled by the U.S. Census Bureau were reviewed for the period 1987 to 1991. While most (65% of minority and 80% of non-minority) of these firms were not found to be heavily reliant upon sales to government, those firms which did rely on government purchases for 25% or more of their revenues reported lower mean sales. In particular, the MBEs in this group were discovered to be younger and more likely to go out of business than their less-reliant MBE counterparts.

The authors offer two explanations for these findings. First, some MBEs may have been established for the purpose of partnering with a non-minority firm in order to receive a government contract. The MBE then closed when the project ende

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project ended. Second, some small, young MBEs may have been awarded contracts that they simply did not have the capacity to handle. The authors recommend that MBEs include the development of a diverse client base as part of their corporate strategy.

With regard to legislative decisions, Gray and Peery (1990) reviewed the impact of the Supreme Court's *Croson* decision concerning minority set-asides. In *Croson v. City of Richmond* (1989), the U. S. Supreme Court overturned a minority set-aside program that had been implemented by the city. The ruling was made on the basis that there was no past history of discrimination on the part of the public entity offering the contracts. In handing down such a ruling, the court provided clarity to the circumstances under which minority set-asides were deemed appropriate and the standards for the implementation of such programs. The authors emphasize that the judicial standard set forth in the *Croson* decision will help eliminate unnecessary costs associated with unwarranted affirmative action provisions in public contract bidding.

While preferential policies appear to be viewed in a favorable light, the *Croson* decision may have been a pre-cursor of the changing U. S. social climate, as the efficacy of preferential policies in many areas is currently being challenged. Legislation such as Proposition 209 , which prohibits the use of racial preferences by public institutions in California, has already affected perceptions about minority business development. During a recent corporate supplier diversity needs assessment, a survey respondent was reported to have commented "...my people by and large will support the buyer diversity initiative. However, there is a growing concern about affirmative action and whether or not we are being asked to remove our white suppliers..." (Morgan and Cruz

1997).

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1997). Minority-owned firms must be prepared to face the new challenges that may result in the wake of these changes.

2.2 COMPARISONS BETWEEN MINORITY AND NON-MINORITY FIRMS

Another area of research of relevance to minority suppliers consists of comparisons between these firms and their non-minority counterparts. Two studies use secondary data to compare the performance of minority and non-minority firms. Scott (1983) evaluated the performance of MBE and non-MBE firms with regard to three measures: profitably, indebtedness, and liquidity. The sample of firms was obtained from a Dun & Bradstreet database. The minority firms selected were those which did not receive assistance from the Minority Business Development Agency. The author believed these firms to be more mature and viable and notes that their performance had been overlooked in previous research. A comparable non-minority group of firms was selected as a basis for comparison. Interestingly, the results indicate that the MBEs were "no less profitable, no less liquid and no more in debt than their non-minority counterparts" (p. 47).

Similar results were obtained by Bates and Furino (1985), who also utilized a Dun & Bradstreet database to determine the viability of minority entrepreneurship. The authors report that: (1) MBEs are viable in a wide array of industries; (2) access to credit markets has been very beneficial to MBE development; (3) minority-owned firms generally earned higher returns than their non-minority counterparts; and (4) net worth and liquidity are the most powerful

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While both Scott (1983) and Bates and Furino (1985) used objective measures to assess firm performance, Giunipero (1980) explored the *perceived* differences experienced in conducting business with minority and non-minority suppliers. The author queried minority purchasing coordinators in manufacturing companies. The research focus was on the comparison of problems encountered when purchasing from minority and non-minority suppliers.

In contrast to the findings regarding firm performance observed by Scott (1983) and Bates and Furino (1985), Giunipero (1980) discovered that the perceived problems experienced when purchasing from minority suppliers were all significantly greater than those experienced when purchasing from non-minority suppliers. However, the author notes that respondents were asked to compare *all* minority suppliers to *all* non-minority suppliers and as a result, the reported "differences in perceived problems may be inflated due to the relatively smaller sizes of the minority firms" (p. 5). While this potential flaw in research design was mentioned, no effort was made within the research design to control for the effects of firm size.

The author identified the areas of greatest perceived difference between minority and non-minority vendors to be lack of: (1) qualified engineering personnel; (2) qualified sales personnel; and (3) technological expertise. The areas of least perceived difference were failure to: (1) comply with purchasing procedures; (2) deliver on time; and (3) submit samples. Interestingly, the largest p

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largest perceived differences appear to be related to personnel issues, while the smallest differences are related to firm performance.

This observation is important in that it underscores the fact that the perception of minority firms as poor performers relative to non-minority firms may not be justified. The three problem areas with the smallest perceived differences each received mean ratings between "1" (not a problem) and "2" (a moderate problem). These findings lend credence to the idea that perceptions about minority firms may be related more to 'the people' that work at these firms rather than actual firm performance.

Enz, Dollinger and Daily (1990) present research from a different perspective, that of the minority and non-minority small business owner. The authors address a key issue for firms involved in distribution channel relationships, the extent to which small business enterprises (SBEs) and their corporate customers share organizational values. The study examined the importance of organizational values and the perceived value similarity with a primary customer for both minority and non-minority small business owners. Minority small business owners placed significantly more importance than their non-minority counterparts on all six (i.e., collectivism, duty, rationality, novelty, materialism, and power) organization-based values.

Of particular interest is the finding that minority business owners expressed higher levels of perceived value similarity with their corporate customers on all six value dimensions and significant differences from non-minority small business owners on five of the six values. These findings suggest that minority firms appear to be attempting to align their organizational values with those of their corporate customers as means of reducing some of the bar

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the barriers which may inhibit the development of strong distribution channel relationships.

It is worth noting however, that organizational value similarity was measured as a perception of the MBE/SBE owner and as such, may not be reciprocated by the corporate customer. Further research examining organizational value importance and perceived similarity from the viewpoint of the corporate customer would be very enlightening. Congruence between the MBE/SBE and the corporate customer with regard to value importance and similarity would yield valuable insights into these relationships.

2.3 CORPORATE PURCHASING PROGRAMS

Finally, research reviewing minority supplier purchasing programs appears to be progressing, as large companies attempt to enhance relationships between corporations and small minority-owned firms. This area of research, presented here in the work of Auskalnis, Ketchum and Carter (1995), Dollinger and Daily (1989) and Pearson, Fawcett and Cooper (1993) is in the research tradition of the present study.

Auskalnis et al. (1995) provide the first comprehensive analysis of corporate best practices regarding minority supplier purchasing programs. The authors surveyed purchasing executives in an attempt to document best practices that lead to the successful administration of viable minority supplier purchasing programs. Study results suggest that certain practices do correlate to the potential success of a minority supplier purchasing program. Significant differences were noted in MBE dollar award percentages for practices in fifteen areas, i

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areas, including 'corporate policy', 'degree of management support', 'buyer training', and 'assessing buyer and manager MBE purchasing performance in annual reviews'.

Contrary to popular perception was the finding that overwhelmingly, established purchasing practices *were not* being relaxed in order to support a minority supplier purchasing program. In fact, those firms which reported relaxing requirements for minority suppliers also consistently reported the lowest performances with regard to awarding business to minority suppliers.

Two studies which examine corporate purchasing programs provide insights which bear on the research objectives of this dissertation. In the first study, Dollinger and Daily (1989) identify the problems encountered by corporations in purchasing from minority business enterprises. These problems are viewed from both the buyer and seller perspectives. Transaction cost economics (Williamson 1975; 1981) provides the theoretical framework for the analysis. Transaction cost theory stipulates that interactions between buyers and sellers may be analyzed by examining the nature and outcomes of their economic transactions and the costs associated with executing these transactions. When applied to minority supplier purchasing programs, transaction cost economic theory suggests that if the costs of transactions between MBEs and corporate purchasing agents are perceived as high by one or both parties, the transaction will be difficult to execute. This may result in the inability of the parties to negotiate a solution.

The sample for the study consisted of three groups: a group of minority business owners (MBE), a group of non-minority small business owners (SBE), and a group of corporate purchasing personnel (CPP). The group of non-minority

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minority small business owners was included in the study to control for the effects of firm size and race.

Interestingly, the MBE group was the most highly educated of the three groups. Almost half of the MBE respondents (42.0%) had attended graduate school, with 26.6% of the sample having obtained graduate degrees. This percentage was larger than either the SBE group (22.6% attending graduate school; 14.8% receiving degrees) or the corporate purchasing personnel sample (32.5% attending graduate school; 15.5% receiving degrees). Hence, lack of education does not appear to pose a potential threat to MBE viability.

Of particular relevance to the present study was the significantly higher average number of years on the job for both MBEs and SBEs. The authors suggest that this finding reveals the rapid turnover of corporate purchasing personnel. This may translate into difficulty for suppliers as they must constantly prove their firm's and their own reliability in an effort to develop relationships with purchasing agents.

A mail survey was administered to each group of respondents. The variables used to represent the dimensions of the transaction cost framework were (1) small number of sellers, (2) complexity, (3) business uncertainty, (4) production uncertainty, (5) opportunism, (6) impacted information and (7) atmosphere. In addition, variables representing resource dependence, value similarity, and value importance were included as alternative explanations. These variables were all viewed as impediments which have the ability to increase the costs encountered by the corporation as well as those faced by the minority supplier when executing transactions. The study also identified activities favored by both the purchasing agents and the minority suppliers to reduce

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reduce or overcome these transaction costs. In addition, various criteria for evaluating minority supplier purchasing programs were assessed.

Overall, it was discovered that the three groups of respondents faced significantly different transaction costs. Noteworthy findings from this study include the acknowledgment by both minority suppliers and corporate purchasing agents of the problems caused by the small number of minority firms available within the economy. The authors point out that "one very successful East Coast minority-owned firm reported that they were disappointed in their (own) search for minority vendors -- there weren't enough available to (provide) a plausible alternative" (p. 15). Non-minority small business owners did not report experiencing similar problems.

In addition, MBEs reported a high level of perceived value similarity with top management of their major customers. SBEs also perceived themselves to be similar to top management of their major customers, but to a significantly lesser degree. This supports the research results obtained by Enz, Dollinger and Daily (1990). However, with regard to the purchasing agents, they *did not* perceive their organization-based values to be similar to those of their minority suppliers. Therefore, it appears that MBEs have a strong desire to "fit in", but that desire does not appear to be reciprocated by their purchasing agent counterparts. The purchasing agents were not surveyed regarding their perceived similarity to SBEs.

Results related to the atmosphere of minority supplier / purchasing agent relationships are of particular relevance to the present research. Minority suppliers perceived the personal cost of conducting business in a hostile, unfriendly atmosphere as a problem, while the corporate purchasing agents and n

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and non-minority small business owners did not share this view. While there were significant differences among the three groups, the authors acknowledge that "CPPs admit privately that they know of others who are prejudiced and don't like to deal with 'them'" (p. 15, emphasis in the original). This was further evidenced by the finding that 'establishing personal relationships' was the least desired evaluative criteria identified by the purchasing agents. However, this was only significant with regard to MBEs, *not SBEs*. Consequently, minority suppliers are confronted with additional costs that may not be attributed to their small firm size but rather to their 'minority' status.

The authors recommend activities which both reduce and shift transaction costs. Activities aimed at reducing transaction costs include increasing the pool of qualified minority suppliers and improving the atmosphere for negotiations. The study recommends shifting transaction costs away from the negotiating parties through the establishment of a purchasing council to handle transactions. In addition, the research findings support the use of multiple criteria for the evaluation of both MBE programs and corporate purchasing personnel.

In a longitudinal study patterned after the work of Dollinger and Daily (1989), Pearson et al. (1993) examine the impediments which inhibit the formation of strong distribution channel relationships with minority suppliers and the approaches that are being developed to overcome these challenges. Corporate purchasing personnel and minority business enterprises were found to view the impediments to successful relationships quite differently, with the minority business enterprises perceiving the impediments at higher levels. In addition, minority suppliers perceived the development of relationships with purcha

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purchasing agents as more difficult than did their corporate counterparts. However, the two groups did agree on the most prominent challenge to the relationship - the undercapitalization of minority business enterprises. The authors believe this impediment to be a contributing factor in many of the other problems experienced in these relationships.

Table 2.1 presents a summary of the insights gained from the review of the literature. Chapter 3 will develop the conceptual model and hypotheses which provide the foundation for this study.

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Table 2.1
Insights Gained From Literature Review

• Public sentiment may shift public policy away from preferential purchasing programs based on racial/ethnic guidelines toward those based on economic disadvantage
• Heavy reliance on sales to government not a prudent strategy for minority firms
• Perception of minority firms as poor performers relative to non-minority firms does not appear to be justified
• Minority firms believe that they possess organizational values similar to those of their corporate counterparts
• Corporate purchasing agents do not believe that they possess organizational values similar to those of their minority suppliers
• Small number of minority firms in the economy viewed as a problem with respect to availability of firms and the ability of minority firms to network among themselves
• Corporate purchasing agents find atmosphere/relationship aspect of interacting with minority suppliers uncomfortable
• Minority suppliers face transaction costs which may be attributed in part to their 'minority' status as opposed to their firm size
• Most studies lack theoretical foundation
• Economic theory (Transaction Cost Economics) only theory used; no use of behavioral theory

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CHAPTER 3

CONCEPTUAL MODEL AND HYPOTHESES

This chapter develops the conceptual path model and hypotheses to be used in this study. First, an overview of exchange relationships is presented. Next, the theoretical foundation for the model, i.e., Self-Categorization and Social Identity Theories, is outlined. Finally, the conceptual path model and hypotheses are identified.

3.1 EXCHANGE AND INTERDEPENDENCE RELATIONSHIPS

It has long been argued that exchange is the core concept of marketing (Alderson 1965; Bagozzi 1975; Houston and Gassenheimer 1987; Hunt 1976, 1983; Kotler 1972) and as such, it has occupied a central role in marketing theory development, particularly with reference to the political economy framework (Achrol, Reve and Stern 1983; Arndt 1983; Stern and Reve 1980), interorganizational marketing exchange (Frazier 1983a; 1983b) and relationship marketing (Dwyer, Schurr and Oh 1987; Morgan and Hunt 1994; Wilson 1995). Houston and Gassenheimer (1987) point out that "it is exchange that invariably leads to the concept of a marketplace and market" (p. 4).

Four key conceptual benefits that provide the foundation for this line of research have been identified by Dwyer, Schurr and Oh (1987). They are that: (1) exchange serves as a focal event between two or more parties; (2) exchange theory provides a frame of reference for identifying the social networks of individuals and institutions that participate in the formation and exe

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execution of exchange transactions; (3) exchange theory allows us to examine the domain of objects or psychic entities which are transferred; and (4) exchange theory allows us to study the antecedent conditions and processes for buyer / seller exchange. Furthermore, exchange theory is believed to be robust enough to serve the needs of marketers and could provide the discipline with both cohesion and clarity.

Within the general realm of exchange theory, Thibaut and Kelley (1959) and Kelley and Thibaut (1978) presented a theory of interdependence which examined interpersonal as well as intergroup behavior. This theory of interdependence, the tenets of which have also been expressed through the works of Homans (1958) and Blau (1964), has come to be known as social exchange theory (Kelley and Thibaut 1978), which has as its emphasis the examination of the flow of benefits through social interaction (Emerson 1981).

Kelley and Thibaut (1978) suggest that interdependence, i.e., the way in which two people control each other's outcomes through their individual and joint activities, is a basic feature of dyadic relationships. The authors represent this interdependence through the use of an outcome matrix which summarizes the behavior and consequences for each person in a dyad in a particular situation. Each matrix is assumed to describe the structure of a particular situation.

Social psychological research has shown that interdependence relationships such as exchange and negotiation are affected by both the objective or structural features of social situations as well as the way in which those situations are construed by the interdependent actors (Kelley 1983; Kelley and Thibaut 1978; Thibaut and Kelley 1959). The relationship between the st

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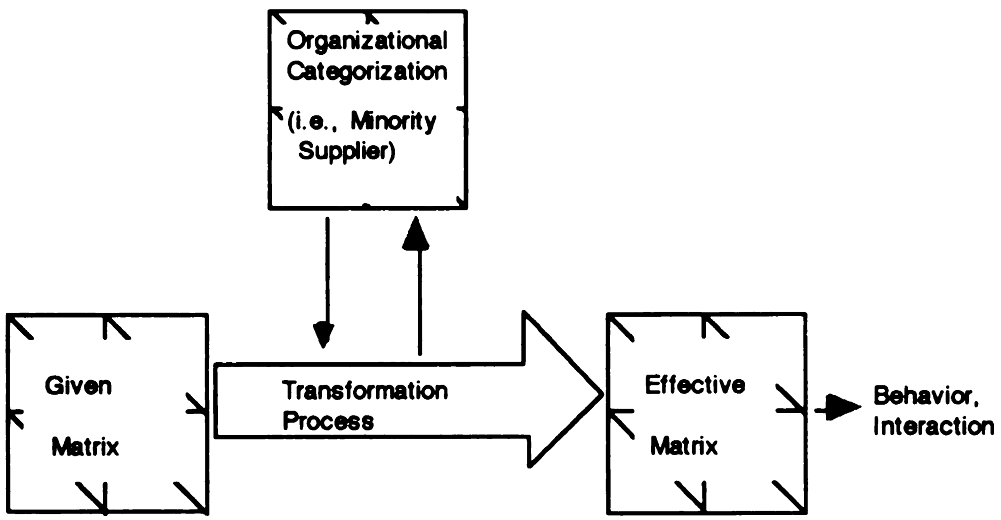
the structural basis of interdependence among individuals and their subjective representations of it has been described as a *psychological transformation* (Kelley 1979; 1983; 1985).

According to Kelley (1979; 1983; 1985), when individuals encounter situations involving interdependence with others, they do not act directly in response to the *given* payoff matrix associated with the situation. Instead, they transform this given matrix into what has been characterized as an *effective* payoff matrix (see Figure 3.1).[2] It is the *effective* matrix that is directly linked to behavior.

Figure 3.1
Basic Model of Interdependence Relationships



2 Figure 3.1 adapted from Kelley (1979) and Kramer (1993).

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In discussing the role of transformations, Kelley (1983) argues that "better given outcomes can be assured and/or inefficient conflict processes can be avoided if, through reconceptualization, the persons transform the pattern of their interdependence" (p. 12). Hence, transformations function much like decision rules that individuals use to govern interdependent behavior.

As a result, this transformation reflects the fact that individuals tend to be attentive and responsive only to selected features of interdependence situations. For instance, an individual who is interested in fostering a cooperative relationship with another individual may respond to only those features of the given interdependence which afford him or her an opportunity to signal cooperative intentions. Problem-solving or compromise strategies may be used to foster the development of these relationships. In the case of interorganizational marketing negotiations, buyers and sellers may agree to make concessions on issues such as price and delivery terms, or solicit ideas from each other during the negotiation in an effort to encourage cooperation in future exchanges.

In a similar manner, noncooperative or competitive transformations may be favored by individuals who construe the goal of their behavior as that of maximizing individual outcomes. In this instance, a more aggressive negotiation strategy may be preferred. Interorganizational marketing negotiations in which short term profit objectives encourage the use of implicit threats between buyers and sellers may exist in such exchanges.

Two general classes of transformations (i.e., cooperative and competitive) that individuals may perform during interdependence situations have been recognized thus far. However, "which" type of transformation is likely i

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likely in a given situation has not been discussed. It is suggested here that the organizational categorization of suppliers as 'minority' will affect the use of cooperative / competitive transformations between buyers and sellers during interorganizational marketing negotiations (Kramer 1991). These transformations will be represented through the use of cooperative and competitive negotiation strategies. Evidence will be presented which suggests that this categorization affects individuals' self-esteem in ways that enhance the emergence of competitive transformations toward members of other groups or categories. In developing this argument, it will be necessary to draw on research from the area of social psychology, specifically Self-Categorization and Social Identity Theories.

3.2 SELF CATEGORIZATION AND SOCIAL IDENTITY THEORIES

The aim of self-categorization theory (SCT) is to identify the mechanisms by which an individual comes to conceptualize him- or herself as part of a psychological group (Turner 1985). The central thesis of self-categorization theory is that group behavior occurs as the result of a depersonalization process which is derived from an individual's perception of salient ingroup-outgroup categorizations. The theory, which is directed at the issue of the individual-group relationship, grew out of the body of research on the concept of 'social identity' (Turner 1985).

Social Identity Theory (SIT), developed by Henri Tajfel and John Turner (1979; 1986), is based on the idea that individuals are motivated to achieve positive self-esteem or self-regard, and social group membership based on char

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characteristics such as race, age, gender, religion or even organizational membership may provide a means of achieving this. This group membership is associated with positive or negative value connotations (Tajfel and Turner 1986). A positive or negative social identity develops as a result of the comparison of one's own group to a relevant outgroup.

Thus, the definition of self and others is likely to be "relational and comparative" (Tajfel and Turner 1986, p. 16) such that an individual's self-image is based upon group membership and the differentiation between one's own group and others. Categories which contain the self are likely to be regarded positively and ingroup members evaluated more positively than outgroup members because the former are seen as more prototypical of the self category. This self-categorization is believed to be the basic process underlying group phenomena such as stereotyping, ingroup cohesiveness, ethnocentrism, and intragroup cooperation (Turner 1985).

3.2.1 **Identity and Self Esteem**

The minimal groups paradigm (Tajfel 1970; Turner 1975) is the research paradigm generally used to examine SIT. Subjects are classified into two groups based on some trivial criteria. Subjects have been found to demonstrate intergroup discrimination favoring the ingroup over the outgroup in such situations. Specifically, subjects classified in this manner preferentially allocated higher monetary or other rewards to members of their own group than to members of the outgroup (Tajfel 1970; Turner 1975). This is referred to as the 'minimal groups effect'.

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Research indicates that discrimination in the minimal group is quite robust, extending to evaluations of groups' products (Jannsens and Nuttin 1976; Worchel et al. 1975; Zander and Armstrong 1972) and ratings of ingroup and outgroup members (Brewer and Silver 1978; Rabbie and Wilkens 1971; Ryen and Kahn 1975). In fact, the mere presence of an identifiable outgroup, without any interaction between the groups, has been exhibited to be sufficient to produce intergroup discrimination (Locksley et al. 1980). It is generally believed that the regulation of self-esteem provides the underlying motivation for the minimal groups effect.

Evidence described as contrary to social identity theory was provided by Brown et al. (1986). They examined intergroup relations in a paper factory and found that strength of group identification was only weakly related to discrimination. The authors argue that such findings run contrary to the predictions of SIT. However, it has been noted that SIT does not make direct predictions about the *strength* of the relationship between identification and discrimination, it only suggests that such a relationship exists (Taylor and Moghaddam 1987). Although most research suggests that individuals do exhibit intergroup discrimination in favor of the ingroup, it has not been clearly established that they do so in the service of enhancing self-esteem, as suggested by SIT.

3.2.2 Categorization Processes

Further research suggests that the maintenance of self-esteem may not play a causal role in intergroup discrimination, but could be a result of categorization processes. Doise (1978) suggests that group categorization result

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results in an accentuation of perceived differences between groups and perceived similarities within groups. The author argues that it is these cognitive perceptions, and not esteem motivations, that create the differences in both intergroup evaluations and reward allocations.

This view is echoed by Wilder (1986; 1990), who suggests that social categorization operates like any other categorization process. Individuals are motivated to maintain cognitive differentiation as a means of organizing the environment, and discrimination between groups allows one to maintain differentiation. The author further suggests, in accordance with balance theory (Heider 1958), that individuals stand in a unit relationship with their own group, and that this implies an ingroup bias.

Evidence of categorization processes in intergroup bias suggests that individuals process information relevant to group membership differentially as a function of group categorization (Schaller 1991). It has been shown that grouping individuals on a minimal basis results in the perception that there is more *intragroup* than *intergroup* belief similarity (Allen and Wilder 1979; Messick and Mackie 1989). In addition, Wilder and Shapiro (1991) found that increasing the salience of ingroup membership resulted in judgments of outgroup members that were more stereotypic in nature.

With regard to intergroup evaluations, Doise et al. (1973) found that individuals rated ingroup members higher on nineteen evaluative traits than they rated outgroup members. This finding has been supported by subsequent research (Ryen and Kahn 1975), however, evidence exists that groups categorized on a strictly random basis may not show these evaluative biases (Rabbie and Horwitz 1969).

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Empirical evidence linking categorization with the emergence of competitive behavior between groups exists as well. Using a variety of paradigms, researchers have demonstrated that categorizing individuals into distinctive groups is sufficient to produce intergroup competition (cf. Brewer 1979; Brewer and Kramer 1986; Brewer and Schneider 1989; Kramer and Brewer 1984). Of particular relevance to the present study is research which suggests that increasing the salience of intergroup categorizations during negotiations increases the use of competitive negotiation behavior (Espinoza and Garza 1985; Insko et al. 1987; Locksley et al. 1980; Thompson 1993; Wit and Wilke 1992).

The above findings provide some evidence that categorization processes are involved in intergroup bias. While Turner's (1985) formulation of self-categorization theory reflects the importance of categorization in the development of intergroup bias, the author notes that this perspective is not necessarily incompatible with processes of self-esteem regulation. It may be that self-esteem is enhanced through discrimination, even if it is not the mechanism underlying the formation of psychologically distinct ingroups and outgroups. Wilder (1986) concurs, and argues that while categorization produces biases in intergroup situations, self-esteem may certainly be affected by engaging in such discrimination. The conceptual path model presented in Figure 3.2 follows from this line of reasoning.

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3.3 DEVELOPMENT OF THE CONCEPTUAL PATH MODEL

Interorganizational marketing negotiations refer to the joint decision-making processes used by individuals representing different companies (Graham 1987). The outcomes of these negotiations are believed to result from the influence of three groups of constructs: situational constraints, bargainer characteristics and the negotiation strategies used during the process. Organizational Identity represents a situational constraint in the present context, while self-esteem is considered a bargainer characteristic.

As such, it is posited that the organizational categorization of a supplier as 'minority' acts as a situational constraint which influences behavior during the interorganizational marketing negotiation process. This categorization and the identification that it fosters is believed to affect the purchasing agent's self-esteem in a manner which enhances the use of cooperative and competitive transformations during interorganizational marketing negotiations. Cooperative transformations are likely to take the form of problem-solving and compromise negotiation strategies, while competitive transformations are likely to be represented through the use of passive and active aggressive strategies. In addition, this categorization and identification is believed to indirectly influence negotiation process outcomes such as satisfaction and comparative evaluations of negotiation partner firms.

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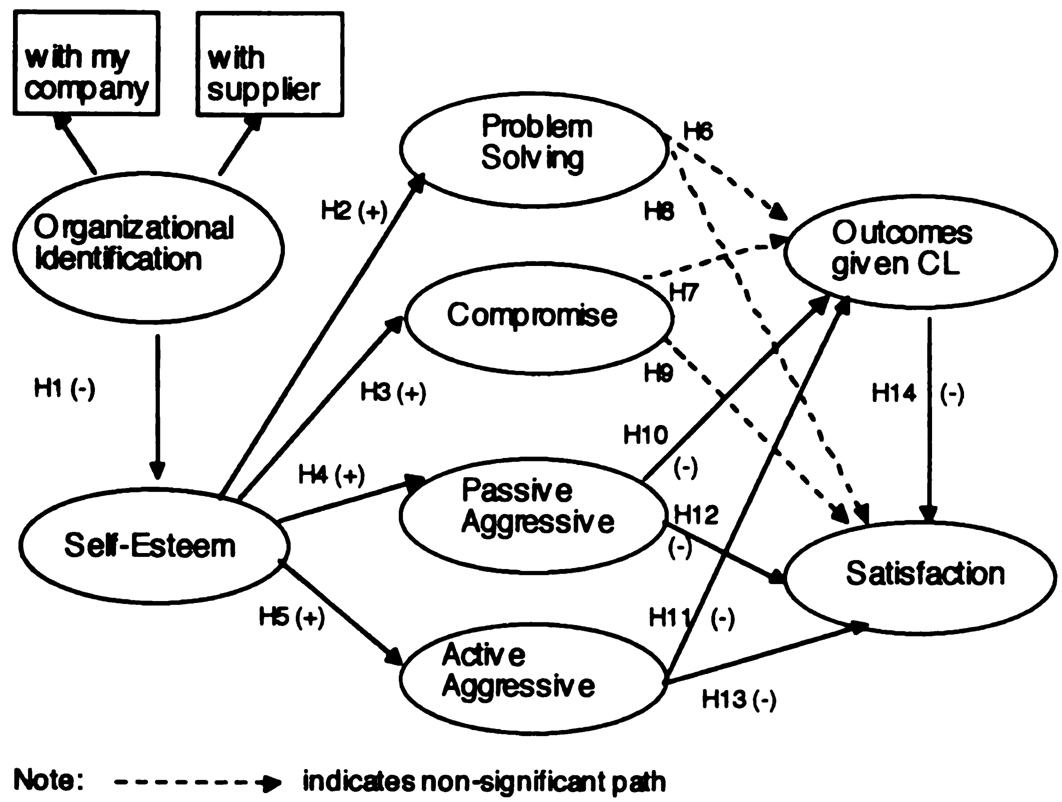
Figure 3.2
Proposed Model of Purchasing Agent Negotiations with Suppliers Categorized as Minority



3.3.1 **The Study of Negotiation in Marketing**

Marketing researchers, social psychologists, and organizational behaviorists have theorized about the unique characteristics of organizational boundary role persons, such as buyers and salespeople, and the impact of such role characteristics on the behavior of representatives during negotiations (Adams 1976; Clopton 1984; Dwyer and Walker 1981; Graham 1987; Graham et al. 1994; Rubin and Brown 1975; Schurr and Ozanne 1985). Though this body of research provides insights into negotiation behavior, it

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does little to illuminate those situational factors which may influence minority supplier / purchasing agent negotiations.

The study of the negotiation process has been recognized as a fundamental responsibility of marketing by various scholars (Arndt 1979; Bonoma and Johnston 1978; Dwyer et al. 1987) and the importance of negotiation in industrial exchange relationships has been established (cf. Perdue and Summers 1991; Perdue et al. 1986; Rinehart and Closs 1991). The marketing literature, however, has given limited attention to the study of negotiations (see Campbell et al. 1988; Clopton 1984; Dwyer and Walker 1981; Ganesan 1993; Graham 1985; Perdue and Summers 1991; and Rinehart and Page 1992 for exceptions).

Much of the negotiation research in marketing has involved laboratory experiments designed to investigate the causal effects of constructs such as trust (Schurr and Ozanne 1985), power (Dwyer and Walker 1981; Graham 1987; Mc Alister et al. 1986), information and monitoring (Clopton 1984) and perceived similarity (Campbell et al. 1988; Graham 1985; Mathews et al. 1972) on negotiation behavior and outcomes. While these experiments have contributed to marketing knowledge, it has been suggested that they be supplemented with research in field settings (Bouchard 1976).

Field research on marketing negotiations has examined issues such as the influence of the industrial purchase context (Perdue and Summers 1991), the relationship between the parties (Ganesan 1993; Rinehart and Page 1992), and long-term relationship orientation (Ganesan 1993) on the use of various negotiation strategies. The identification of the various negotiation styles used by ind

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by industrial buyers has been explored as well (Day et al. 1988; Perdue et al. 1986).

In addition, the various studies have explored negotiations in a variety of contexts, including cross-cultural (Campbell et al. 1988; Graham 1983; 1985; Graham et al. 1988; Mintu 1990), industrial (Perdue and Summers 1991; Rinehart and Page 1992), and retail (Ganesan 1993) settings. However, negotiations within the minority supplier / purchasing agent context have not been examined to date.

This study will employ field research to investigate the effects of organizational identity and self-esteem on the negotiation process and outcomes for purchasing agents involved in negotiations with participants of minority supplier purchasing programs. The conceptual path model specifying the expected relationships is presented in Figure 3.2.

3.3.2 **Variables Hypothesized to Affect Negotiation Strategies**

Organizational Identity. To summarize, social identity is the perception of belonging to a group, with group membership typically based on some social category (i.e., gender, ethnicity, religion or education). Organizational identity represents a specific form of social identity in which an individual defines him- or herself in terms of membership in a particular organization, resulting in a perception of "belongingness" with the organization (Bhattacharya et al. 1995).

The business-related literature has made limited use of self-categorization and social identity theories, and marketers have been particularly reluctant to embrace this perspective. One exception in the field of marketing however, is the work of Bhattacharya et al. (1995) in which the autho

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authors use SIT to examine art museum members' identification with the museum and the antecedents of identification. Management theorists do appear to have some appreciation for the concepts of SCT and SIT, applying the theories to examinations of organizational identity (Ashforth and Mael 1989; Elsbach and Kramer 1996), organizational demographics (Ely 1994; Tsui et al. 1992) and categorization processes in organizations (Kramer 1991; Lansberg 1989).

With regard to buyer / seller interactions, only one study has been conducted utilizing social identity theory (Francis 1991). Francis (1991) tested the effects of various degrees of adaptive behavior on intercultural buyer/seller negotiations. Hypotheses were formulated within the context of similarity/attraction, social identity, and communications theories. The author found moderate adaptation, as opposed to substantial or no adaptation, to be the most successful strategy in intercultural negotiations utilizing each of these theories. Specifically, substantial adaptation was perceived as a threat to identity and had a negative effect on attraction and anticipated negotiation outcomes.

It is posited here that the organizational categorization of suppliers as 'minority' will be viewed as an identity threat in that it represents a social categorization as well as an organizational categorization. The 'minority' supplier designation is made on the basis of the racial group membership of the firm's principal ownership. As a result, organizational and social identities are likely to be brought to the forefront of the purchasing agent's mind (Alderfer 1977; Alderfer and Thomas 1988; Lansberg 1989). The extent to which purchasing agents perceive their organizational identity to be different from the minority

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minority suppliers' on social attributes, such as race or gender, may cause the level of perceived dissimilarity between the groups to be greater than the organizational categorization itself would suggest (Alderfer and Thomas 1988).

The relationship between organizational and social identity is particularly important for firms participating in minority supplier purchasing programs. While minority ownership of a firm does not necessarily indicate that persons of racial/ethnic minority groups will be the primary participants in distribution channel relationships involving these firms, recent research indicates that this is the most likely scenario. Two studies analyzing corporate minority supplier purchasing programs contained random samples of minority firms from a minority business directory and the National Minority Supplier Development Council, in which the key informants were overwhelming from racial/ethnic minority groups, 93.5 % and 83% respectively (Dollinger and Daily 1989; Pearson et. al. 1993). In these same studies, the random samples of corporate purchasing personnel with direct responsibility for executing minority supplier purchasing programs were overwhelming caucasian, 85% and 86% respectively.

Therefore, it is hypothesized that the organizational categorization of suppliers as 'minority' is likely to cause the purchasing agent to have a negative identification with the minority supplier and a positive identification with his or her own organization, as the differences between the two groups will appear more evident. These perceived differences are likely to result in a depressed self-esteem for the purchasing agent. In this manner, organizational identity is likely to indirectly affect the use of competitive negotiation strategies, such as passive or act

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passive or active aggression, by the purchasing agent in an effort to enhance self-esteem.

Self-Esteem. Self-esteem has been identified in the bargaining literature as potentially affecting the negotiation process (Rubin and Brown 1975). Marketing theorists have also attempted to establish a relationship between self-esteem and constructs such as sales performance (Bagozzi 1978), negotiation profits (Graham 1983), and negotiation behavior (Alexander et al. 1994; Bagozzi 1978), however the results of these inquiries have been equivocal at best.

It is believed that individuals have a desire to maintain high levels of self-esteem and positive social identity in organizational settings, just as they do in other social settings (Brockner 1988). To the extent that membership in an organizational category constitutes an integral part of an individual's identity, it seems reasonable to argue, then, that individuals will be motivated to maintain positive organizational identities as well (Kramer 1991). Hence, it is hypothesized that in interorganizational marketing negotiations involving suppliers which have been categorized as 'minority', the desire to maintain positive organizational identity and high self-esteem on behalf of the purchasing agent is likely to positively influence each of the negotiation strategies, making them all available for use.

3.3.3 Cooperative and Competitive Negotiation Strategies

Negotiation has been defined as the decision-making process through which a buyer and seller establish the terms of a purchase agreement (Dobler et al. 1984). Interorganizational negotiations are further distinguished in that both b

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both buyer and seller are representing organizations (Graham 1987). Research indicates that most purchasing agents have a preference for three general negotiation styles, i.e., problem-solving, compromising, and aggressive (active and passive), when interacting with external organizational constituents (Ganesan 1993; Day et al. 1988; Perdue and Summers 1991) These three negotiation styles represent distinct strategies, not a polar scale.

Problem-Solving. The problem-solving strategy utilizes attempts by the purchasing agent to fully satisfy his or her own concerns as well as those of the seller (Perdue et al. 1986). This is a collaborative negotiating style which entails searching for alternative solutions and assessing the outcomes to both parties from alternative actions (Ganesan 1993).

Compromise. A compromise strategy involves attempts by the purchasing agent to obtain partial satisfaction for each of the parties in the negotiation. This strategy differs from the problem-solving strategy in that the parties are not required to exchange information about their respective needs, goals and priorities (Ganesan 1993).

Active and Passive Aggressive. Aggressive strategies have as their objective the elicitation of unilateral concessions from the other party (Pruitt 1981). An active aggressive strategy makes use of active behaviors potentially designed to deliver negative outcomes to the negotiation partner, while a passive aggressive strategy focuses on the "appearance of being firm" through the use of positional commitments in order to obtain an agreement from the negotiation partner (Ganesan 1993).

The term strategy used here refers to a plan of action based on the bargainer's goals and analysis of the situation (Ganesan 1993). It is assumed he

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here that in complex, multiple-issue bargaining situations, such as those faced by most purchasing agents, multiple strategies could be used in a single negotiation encounter (cf. Ganesan 1993).

3.3.4 **Negotiation Outcomes**

The outcomes of a given negotiation episode may involve tangible consequences such as profits, as well as evaluations of the outcomes (i.e., comparison against some standard interorganizational marketing negotiation, and expressed satisfaction with the negotiation).

Outcomes given Comparison Level. Outcomes given comparison level is a construct originally adapted from social exchange theory (Kelley and Thibaut 1978; Thibaut and Kelley 1959). In the present context, it represents the purchasing agent's assessment of the results obtained from this relationship with a supplier that has been categorized as minority, as compared with expectations based on present and past experience with similar relationships (Anderson and Narus 1984; 1990). The outcomes from negotiations with this 'minority' supplier, compared against some 'standard' purchasing agent / 'minority' supplier negotiation, determine the degree of satisfaction experienced as a result of this relationship. While it is hypothesized that the purchasing agent will make use of all of the negotiation strategies at his or her disposal during negotiations with suppliers which have been categorized as minority, the use of passive and active aggressive negotiation strategies in order to enhance organizational identity and self-esteem is likely to significantly and negatively impact the assessment of the results obtained from this relationship (i.e., outcomes given comparison level).

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Satisfaction. Satisfaction is the primary consequence of negotiations in the model presented in Figure 3.2, which is consistent with models presented in past interorganizational exchange research (e.g., Anderson and Narus 1984; 1990; Frazier 1983; Ganesan 1993; Graham 1985). Satisfaction with the negotiation is a positive affective state based on an appraisal of all aspects of a purchasing agent's negotiation with a supplier (Anderson and Narus 1984; 1990). This affective assessment is influenced by the evaluation of outcomes obtained by the purchasing agent as well as the negotiation strategies used during the negotiation process.

It should be noted that satisfaction is an affective state, in contrast to the more objective summary assessment of outcomes represented by the construct outcomes given comparison level (cf. Anderson and Narus 1990; Thibaut and Kelley 1959). As noted previously, perceived differences in organizational identity may lead to a depressed self-esteem and the use of more competitive negotiation strategies by the purchasing agent. This may prompt him or her to view the negotiation with the 'minority' supplier negatively, compared to expectations. As a result of this conceptualization, in negotiations involving suppliers which have been categorized as minority, a negative relationship is posited to exist from outcomes given comparison level to satisfaction.

Another factor which is believed to affect a purchasing agent's satisfaction with a negotiation is the extent to which various negotiation strategies were used during the negotiation encounter (Ganesan 1993; Graham 1985). Previous research on distribution channel relationships has found that the use of competitive (aggressive) strategies is likely to be viewed by the associated channel members as exploitive (Frazier and Summers 1984).

It has been argued that channel members facing such competitive behavior are likely to become more rigid in their views, leading to more problems in the relationship (Cadotte and Stern 1979). Such behavior is likely to lead to feelings of frustration and unpleasantness with the entire negotiation encounter, thus reducing overall satisfaction with negotiations. It is hypothesized here that the use of passive and active aggressive negotiation strategies by the purchasing agent during negotiations with suppliers which have been categorized as minority is negatively related to the purchasing agent's satisfaction with the negotiation.

3.3.5 **Hypotheses**

Stated in formal fashion, this study tests 14 hypotheses represented by the relationships in the proposed model of purchasing agent negotiations with suppliers which have as been categorized as minority, which is presented in Figure 3.2.

H_1: Organizational Identity is negatively related to self-esteem.

H_2: Self-esteem is positively related to the use of the problem-solving strategy.

H_3: Self-esteem is positively related to the use of the compromise strategy.

H_4: Self-esteem is positively related to the use of the passive aggressive strategy.

H_5: Self-esteem is positively related to the use of the active aggressive strategy.

H_6: The use of the problem-solving strategy is not significantly related to outcomes given comparison level.

H_7: The use of the compromise strategy is not significantly related to outcomes given comparison level.

H_8: The use of the problem-solving strategy is not significantly related to satisfaction.

H_9: The use of the compromise strategy is not significantly related to satisfaction.

H_{10}: The use of the passive aggressive strategy is negatively related to outcomes given comparison level.

H_{11}: The use of the active aggressive strategy is negatively related to outcomes given comparison level.

H_{12}: The use of the passive aggressive strategy is negatively related to satisfaction.

H_{13}: The use of the active aggressive strategy is negatively related to satisfaction.

H_{14}: Outcomes given comparison level is negatively related to satisfaction.

For comparison purposes, the model will also be tested with a sample of purchasing agents responding with regard to negotiations with a supplier which is <u>not</u> a participant in any of the organization's supplier purchasing programs (i.e., has not been categorized). Hence,

H_{15}: The hypothesized relationships in the proposed model of purchasing agent negotiations with suppliers which have been categorized as minority (Figure 3.2) are not equal to those for negotiations with suppliers which are not participants in any of the organization's supplier purchasing programs.

Chapter 4 will present the research methodology to be used in this study.

CHAPTER 4

RESEARCH METHODOLOGY

This chapter describes the proposed research methodology. First, the research objectives are presented. Next, the specific research questions are brought forth. The sampling procedures and data collection are then previewed, followed by the development of the questionnaire and the measurement of the constructs. Finally, the data analysis procedures are reviewed.

4.1 RESEARCH OBJECTIVES

The purpose of this research is to gain insight into the impact of organizational categorization processes in interorganizational marketing negotiations. The research objectives of this dissertation are twofold: (1) to present a social psychological perspective (i.e., self categorization and social identity theories) as a basis for examining negotiations between corporate purchasing agents and firms which are participants in minority supplier purchasing programs and (2) to investigate the extent to which the categorization of suppliers as 'minority' indirectly influences the negotiation strategies used by purchasing agents during the negotiation process, as well as subsequent negotiation outcomes.

4.2 RESEARCH QUESTIONS

The path model of negotiations with suppliers which have been categorized as minority that is presented in Figure 1.2 represents the relationships to be examined in this study. Based on the objectives set forth in this dissertation, the research questions to be pursued are as follows. With regard to negotiations involving firms which are participants in minority supplier purchasing programs:

1. Does organizational identity influence the purchasing agent's self-esteem?
2. Do self-esteem needs influence the purchasing agent's use of various negotiation strategies?
3. Do the negotiation strategies used influence the purchasing agent 's satisfaction with the negotiation, as well as evaluations of the outcomes obtained through negotiating with this supplier, relative to some other supplier?
4. Does the evaluation of the outcomes obtained through negotiating with this supplier directly influence satisfaction with the negotiation?
5. Does the hypothesized model represent negotiations with suppliers which are <u>not</u> participants in any type of supplier purchasing program?

4.3 SAMPLING AND DATA COLLECTION

In order to empirically test the proposed structural model of negotiations with suppliers which have been categorized as minority (Figure 3.2), a mail survey of university purchasing agents will be conducted to collect the primary data. The sampling frame to be used is the membership directory of the National Association of Educational Buyers (NAEB). The sample will consist of purchasing agents from universities with 10,000 or more students.

The data collection for this research involved two phases. In the initial phase, questionnaire packets were mailed to the selected purchasing agents. A personalized cover letter, a questionnaire, and a postage-paid first class business reply envelope was included in the packet. The cover letter explained the purpose of the research, stated the importance of participation in the study, described the time and effort needed to complete the questionnaire, assured confidentiality, offered a copy of a summary report if the completed questionnaire was returned with a business card, provided contact information and thanked the respondent in advance for his/her participation. In addition, a reminder post card was mailed to all questionnaire recipients one week after the initial mailing (Dillman 1978).

As suggested by Dillman (1978), a second phase of data collection began approximately three weeks after the initial mailing. Again, a personalized cover letter, a replacement copy of the questionnaire and a postage-paid business reply envelope were mailed to all non-respondents.

4.4 QUESTIONNAIRE DEVELOPMENT AND MEASUREMENT OF CONSTRUCTS

A questionnaire was designed to address the antecedent, negotiation process and outcome aspects of a recent negotiation between the purchasing agent and a supplier. The instrument was pretested with a small group of university purchasing agents prior to the administration of the survey. Revisions were made based on the suggestions of the purchasing agents.

The purchasing agent was asked to select a supplier which is a participant in his or her organization's minority supplier purchasing program and answer questions about a recent negotiation with that supplier. For purposes of comparison, a sample of purchasing agents was asked to respond with regard to negotiations with a supplier which was not a participant in any of the organization's supplier purchasing programs. The measures for the constructs presented in the proposed model (Figure 3.2) are provided in Table 4.1. Each of the measures has been used in previous research.

In addition, a self-report scale measuring the respondent's difficulty recalling information about the negotiation was included in the survey (Ganesan 1993). The scale was composed of six items that captured the respondent's ability to recall the initial offer made by each party, the issues upon which the parties were in disagreement, the resolution of these issues, and the final outcome for each party. Those respondents who had difficulty recalling the various aspects of the negotiation were eliminated from the analysis. The survey instrument appears in Appendix A.

Table 4.1
Construct Measures

CONSTRUCT	MEASURE	SOURCE
Organizational Identity	Identification w/ my Company (6 item scale) Identification w/ Supplier (6 item Likert scale)	Bhattacharya et al. 1995
Self Esteem	Partial Jackson Personality Inventory (6 item Likert scale)	Korman 1970; Bagozzi 1978; Alexander, Schul and McCorkle 1994
Negotiation Strategies	Problem-Solving (6 item Likert scale)	Ganesan 1993; Thomas 1976; Thomas and Kilmann 1974
	Compromise (7 item Likert scale)	Ganesan 1993; Thomas 1976; Thomas and Kilmann 1974
	Passive Aggressive (4 item Likert scale)	Ganesan 1993; Thomas 1976; Thomas and Kilmann 1974
	Active Aggressive (4 item Likert scale)	Ganesan 1993; Thomas 1976; Thomas and Kilmann 1974
Outcomes Given Comparison Level	3 item Likert scale	Anderson and Narus 1990; Anderson, Hakansson and Johanson 1994
Satisfaction	2 item semantic differential scale	Ganesan 1993

4.5 DATA ANALYSIS

This study will follow the steps outlined by Hair et al. (1992) for performing structural equation modeling. The seven steps are: (1) develop a theoretically based model, (2) construct a path diagram of causal relationships,

(3) convert the path diagram into a set of structural equations and measurement equations, (4) choose the input matrix type and estimate the proposed model, (5) assess the identification of the model equations, (6) evaluate the results for goodness of fit, and (7) make the indicated modifications to the model if theoretically justified.

EQS (Bentler 1992), a structural equation modeling program, will be used for statistical analysis. Structural equation modeling is an extension of several multivariate techniques. It provides a straightforward method for dealing with multiple dependence relationships simultaneously while providing statistical efficiency (Hayduk 1987). Structural equation modeling may be used to:

(1) understand the role of causal relationships in statistical analysis,

(2) represent a series of causal relationships in a path diagram,

(3) translate a path diagram into a set of equations for estimation and

(4) assess overall model fit using goodness-of-fit measures.

The following steps will be taken in performing the analysis of the model (Bollen 1989):

(1) Perform exploratory factor analysis to develop the measures.

(2) Perform confirmatory factory analysis (CFA) to establish convergent and discriminant validity for the constructs in the model.

(3) Compute Cronbach coefficient alphas to assess inter-item reliability.

(4) Test the proposed path model using the covariance matrix as the model input.

(5) Test the proposed path model of negotiations with the 'minority' suppliers and the 'non-categorized' suppliers simultaneously to determine whether the path coefficients are invariant across the two groups.

The results of the data analysis are discussed in Chapter 5.

CHAPTER 5

ANALYSIS AND RESULTS

This chapter describes the data analysis procedures and results of the hypotheses tests. First, nonresponse bias is assessed. Then, the sample characteristics are outlined. The data quality and reliability are established, and the measures are developed through exploratory and confirmatory factor analyses. Finally, the hypotheses presented in the Chapter 3 are tested via path analysis.

5.1 RESPONSE RATE AND NONRESPONSE BIAS

The initial mailing consisted of 683 questionnaires, of which, one questionnaire was returned with the addressee listed as unknown. A total of 151 surveys were returned resulting in an overall response rate of 22.1 %. Of these surveys, 46 were excluded from the study with the respondents indicating that their organizations did not have minority supplier purchasing programs, used lowest bid as the method of transaction, or that they personally had not participated in negotiations with a supplier which had been categorized as minority. In addition, four respondents were eliminated from the analyses due to their difficulty recalling information about the negotiation (mean scores less than four on a multiple-item seven-point scale), resulting in 101 usable surveys and an effective response rate of 14.8 %.

To assess nonresponse bias, early respondents were compared with late respondents with regard to the number of months since the negotiation, number of years purchasing from this supplier, number of years purchasing from this particular representative, and number of years in current position (Armstrong and Overton 1977). Early responses were defined as the first 75% of the returned questionnaires (Ganesan and Weitz 1996). The last 25% of the returned questionnaires were considered late responses and deemed to be reasonably representative of the buyers who ultimately did not respond to the survey. These proportions were similar to the actual manner in which the questionnaires were returned; 73% were returned well before the last 27%. The results of these comparisons are presented in Table 5.1. The results of the t-tests suggest that early and late respondents are not significantly different with regard to any of the aforementioned characteristics.

Table 5.1
Assessment of Nonresponse Bias

Characteristic	Early Respondent Mean	Late Respondent Mean	t-value	Significance Level
# of months ago negotiation took place	6.41	7.80	-.778	.442
# of years purchasing from supplier (company)	7.09	6.17	.834	.407
# of years purchasing from particular representative (individual)	4.81	4.56	.301	.765
# of years in current position	8.73	8.81	-.061	.951

5.2 CHARACTERISTICS OF THE SAMPLE

The characteristics of the final sample of 101 purchasing agents are presented in Table 5.2. Almost half of the respondents (47.5%) reported that their organizations had preferred supplier programs in place, as well minority supplier purchasing programs. A wide range of products and services were negotiated during the session for which the respondent provided information, however office supplies and office furniture, and computers and related supplies accounted for most of the negotiations. On average, the negotiations took place 6.8 months ago.

The average number of years in their current position reported by respondents was 8.8. In addition, the number of years purchasing from that supplier company averaged 6.9, while the average number of years purchasing from that particular representative (i.e., individual) was 4.7. More than half of the respondents (52.5%) were white males.

Table 5.2
Characteristics of the Sample

Characteristic			Number of Cases	Percentage
Purchasing Programs	Preferred Supplier Program		48	47.5
	No Preferred Supplier Program		53	52.5
Product/Service Negotiated	maintenance services		9	8.9
	travel & related services		5	4.9
	computers & supplies		23	22.9
	office supplies & furniture		28	27.7
	medical/laboratory supplies		11	10.9
	food/beverage services		5	4.9
	construction/electrical		5	4.9
	telecommunication services		2	2.0
	miscellaneous		13	12.9
Title of Respondent	Director, assistant director		35	34.6
	Purchasing agent, buyer		24	23.8
	Coordinator/manager		12	11.9
	MBE/SBE Coordinator		4	4.0
	Senior PA, senior buyer		21	20.8
	Other		5	4.9
Ethnicity / Gender	Male		Female	
White	53	52.5 %	28	27.7 %
African American	7	6.9 %	5	4.9 %
Asian Pacific American	0	0.0 %	1	1.0 %
Native American	0	0.0 %	0	0.0 %
Hispanic American	2	2.0 %	2	2.0 %
Other	2	2.0 %	1	1.0 %

5.3 DATA QUALITY AND DEVELOPMENT OF MEASURES

5.3.1 Data Quality

In order to assess the quality of the data, descriptive statistics (i.e., means, standard deviations, kurtosis and skewness) were computed for each item. While kurtosis was a minor concern for a few variables, it did not significantly affect the ability to achieve model fit in subsequent confirmatory factor analysis or path analysis. In addition, analysis of multivariate kurtosis did not reveal any problems.

An examination of the data revealed random missing values for variables in several cases. Given the small sample size, it was important that missing data be addressed to allow for full use of the data. Missing values were replaced by the sample mean for the variable. While this procedure allows all cases to be included in the analyses, it is noted that it may also constrain the variation among responses for some variables. A total of 25 values (approximately 0.5%) were replaced during this procedure.

5.3.2 Development of Measures

Exploratory Factor Analysis. Multiple items were used to measure each construct in the proposed model. The first step in the item analysis and assessment of unidimensionality was exploratory factor analysis. In this step, sets of items representing related but different constructs were factor analyzed to obtain a preliminary assessment of the dimensionality of each construct. Correlated constructs such as 'identification with my company' and 'identification with this supplier', and the four negotiation strategies were each rotated using an oblique rotation pattern. Each of the other constructs (i.e., self esteem, outcomes given comparison level, and satisfaction) were rotated using an orthogonal rotation procedure.

Items which accounted for a substantial portion of the variance, with loading greater than 0.4, were retained for further analysis. Items with loadings less than 0.4, or which loaded on multiple factors, were dropped during initial interpretation of the factors. Results indicated that the construct 'identification with my company' consisted of two separate factors, one representing 'criticism of my company' and the other representing 'feeling of inclusiveness with my company', with one item from the scale related to "praise of my company" loading on both factors. In addition, two items among the negotiation strategy items (i.e., "we try to win our position" and "commitment to initial position") did not load on any of the factors.

Confirmatory Factor Analysis. After this initial analysis, the entire set of items was subjected to confirmatory factor analyses using EQS (Bentler 1992) to assess unidimensionality and establish convergent and discriminant validity. Each item in the model was restricted to load on its a priori specified factor, and the factors themselves were allowed to correlate (Gerbing and Anderson 1988). Once unidimensionality was established, internal consistency was calculated using Cronbach's alpha. The results of the CFAs are presented in Tables 5.3 , 5.4 and 5.5. The correlations between the resulting constructs are provided in Table 5.6.

Table 5.3
Identity CFA and Reliabilities

CONSTRUCT		Standardized Estimate	Cronbach's alpha
IDENTIFICATION W/CRITICISM OF MY COMPANY (IDCRITIC)			.725
1.	When someone criticizes my company, it feels like a personal insult.	.717	
6.	If a story in the media criticized my company, I would feel embarrassed.	.742	
IDENTIFICATION W/ MY COMPANY "INCLUSIVENESS" (IDINCLU)			.758
2.	I am very interested in what others think about my company.	.792	
3.	When I talk about my company, I usually say *we* rather than *they*.	.509	
4.	The company's successes are my successes.	.828	
IDENTIFICATION WITH SUPPLIER (IDSUPP)			.863
1.	When someone criticizes this supplier, it feels like a personal insult.	.755	
2.	I am very interested in what others think about this supplier.	.674	
3.	When I talk about this supplier, I usually say *we* rather than *they*.	.528	
4.	This supplier's successes are my successes.	.718	
5.	When someone praises this supplier, it feels like a personal compliment.	.919	
6.	If a story in the media criticized this supplier, I would feel embarrassed.	.699	
NFI= .899 NNFI= .942 CFI= .961			

Table 5.4
Negotiation Strategies CFA and Reliabilities

CONSTRUCT		Standardized Estimate	Cronbach's alpha
PROBLEM SOLVING APPROACH (PROBSOLV)			.895
1.	We lean toward a direct discussion of the problem with this supplier.	.717	
2.	We try to show this supplier the logic and benefits of our position.	.823	
3.	We communicate our priorities clearly to the supplier.	.665	
4.	We attempt to get all our concerns and issues in the open.	.773	
5.	We tell the supplier our ideas and ask them for their ideas.	.736	
6.	We share the problem with the supplier so that we can work it out.	.782	
COMPROMISE STRATEGY (COMP)			.880
7.	We try to find a compromise solution.	.634	
8.	We try to find a position that is intermediate between their position and our position.	.819	
9.	We try to soothe the supplier's feelings and preserve our relationship.	.749	
10.	We try to find a fair combination of gains and losses for both of us.	.705	
11.	We propose a middle ground.	.856	
12.	We try to do what is necessary to avoid tensions.	.634	
13.	We will let this supplier have some of their positions if they let us have some of ours.	.626	

Table 5.4
continued

PASSIVE AGGRESSIVE STRATEGY (PASSAGG)		.769
14. We press to get our points made.	.998	
15. We make an effort to get our way.	.620	
ACTIVE AGGRESSIVE STRATEGY (ACTAGG)		.704
18. We threatened to break off negotiations with the supplier.	.661	
19. We indicated that we wanted to deal with other suppliers.	.680	
20. We made implicit threats to the supplier.	.425	
21. We expressed displeasure with the supplier's behavior.	.477	
NFI= .805 NNFI= .907 CFI= .924		

Table 5.5
Self Esteem, Outcomes, and Satisfaction
CFA and Reliabilities

CONSTRUCT		Standardized Estimate	Cronbach's alpha
SELF ESTEEM (SE)			.863
1.	I rarely feel self-conscious in a strange group.	.615	
2.	I am seldom at a loss for words.	.578	
3.	I am considered a leader in my social circle.	.762	
4.	People seem to be interested in getting to know me better.	.806	
5.	I usually try to add a little excitement to a party.	.763	
6.	I find it easy to introduce people.	.653	
OUTCOMES GIVEN COMPARISON LEVEL (OUTCM)			.883
1.	What we have achieved in our relationship with this supplier has been beyond our predictions.	.773	
2.	The financial returns our firm obtains from this supplier are greatly above what we envisioned.	.846	
3.	The results of our firm's working relationship with this supplier have greatly exceeded our expectations.	.924	
SATISFACTION (SAT)			.929
1.	Very satisfied ; Very dissatisfied (Reversed)	.867	
2.	Very little ; A lot	.998	
NFI= .910 NNFI= .961 CFI= .971			

Table 5.6
Correlations Among Model Constructs

	IDCRITIC	IDINCLU	IDSUPP	SE	PROBSOLV	COMP
IDCRITIC	1.000					
IDINCLU	0.385	1.000				
IDSUPP	0.373	0.448	1.000			
SE	0.024	0.332	0.069	1.000		
PROBSOLV	0.033	0.234	0.158	0.401	1.000	
COMP	0.157	0.322	0.350	0.344	0.502	1.000
PASSAGG	0.002	0.042	0.022	0.274	0.269	0.159
ACTAGG	-0.024	-0.082	-0.010	-0.201	-0.158	-0.014
OUTCM	0.200	0.216	0.363	0.068	0.208	0.148
SAT	0.062	0.159	0.148	0.047	0.171	-0.015
MEAN	9.149	18.030	23.564	29.931	36.673	36.516
ST. DEV.	3.229	2.787	8.241	6.293	4.327	7.266

	PASSAGG	ACTAGG	OUTCM	SAT
PASSAGG	1.000			
ACTAGG	0.215	1.000		
OUTCM	-0.020	0.177	1.000	
SAT	0.068	-0.098	0.273	1.000
MEAN	9.958	9.587	12.801	9.654
ST. DEV.	2.339	4.223	3.906	3.077

With the exception of the organizational identity construct, the CFA results suggest that each of the scales possess adequate measurement properties. It was posited that during negotiations with suppliers which have been categorized as minority, organizational identity would be reflective of an individual's identification with his or her company, as well as an identification with the supplier. However, while the CFA confirmed that 'identification with supplier' consists of a single factor, 'identification with my company' was represented by two factors; 'identification with criticism of my company' and 'feeling of inclusiveness with my company'. The two factor solution (i.e., 'identification with my company' and 'identification with supplier') was initially tested using CFA with poor results. The three factor solution was retained for subsequent analyses. It should be noted that while it is not unidimensional, the six-item construct 'identification with my company' yields a reasonably high coefficient alpha of .816. Previous researchers have reported similar findings (Ashforth 1990; Bhattacharya et. al 1995) , however these studies did not assess the dimensionality of the construct.

The CFAs demonstrated satisfactory convergent validity, with significant ($p < .01$) path coefficients for each of the items retained in the models. Discriminant validity was assessed using Lagrangian Multiplier (LM) tests to ensure that items loaded only on their intended factors. Three items were dropped from the analysis on the basis of these tests, substantive theory, and the need for parsimony (Bagozzi and Yi 1988; Byrne 1994). The resulting measurement models provide the best representation of the constructs examined in this study.

5.4 TEST OF THE HYPOTHESIZED MODEL

The hypothesized model presented in Figure 3.2 was modified on the basis of the results of the confirmatory factor analyses. The organizational identity construct was represented by three factors: 'identification with criticism of my company', 'inclusiveness with my company', and 'identification with the supplier'. Given this finding and following from the discussion in Chapter 3, hypothesis 1 was restated as follows:

H_{1a}: Identification with criticism of my company is negatively related to self-esteem.

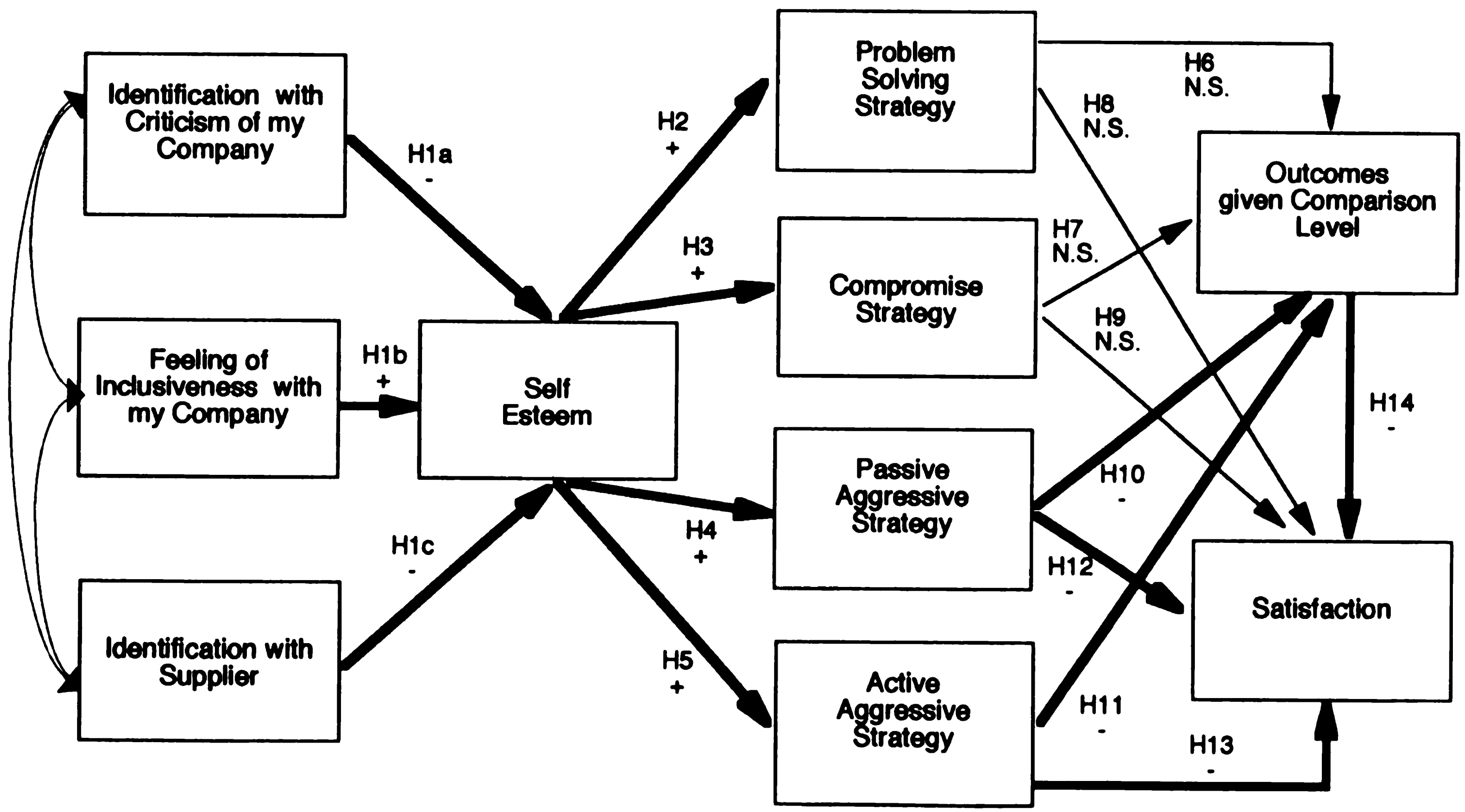
H_{1b}: Feeling of inclusiveness with my company is positively related to self-esteem.

H_{1c}: Identification with the supplier is negatively related to self-esteem.

The resulting proposed path model of purchasing agent negotiations with suppliers which have been categorized as minority is presented in Figure 5.1.

Path analysis using the maximum likelihood (ML) estimation technique was performed to test the hypothesized model presented in Figure 5.1. The covariance matrix was used as input to the model. The independent variables in the model are assumed to be correlated. In addition, the covariances of the errors associated with the problem solving and compromise negotiation strategies were assumed to be correlated. In a similar manner, the covariances of the errors for the passive and active aggressive strategies were allowed to correlate. The covariances of the errors associated with 'identification with the supplier', and both 'compromise strategy' and 'outcomes given comparison level' were freed based on an examination of the LM statistics and the standardized residuals. The standardized beta estimates, and the model fit statistics are presented in Figure 5.2.

Figure 5.1
Proposed Path Model of Purchasing Agent Negotiations with Suppliers Categorized as Minority

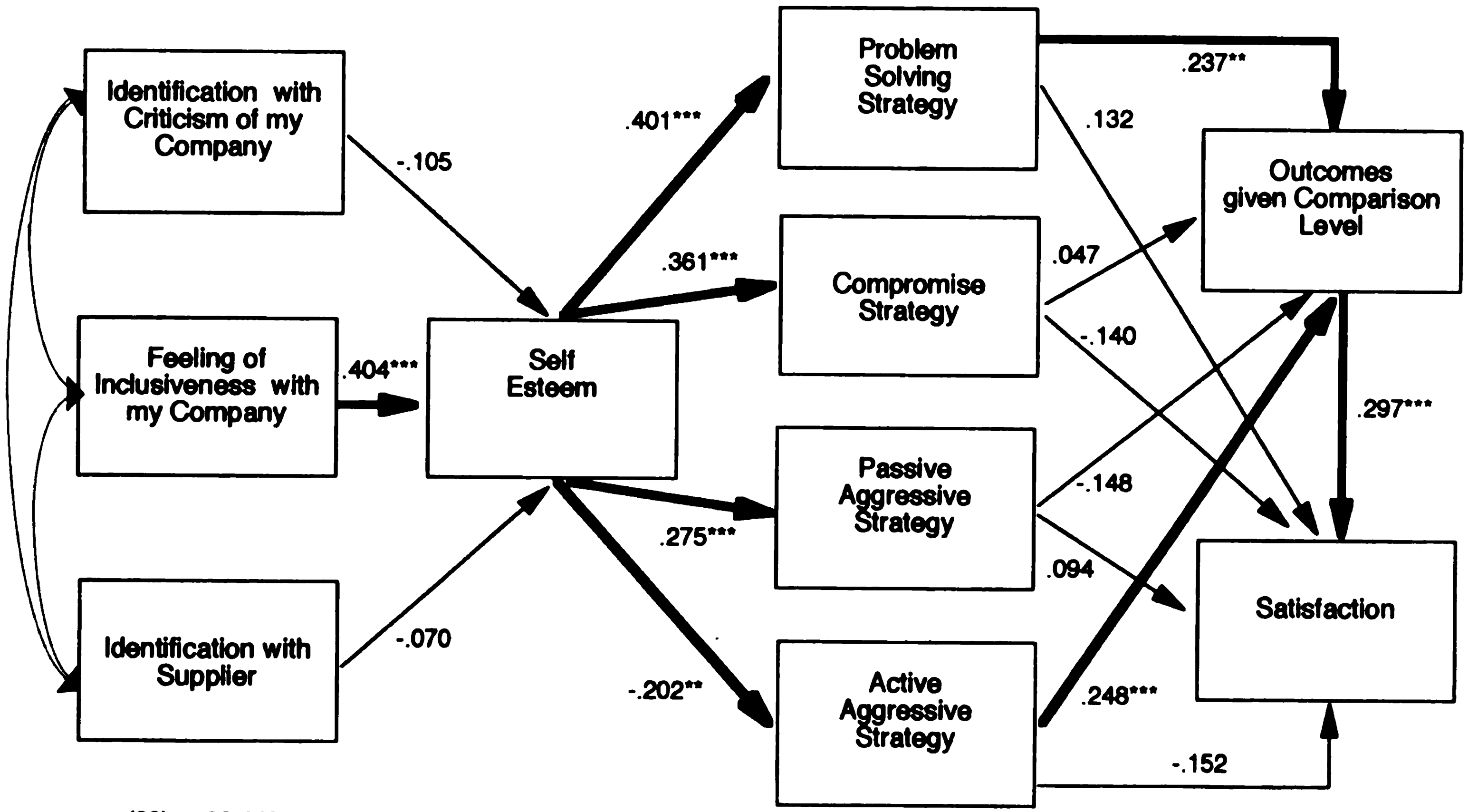


Note: Bold line indicates significant hypothesis.

5.4.1 **Model fit**

The overall fit of the model was assessed using multiple indicators. First, the chi-square statistic was not significant ($\chi_2 = 23.449$, 22 d.f. , $p = .3764$). The chi-square to degrees of freedom ratio, an ad hoc measure of fit, was 1.07. While there is no consensus with regard to what represents a 'good' fit, ratio values of 3 or less have been recommended (Carmines and McIver 1981). The Bentler-Bonnett normed fit index is .878, which is below the desirable value of 0.90 (Bentler 1990). Given the small sample size ($n = 101$), better indicators of model fit are the Bentler-Bonnett non-normed fit index and the comparative fit index, both of which take sample size into account when considering the model's degrees of freedom. The Bentler-Bonnett non-normed fit index is .980 and the comparative fit index is .990 which indicate that the data are well represented by the model. These findings provide preliminary support for the theoretical suitability of the proposed model and the variables selected for incorporation into the model. The hypothesis test results for the individual model parameters are presented in the next section.

Figure 5.2
Path Model of Purchasing Agent Negotiations with Suppliers Categorized as Minority



χ^2 (22) = 23.449, p = .3764
BBNFI = .878; BBNNFI = .980; CFI = .990

Notes: Numbers represent standardized beta estimates. Bold line indicates significant path. *** = p < .01; ** = p < .05.

5.4.2 **Hypothesis Tests of Individual Parameters**

Organizational Identity and Self Esteem. 'Identification with criticism of my company' and 'identification with supplier' were both hypothesized to negatively influence self-esteem for purchasing agents involved in negotiations with suppliers which have been categorized as 'minority'. This was partially supported by the negative but non-significant influence of each of these constructs on self esteem. In addition, 'feeling of inclusiveness with my company' was found to be positively and significantly ($p < .01$) related to self esteem as hypothesized, establishing this aspect of organizational identity as a strong driver of self esteem. 'Feeling of inclusiveness with my company' also had an indirect effect on each of the negotiation strategies. Clearly, this presents the construct of 'organizational identity' as a powerful antecedent of interorganizational marketing negotiations. Hence hypotheses 1a and 1c were partially supported, while hypothesis 1b received strong support.

Negotiation Strategies. Self esteem was found to have a significant influence on each of the negotiation strategies, providing support for hypotheses 2 through 5. However, while the significant positive influence of self esteem on the problem solving, compromise, and passive aggressive strategies suggests that purchasing agents acknowledge their use of these strategies, the significant negative influence of self esteem on the use of active aggressive strategies suggests that purchasing agents <u>do</u> <u>not</u> view these strategies as acceptable for use during negotiations with 'minority' suppliers. The direction of this relationship is contrary to hypothesis 5. It was believed that the active aggressive negotiation strategy would be used by the purchasing agent to enhance self esteem in response to the organizational identity threat posed by the minority supplier categorization, however this position was not supported by the data. The lack of statistical significance for the 'identification with supplier' construct, coupled with the strong positive influence of 'feeling of inclusiveness with my company', may provide the basis for this finding.

In summary, hypotheses 2, 3, and 4 received strong support while hypothesis 5 received partial support. As was previously indicated, 'feeling of inclusiveness with my company' had an indirect effect on each of the negotiation strategies. This aspect of organizational identification was positively associated with the problem solving, compromise and passive aggressive negotiation strategies, while it had a negative influence on the active aggressive strategy.

Outcomes given Comparison Level. It was hypothesized that the two negotiation outcomes would each be negatively influenced by the use of the passive and active aggressive negotiation strategies. However, outcomes given comparison level was only positively and significantly influenced by the problem solving and active aggressive strategies.

This was surprising, since the problem solving strategy was not hypothesized to significantly influence negotiation outcomes due to the nature of the 'minority' supplier categorization. While previous research (Campbell et al. 1988; Graham 1985; 1986; Graham et al. 1994) has demonstrated that the use of a problem solving approach positively influences negotiation outcomes, these studies did not test alternate negotiation strategies (see Ganesan 1993; Graham et al. 1988; Perdue and Summers 1991 for exceptions). Consequently, the present finding lends support to the axiom that "a problem-solving approach is best" (Graham 1986 p. 549). Also, the use of the compromise strategy did not significantly influence outcomes given comparison level, which was as hypothesized.

Equally surprising was the finding that the use of active aggressive strategies positively influences outcomes given comparison level. However as reported earlier, purchasing agents indicated that they <u>did</u> <u>not</u> view the use of these strategies favorably. Hence, the negative view of these strategies is likely to positively influence outcomes given comparison level, as more cooperative negotiation strategies are favored. While the use of passive aggressive strategies was not significant, it was negative, which was consistent with the hypothesized direction of the relationship. To summarize, hypothesis 6 was not supported and hypothesis 7 was supported. Hypotheses 10 and 11 each received partial support.

Satisfaction. Satisfaction with the negotiation was posited to be negatively influenced by each of the competitive negotiation strategies, as well as by outcomes given comparison level. <u>None of the negotiation strategies significantly and directly influenced satisfaction</u> (hypotheses 8, 9, 12 and 13). The problem solving and active aggressive strategies each had a positive, significant <u>indirect</u> effect on satisfaction, with outcomes given comparison level completely mediating this relationship. This finding is substantive, since expressed satisfaction, an affective state, is often examined as the as the outcome of negotiations rather than the more objective assessment of outcomes given comparison level. Therefore, hypothesis 12 was not supported and hypothesis 13 received partial support, while hypotheses 8 and 9 were supported.

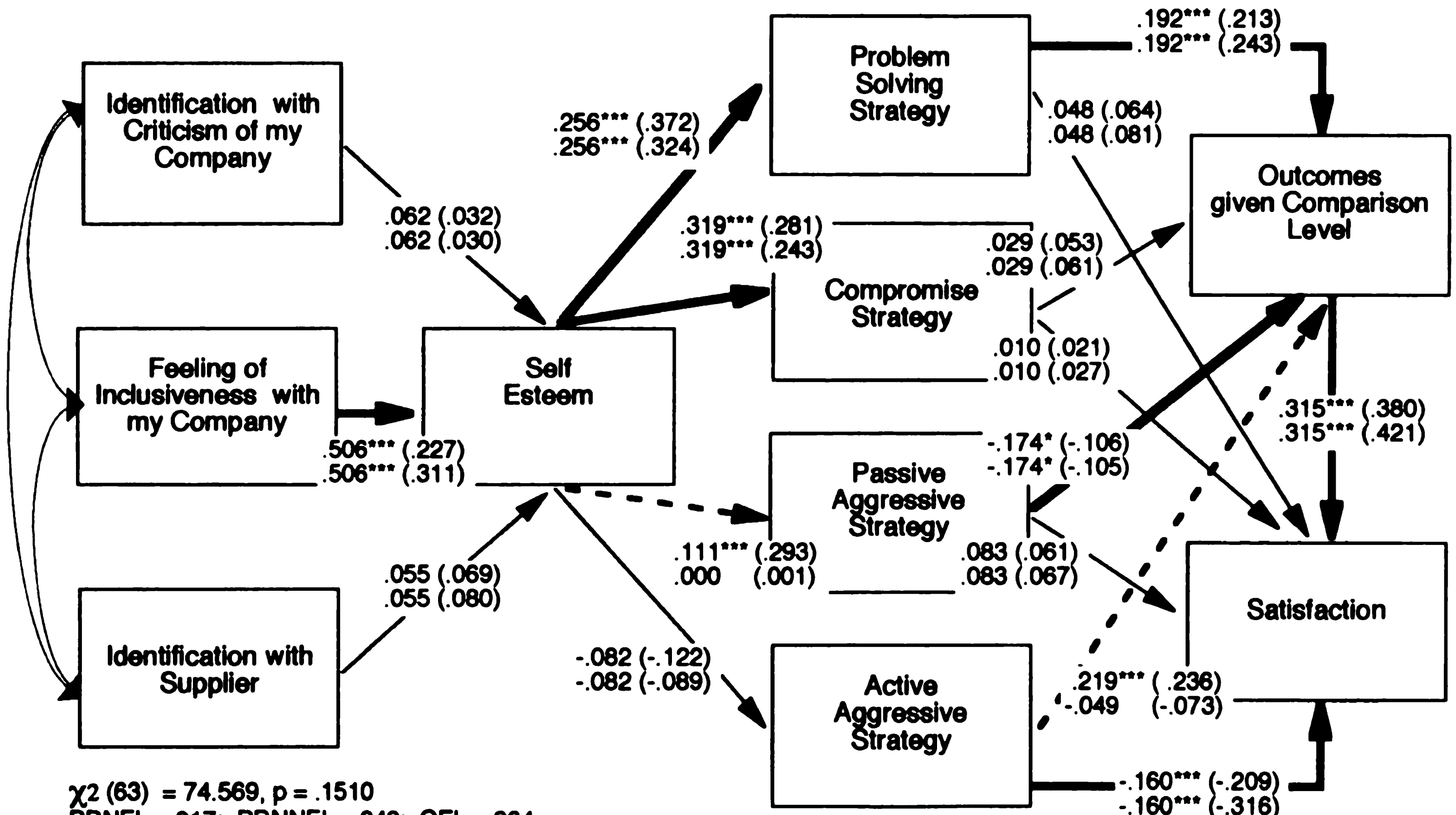
Outcomes given comparison level was posited to negatively and significantly influence satisfaction (hypothesis 14). This hypothesis was partially supported, with the relationship being significant, but positive. The lack of full support for this hypothesis is not surprising given the strong, positive influence exerted by most of the significant parameters in the model.

5.4.3 **Test of the Two-Group Path Model**

In order to test hypothesis 15 and present further support for the model of hypothesized relationships presented in Figure 5.2, a two-group path model was tested. The second group consisted of a sample of purchasing agents responding about negotiations with suppliers which were not participants in any of the organization's supplier purchasing programs. The goal was to examine differences in the model across the two groups of purchasing agents. Descriptive information for this second sample is provided in Appendix B.

For the purpose of comparability, measures identical to those developed for the path model of purchasing agent negotiations with 'minority' suppliers (Figure 5.1) were applied to the sample of purchasing agent negotiations with suppliers which were not participants in any supplier purchasing program. All of the hypothesized relationships represented in Figure 5.1 were tested across the groups. Although it was not a part of the hypotheses presented in this analysis, the best fitting model for the data representing purchasing agent negotiations with 'non-categorized' suppliers is also presented in Appendix B (Figure B.1).

Figure 5.3
Two Group Path Model of Purchasing Agent Negotiations



χ^2 (63) = 74.569, p = .1510
BBNFI = .817; BBNNFI = .948; CFI = .964

Notes: Top numbers represent unstandardized (standardized) beta estimates for PA negotiations with minority suppliers. Bottom numbers represent unstandardized (standardized) beta estimates for PA negotiations with non-categorized suppliers. Bold line indicates significant path; broken line denotes invariance across groups. *** = p < .01; * = p < .10.

Overall Model. In accordance with the interests of this study, it was assumed that the form of the two models was the same, but the values of the parameter estimates across the two samples were not equal. As a result, the testing focused on the invariance of the structural parameters across the two groups. While this is not the most rigid test of comparability, it is a widely accepted approach to multiple-group structural equation modeling (Bollen 1989).

A two-group simultaneous path analysis was performed to determine whether the parameter estimates were invariant across the groups. All of the paths hypothesized in Figure 5.1 were constrained to be equal across the groups. The LM test suggested that the unstandardized estimates were statistically significantly different for two parameters: (1) the influence of the use of the active aggressive strategy on outcomes given comparison level, and (2) the influence of self-esteem on the use of the passive aggressive strategy. These constraints were individually released and the model was re-estimated each time. The resulting model, which was deemed to best represent the data, is presented in Figure 5.3. The two-group model fits the data relatively well, with $\chi_2 = 74.569$, 63 d.f., $p = .1510$, BBNFI = .817, BBNNFI = .948, and CFI = .964.

Differences Between Groups. Interestingly, the use of active aggressive strategies was shown to positively and significantly ($p < .01$) influence outcomes given comparison level for purchasing agents negotiating with 'minority' suppliers, but the relationship was negative and non-significant for purchasing agent negotiations with suppliers which had not been categorized into any purchasing program. This difference across the groups is very intriguing and may possibly be explained by the varying motivations for the use of the active aggressive strategies. Purchasing agents may feel that the occasional use of aggressive strategies, such as openly expressing displeasure with the supplier, is necessary to keep the 'minority' supplier from becoming complacent. This is especially true if the minority supplier purchasing program is viewed as a set-aside or 'social program' (Morgan and Cruz 1997). The use of similar strategies may not be deemed necessary for suppliers which are not participants in any purchasing program. This rationale may also explain the significant ($p < .01$) and positive relationship between self-esteem and the use of passive aggressive strategies for purchasing agent negotiations with 'minority' suppliers, and the non-significant, zero relationship between these constructs for negotiations with 'non-categorized' suppliers.

Differences Between Two Group Model and 'Minority' Supplier Model. While there was a negative but non-significant relationship between these constructs in the 'minority' supplier model, the use of passive aggressive strategies now significantly ($p < .10$) and negatively impacts outcomes given comparison level for both groups in the two group model. Also, the use of active aggressive strategies now has a significant relationship with satisfaction ($p < .01$), demonstrating that outcomes given comparison level no longer serves as a complete mediator of satisfaction, as it did in the 'minority' supplier model.

In summary, hypothesis 15 is supported; the relationships represented by the model of purchasing agent negotiations with 'minority' suppliers are not equal to those for purchasing agent negotiations with suppliers which are not participants in any supplier purchasing program. Fourteen of the hypothesized paths are invariant across the two groups, while the paths between the use of active aggressive strategies and outcomes given comparison level, and self-esteem and the use of passive aggressive strategies, vary across the groups.

Table 5.7 summarizes the results of the hypothesis tests. The implications of the findings with regard to marketing theory and practice are discussed in Chapter 6.

Table 5.7
Summary of Hypothesis Tests

Hypothesis	Relationship	Conclusion
H_{1a}	Identification with criticism of my company is negatively related to self-esteem.	Partially Supported
H_{1b}	Feeling of inclusiveness with my company is positively related to self-esteem.	Strongly Supported
H_{1c}	Identification with the supplier is negatively related to self-esteem.	Partially Supported
H_2	Self-esteem is positively related to the use of the problem-solving strategy.	Supported
H_3	Self-esteem is positively related to the use of the compromise strategy.	Supported
H_4	Self-esteem is positively related to the use of the passive aggressive strategy.	Strongly Supported
H_5	Self-esteem is positively related to the use of the active aggressive strategy.	Partially Supported
H_6	Problem-solving strategy is not significantly related to outcomes given comparison level.	Not Supported
H_7	Compromise strategy is not significantly related to outcomes given comparison level.	Supported
H_8	The use of the problem-solving strategy is not significantly related to satisfaction.	Supported
H_9	The use of the compromise strategy is not significantly related to satisfaction.	Supported
H_{10}	Passive aggressive strategy is negatively related to outcomes given comparison level.	Partially Supported
H_{11}	Active aggressive strategy is negatively related to outcomes given comparison level.	Partially Supported
H_{12}	The use of the passive aggressive strategy is negatively related to satisfaction.	Not Supported
H_{13}	The use of the active aggressive strategy is negatively related to satisfaction.	Partially Supported
H_{14}	Outcomes given comparison level is negatively related to satisfaction.	Partially Supported
H_{15}	Relationships in the proposed model (Figure 3.2) are not equal to those for negotiations with suppliers which are not participants in any purchasing program	Supported

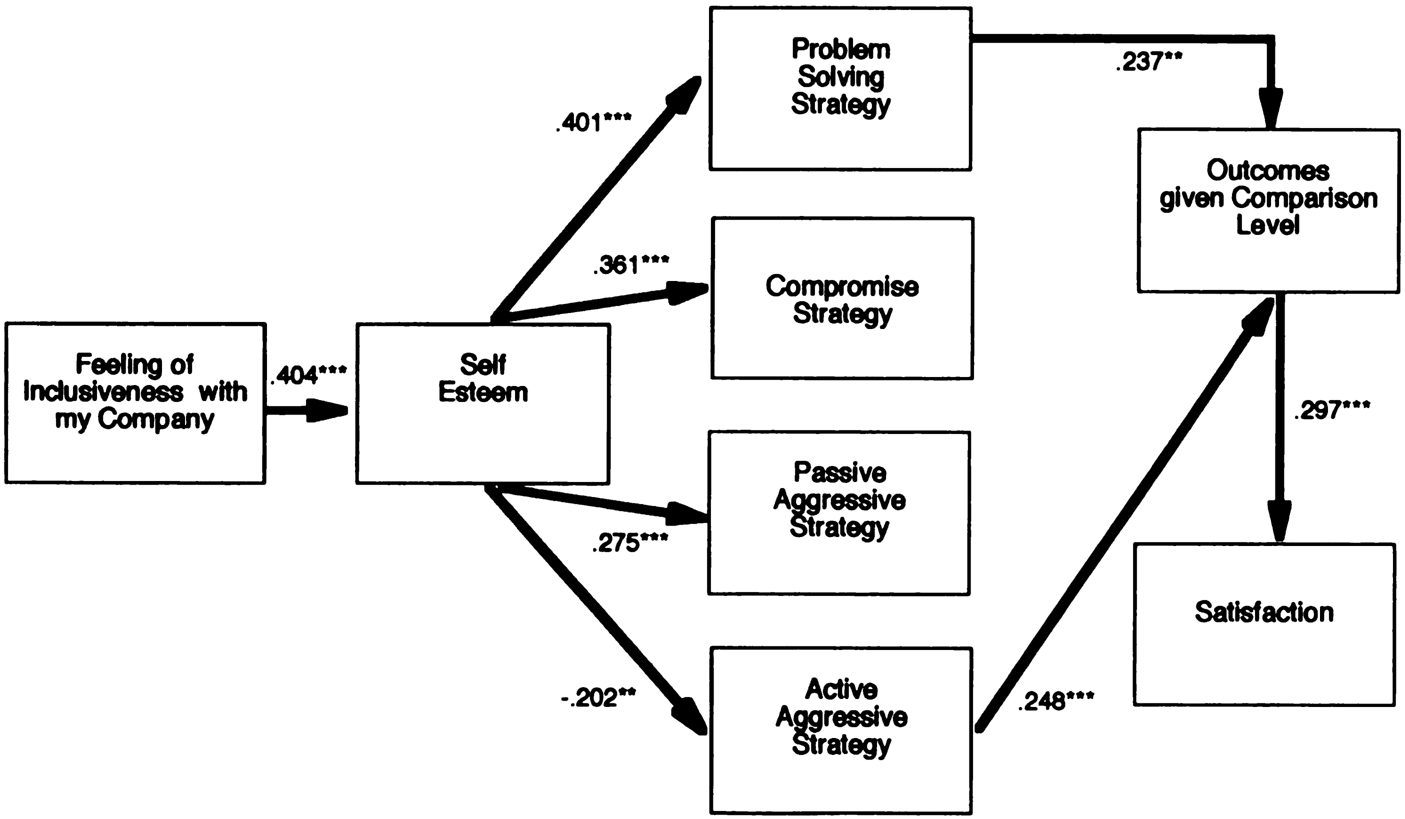
CHAPTER 6

DISCUSSION AND CONCLUSIONS

The findings of this research offer both theoretical and managerial insights into the role of organizational categorization in interorganizational marketing negotiations. Particular attention is given to the categorization of suppliers as minority and its influence on the interorganizational marketing negotiation process and outcomes. Five general observations and their associated conclusions are discussed in this chapter from both the theoretical and managerial perspectives. Each observation addresses a research objective or research question first presented in Chapter 1. The implications of these observations for minority supplier purchasing programs are then highlighted. Finally, the limitations of the study, as well as directions for future research, are provided.

Figures 6.1, 6.2 and 6.3 present the models upon which the ensuing discussion is based. Only those relationships that were found to be significant are included in the diagrams. While the model presented in Figure 6.3 was not a part of the formal hypothesis tests, it is presented here to provide further insight into the findings of the study.

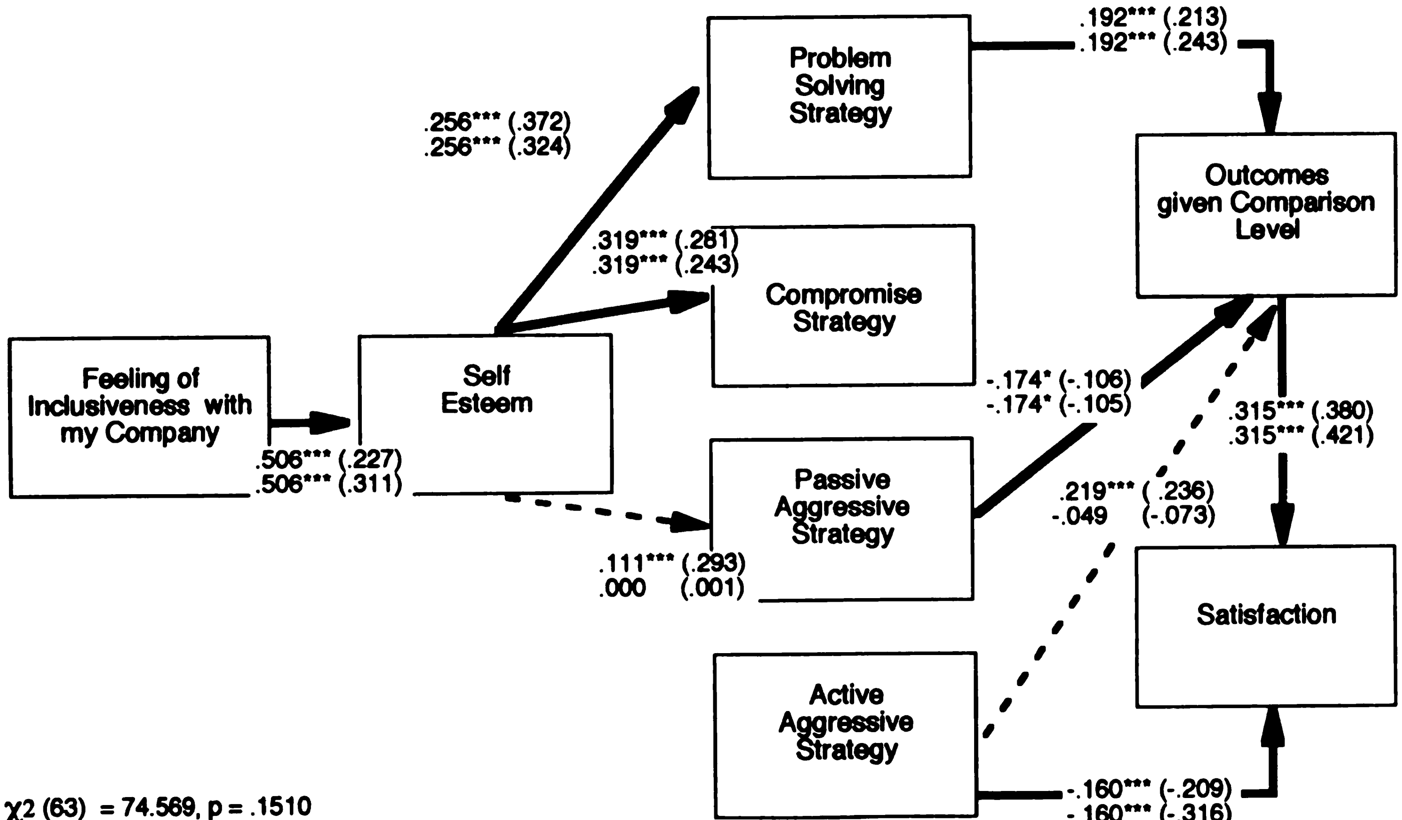
Figure 6.1
Summary of Signifcant Relationships
Path Model of Purchasing Agent Negotiations
with Suppliers Categorized as Minority



χ^2 (22) = 23.449, p = .3764
BBNFI = .878; BBNNFI = .980; CFI = .990

Notes: Numbers represent standardized beta estimates. Bold line indicates significant path. *** = p < .01; ** = p < .05.

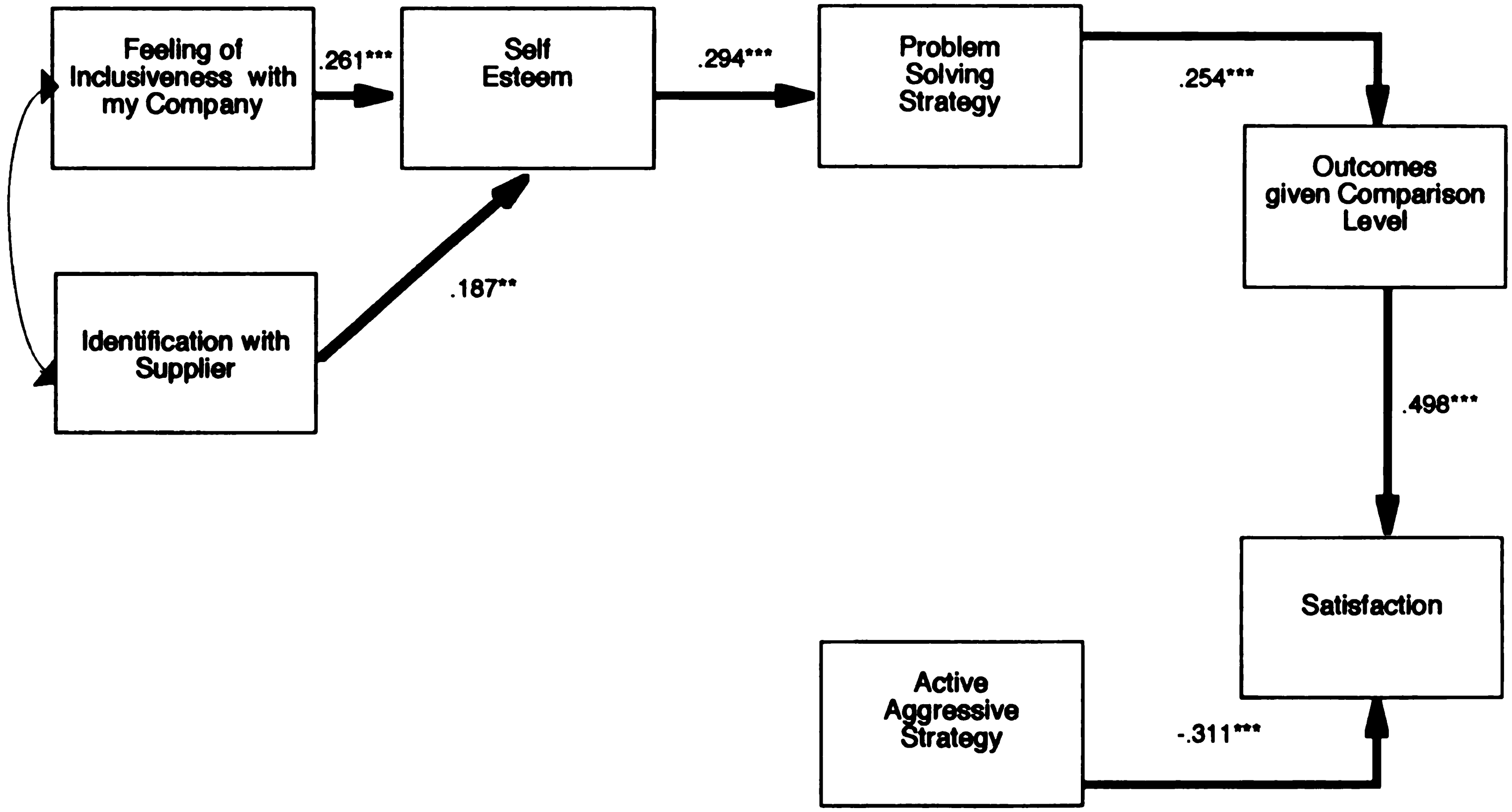
Figure 6.2
Summary of Significant Relationships
Two Group Path Model of Purchasing Agent Negotiations



χ^2 (63) = 74.569, p = .1510
BBNFI = .817; BBNNFI = .948; CFI = .964

Notes: Top numbers represent unstandardized (standardized) beta estimates for PA negotiations with minority suppliers. Bottom numbers represent unstandardized (standardized) beta estimates for PA negotiations with non-categorized suppliers. Bold line indicates significant path; broken line denotes invariance across groups. *** = p < .01; * = p < .10.

Figure 6.3
Final Path Model of Purchasing Agent Negotiations with Non-Categorized Suppliers



χ^2 (12 df) = 16.444, p = .1717
BBNFI = .869; BBNNFI = .926; CFI = .958

Notes: Numbers represent standardized beta estimates. Bold line indicates significant path. *** = $p < .01$; ** = $p < .05$.

6.1 NATURE OF ORGANIZATIONAL IDENTITY IN INTERORGANIZATIONAL MARKETING NEGOTIATIONS

Observation 1 (Addresses Research Objectives): The social psychological perspective provided by Self-Categorization and Social Identity Theories is applicable to the study of purchasing agent negotiations with both 'minority' and 'non-categorized' suppliers. Organizational Identity is a powerful antecedent of interorganizational marketing negotiations.

Ring and Van de Ven (1994) acknowledge that an understanding of each other's identity is necessary for negotiating parties attempting to establish cooperative interorganizational relationships, however the structure of this identity has not been established. In this study, the nature of organizational identity with regard to interorganizational marketing negotiations was discovered to be represented by three constructs: 'identification with criticism of my company', 'feeling of inclusiveness with my company', and 'identification with the supplier'. This finding is noteworthy for two reasons. First, it suggests that identification with one's own company is not a unidimensional construct. In fact, this observation opens the door to the possibility that organizational identity may be the second order factor of the constructs 'identification with criticism with my company' and 'feeling of inclusiveness with my company'. This phenomenon had not been investigated or established in previous research (cf. Ashforth 1990; Bhattacharya et al. 1995).

Second, this occurrence was validated across the independent sample of purchasing agents who negotiated with suppliers which were not participants in any supplier purchasing program. This type of cross-validation of a measurement model reduces the likelihood that the specified model capitalized on chance (Byrne 1994; MacCallum, Roznowski and Necowitz 1992).

Overall, 'identification with the supplier' did not prove to be influential in interorganizational marketing negotiations. It was not significantly related to self-esteem for purchasing agents negotiating with 'minority' suppliers, nor was the relationship significant in the two-group model. Interestingly, the relationship was significant ($p < .05$) for the single group model of purchasing agent negotiations with suppliers which had not been categorized into a purchasing program. It should also be noted that in the latter model, while the relationship was significant, it was at a lower level of significance (i.e., all other parameters in model significant at $p < .01$) for both its direct and indirect effects.

These findings suggest that while increasing identification with the supplier may provide some benefits for firms which are not participants in any supplier purchasing program, the same is not true for 'minority' suppliers, as indicated by the negative, and very non-significant, value of the standardized parameter estimate. The 'minority' categorization may inhibit identification with the supplier on behalf of the purchasing agent. This is important, as many firms are attempting to use categorizations which encourage inclusiveness and emphasize diversity (e.g., Supplier Diversity Initiative) rather than exclusiveness or affirmative action (Morgan 1996; Thomas 1990).

6.2 'INCLUSIVENESS' AS AN ANTECEDENT OF SELF-ESTEEM AND THE USE OF VARIOUS NEGOTIATION STRATEGIES

Observation 2 (Addresses Research Question 1): 'Feeling of Inclusiveness with my Company' is a strong driver of both self-esteem and the use of the various negotiation strategies by purchasing agents negotiating with suppliers which have been categorized as minority.

A 'feeling of inclusiveness with my company' positively and significantly impacted self-esteem in each of the models. This parameter represented the strongest relationship in the model of purchasing agent negotiations with 'minority' suppliers, however this was not the case for the other two models. In addition, 'feeling of inclusiveness with my company' had an indirect effect on each of the negotiation strategies for the 'minority' supplier model, with self-esteem partially mediating this relationship.

These findings imply that this feeling of inclusiveness may create an 'affect' which positively influences interorganizational marketing negotiations. It has been reported that positive affect or 'feeling good' facilitates problem solving (Carnevale and Isen 1986; Neale and Northcraft 1991). Management researchers have demonstrated that a positive mood increases the cooperative behavior of the negotiator, as well as his or her evaluations of the negotiation partner (Kramer et al. 1993). The aspect of organizational identity represented by this feeling of inclusiveness may create such a mood and inherently enhance the purchasing agent's self-esteem, use of various negotiation strategies and evaluation of outcomes as well. This may provide further explanation for previous studies of negotiation in marketing in which personality measures such as optimism and friendliness influenced negotiators' perceptions of, rather than their actual, outcomes (Rinehart and Closs 1991; Rinehart and Page 1992).

This situation may provide suppliers with an opportunity to positively influence the purchasing agent's negotiation behavior by increasing his or her feeling of inclusiveness with the buying organization. Gestures as seemingly insignificant as the giving of a small gift have been shown to create a positive affect and facilitate problem solving and integrative behavior during negotiations (Carnevale and Isen 1986). Suppliers' use of strategies to increase the purchasing agent's 'inclusiveness' (e.g., praise of the company's commitment to improving the environment; commending the purchasing agent for his/her organization's participation in various community activities) may yield comparable results in interorganizational marketing negotiations.

Furthermore, this positive affective state may have implications which extend beyond the negotiation encounter. Organizational researchers have determined that a positive organizational identity can lead to increased loyalty to the organization (Adler and Adler 1987), as well as decreased turnover among employees (O'Reilly and Chatman 1986). Human resource policies such tuition reimbursement, on-site health clubs and employee counseling may all work toward fostering positive organizational identity.

6.3 PROMINENCE OF THE PROBLEM SOLVING STRATEGY

Observation 3 (Addresses Research Question 2): The use of the problem solving negotiation strategy dominates interorganizational marketing negotiations.

The use of a problem solving approach to interorganizational marketing negotiations has been heralded for its integrative nature which allows both parties to obtain positive outcomes (Campbell et al. 1988; Graham et al. 1988; 1994). In the present study, self-esteem was positively related to the use of problem solving strategies for each of the models tested. In fact, it was the only negotiation strategy influenced by self-esteem for purchasing agent negotiations with suppliers which were not participants in any purchasing program.

These findings provide some support for Anderson's (1995) contention that value is created and/or shared during the negotiation process. The nature of the problem solving approach, which emphasizes asking questions, getting information and using that information to satisfy needs, provides a platform from which value could be created and shared. However, as Anderson and Narus (1995) point out with regard to service offerings, most firms have made limited use of these opportunities.

While self-esteem influenced the use of each of the negotiation strategies for purchasing agents involved in negotiations with 'minority' suppliers, the magnitude of the relationship decreased as the competitiveness of the negotiation strategy increased. This observation provides further corroboration of the dominance of the problem solving strategy in interorganizational marketing negotiations.

Notably, the relationship between self-esteem and the use of the various negotiation strategies observed in this study has not proved to be significant in previous research (cf. Alexander et al. 1994; Bagozzi 1978; Campbell et al. 1988). Alexander et al. (1994) attribute their results to the belief that "the development of generalized self-esteem fosters an attitude of confidence or competitive spirit more in keeping with positional bargaining tactics" (p. 35). However as mentioned previously, self-esteem partially mediates the relationship between 'feeling of inclusiveness' and the use of the various negotiation strategies, both cooperative and competitive, in the present study. Consequently, the relationship between organizational identity and self-esteem presents itself as a viable avenue for future research.

While the use of cooperative negotiation strategies was shown to dominate the interorganizational marketing negotiations studied here, it should be pointed out that the only significant relationships between self-esteem and the aggressive strategies occurred for purchasing agent negotiations with 'minority' suppliers. It may be that purchasing agents involved in these negotiations feel they need a greater variety of negotiation strategies at their disposal in order to reduce any uncertainty that may be associated with negotiating with 'minority' suppliers. Furthermore, the use of aggressive strategies during these negotiations may be associated with the view of minority supplier purchasing programs as 'social programs' which have the potential to encourage apathy on behalf of the supplier (Morgan 1996).

6.4 OUTCOMES OF INTERORGANIZATIONAL MARKETING NEGOTIATIONS

Observation 4 (Addresses Research Questions 3 and 4): Outcomes given comparison level completely mediates the relationship between the use of the negotiation strategies (i.e., problem solving and active aggressive) and satisfaction for purchasing agent negotiations with 'minority' suppliers.

Most studies of negotiation in marketing acknowledge satisfaction as an outcome directly influenced by the use of the various negotiation strategies (e.g., Campbell et al. 1988; Ganesan 1993; Graham 1985). In this study, that relationship was completely mediated by outcomes given comparison level for purchasing agent negotiations with 'minority' suppliers. Thus, none of the negotiation strategies directly influenced satisfaction.

One explanation for this may lie in the analysis of interdependence relationships. According to Kelley (1979; 1983), when individuals encounter interdependence situations, they do not act directly in response to the given payoff matrix associated with the situation. Instead, they transform this matrix into an effective payoff matrix and their behavior is based on this matrix.

In developing the theoretical model for this study, it was asserted that the given payoff matrix (i.e., the outcomes of the negotiation, not taking into account the behavior or outcomes of the 'minority' supplier) would be <u>transformed</u> into an effective payoff matrix (i.e., a summary of the behavior-outcome contingencies to be used with a 'minority' supplier). Anderson and Narus (1984) note that this transformation process evokes a change in the purchasing agent's psychological perspective, wherein outcomes are viewed in the context of similar past relationships (i.e., prior negotiations with 'minority' suppliers). For that reason, the actual negotiation strategies used during the negotiation may not directly influence satisfaction because they have already become a part of the context of the negotiation situation through the transformation process. Satisfaction is then influenced by the outcomes received, as compared to expectations or predictions.

This is particularly important for 'minority' suppliers. Low expectations could be "the kiss of death" in that the purchasing agent may be satisfied with negotiations and the relationship in general, but may not view the 'minority' supplier competitively with regard to other suppliers. Therefore, it will be the responsibility of the 'minority' supplier to change the purchasing agent's perspective.

Curiously, the use of the active aggressive strategy was the only negotiation strategy directly related to satisfaction (in the two-group and 'non-categorized' models). The problem solving strategy, although widely used, never directly influenced satisfaction. While initially surprising, this lends support to the idea that the "transformation process" may be occurring and that the supplier should be aware of the purchasing agent's behavior, but also attempt to determine what the purchasing agent's expectations were regarding the negotiation.

The findings concerning outcomes given comparison level are of practical relevance to suppliers for several reasons. First, if a supplier can meet or exceed expectations, the result may be a very satisfying working relationship for both the supplier and the purchasing agent (Anderson and

Narus 1984; 1990). Even further, firms which can exceed expectations <u>and</u> provide outcomes which are considered superior to the purchasing agent's best alternative may find themselves in a preferred status. This will become increasingly important as companies continue to decrease their supplier base. Finally, if value is created or shared during the negotiation process, it may be that it is best expressed through how well outcomes meet expectations, and not through satisfaction. Suppliers should keep this in mind when determining customer satisfaction. Measures should incorporate expectations based on similar relationships, as well as those of the purchasing agent's best alternative, if they are to be meaningful.

6.5 MODEL OF NEGOTIATIONS WITH 'MINORITY' AND 'NON-CATEGORIZED' SUPPLIERS

Observation 5 (Addresses Research Question 5): The relationships which represent purchasing agent negotiations with suppliers which are participants in minority supplier purchasing programs are different from negotiations with suppliers which are not participants in any of the organization's supplier purchasing programs.

It is clear from the preceding discussion that the model representing purchasing agent negotiations with suppliers which are participants in minority supplier purchasing programs is unique. Analysis of the two-group model supports the observations discussed in the previous sections. It should be noted however, that across the groups the use and influence of competitive negotiation strategies is more prevalent for purchasing agents negotiating with 'minority' suppliers. It is possible that these strategies were used as a "last resort" when other means of influence proved to be unsuccessful. Moreover, for both groups the use of active aggressive negotiation strategies now influences satisfaction. While this strategy was not significantly used by purchasing agents across the groups, their views of its use , negatively impacting satisfaction, were the same.

The contributions of this study are summarized in Table 6.1. The implications of this research for minority supplier purchasing programs follows in Section 6.6.

Table 6.1
Contributions of the Study

• Brings social identity and self-categorization theories into the marketing negotiation literature
• Establishes the role of organizational identity in interorganizational marketing negotiations
• Suggests that organizational identity may be a multidimensional construct
• Identifies organizational identity as an antecedent of self-esteem in interorganizational marketing negotiations
• Supports previous research (Perdue and Summers 1991; Ganesan 1993) indicating that interorganizational marketing negotiations are more complex than the bipolar perspective suggests
• Examines antecedents as well as outcomes of the negotiation process
• Brings social psychological perspective to the minority business literature
• Adds the context of minority supplier purchasing programs to the marketing negotiation literature
• Integrates concepts from social psychology, organizational behavior and marketing
• Examines organizational identity in an interorganizational context

6.6 IMPLICATIONS FOR MINORITY SUPPLIER PURCHASING PROGRAMS

The impetus for this study surrounded the designation of suppliers as 'minority' and its implications for developing relationships with purchasing agents. This is especially meaningful as corporations attempt to reduce their base of suppliers and align their purchasing strategy with corporate strategy. Suppliers which are participants in minority supplier purchasing programs, as well as the organizations which have implemented the programs, need to understand the possibilities and or limitations that may be associated with the 'minority' supplier categorization. Highlighted below are some of the observations gleaned from the present study.

First, while purchasing agents may negatively identify with 'minority' suppliers, it is not to a significant degree. Minority suppliers can benefit by focusing on increasing the purchasing agent's feeling of inclusiveness with his or her organization. The positive affect that is created may produce a halo that extends to the negotiation encounter and subsequent evaluations.

Second, 'minority' suppliers should understand that while the minority supplier purchasing program may be perceived as an opportunity by the supplier, it does not encourage the purchasing agent to identify with the supplier's organization. A survey of directors of corporate minority supplier purchasing programs identified 'negative publicity' as the second greatest problem facing minority businesses and MBE programs (Morgan 1996). In addition, managers of these programs state that its difficult to convince purchasing agents that the programs are not 'social' or 'goodwill' programs, but actual business endeavors (Purchasing 1995).

While socially responsible buying may be positively received by many organizations and their purchasing agents, purchasing agents tend to be most receptive to those opportunities related to social causes that are closest to their organization's core businesses (Drumwright 1994). The directors of minority supplier purchasing programs must establish such a link. This may not be very difficult if minority consumers comprise a substantial proportion of the organization's target market.

Third, while 'outcomes given comparison level' measures negotiation outcomes based on what has happened in 'similar' relationships, it may be that for 'minority' suppliers these similar relationships only include other 'minority' suppliers. Therefore, minority suppliers may need to re-position themselves in the minds of the purchasing agents. They must demonstrate how their offerings add value which may not be obtained from relationships with their competitors. This will be crucial for minority firms that wish to create value in their relationships.

Finally, suppliers which are participants in minority supplier purchasing programs should take advantage of the prevalence of the use of the problem solving approach by purchasing agents. The integrative nature of the strategy will allow the supplier to obtain information about the purchasing agent's needs and in turn satisfy those needs.

6.7 LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

While some aspects of this study may limit its contributions, they may also suggest opportunities for future research. Though the tests of the hypothesized models yield results that are consistent with the hypotheses in many instances, the cross-sectional research design used limits the ability to rule out alternative sequences of relationships. For example, organizational identity was posited to influence self-esteem, however it is very plausible that self-esteem influences organizational identity. It may be that individuals bring their self-esteem into their employment situations and organizational identity is established as a consequence. For that reason, while the directions for the hypothesized relationships are theoretically based, alternative conceptualizations may be equally appropriate. In addition, the use of structural equations modeling in this study does not imply causality. Future research should consider adopting a longitudinal design in order to investigate causal inferences.

Another limitation of the study is the sample size. Small sample size affects the stability of the parameter estimates. In addition, the use of only purchasing agents, and not suppliers as well, for the study could result in a common method bias. A dyadic research design would improve the measures and increase confidence in the results.

This study may not be generalizable outside of negotiations involving university purchasing agents. Future research should examine negotiations with corporate purchasing agents. Industry comparisons may prove to be insightful as well. Investigations of other types of categorizations of suppliers (e.g., preferred suppliers) may provide information with regard to the positive implications of categorization.

Finally, due to the sensitive nature of the 'minority' designation, some purchasing agents may have had a tendency to give "socially desirable" responses. Future research using scenarios may eliminate this tendency. Respondents could be asked to role play a purchasing agent rather than provide responses based on their actual negotiations. In prior research (Francis 1991) this method has been successful, as subjects appeared to feel less pressure about giving responses that may be perceived as discriminatory.

APPENDIX A

APPENDIX A

SURVEY INSTRUMENT

Introduction to the Survey

You are one of over 1500 purchasing agents who have been asked to participate in a study being conducted by Michigan State University's Broad Graduate School of Management. The purpose of this study is to examine purchasing agents' use of various negotiation strategies during interactions with firms which are participants in minority supplier purchasing programs. This research is being undertaken in an effort to determine the extent to which the present structure of minority supplier purchasing programs influences the negotiation process and its outcomes.

This survey is completely confidential. Your individual responses will not be identified or referred to in any way. Only summary results of this study will be reported. If you would like to be provided with a copy of the summary results upon completion of this project, please enclose your business card in the return envelope.

Please complete the survey in its entirety and return it in the enclosed postage paid envelope.

Thank you in advance for your time and cooperation.

For the following six statements, *circle the number* on the scale (1 to 7) that *best* describes your feelings about the **organization for which you are a purchasing agent**.

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
1. When someone criticizes my company, it feels like a personal insult.	1	2	3	4	5	6	7
2. I am very interested in what others think about my company.	1	2	3	4	5	6	7
3. When I talk about my company, I usually say *we* rather than *they*.	1	2	3	4	5	6	7
4. The company's successes are my successes.	1	2	3	4	5	6	7
5. When someone praises my company, it feels like a personal compliment.	1	2	3	4	5	6	7
6. If a story in the media criticized my company, I would feel embarrassed.	1	2	3	4	5	6	7

For the following questions please answer *yes* or *no*.

	Yes	No
1. Does your company have a Preferred Supplier Purchasing Program?	________	________
2. Does your company have a Minority Supplier Purchasing Program?	________	________

Please select a supplier which is a participant in your organization's **MINORITY SUPPLIER PURCHASING PROGRAM**. Recall your ***most recent*** negotiation with that supplier. Please answer all of the following questions with respect to that negotiation session between you and the representative from the minority supplier.

1. How many months ago did this negotiation take place? ________ months

2. What type of product(s) were purchased during this negotiation? ________________

For the following six statements, *circle the number* on the scale (1 to 7) that *best* describes your ability to recall various aspects of your negotiation with this **minority supplier**.

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
1. I clearly remember the initial offer made by my company.	1	2	3	4	5	6	7
2. I clearly remember the initial offer made by the minority supplier.	1	2	3	4	5	6	7
3. I can recall specific issues upon which we were in disagreement.	1	2	3	4	5	6	7
4. I can recall how these specific issues were resolved.	1	2	3	4	5	6	7
5. I remember the final outcome I received for my company.	1	2	3	4	5	6	7
6. I remember the final outcome received by the minority supplier.	1	2	3	4	5	6	7

For the following six statements, *circle the number* on the scale (1 to 7) that *best* describes your feelings about this **minority supplier**.

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
1. When someone criticizes this supplier, it feels like a personal insult.	1	2	3	4	5	6	7
2. I am very interested in what others think about this supplier.	1	2	3	4	5	6	7
3. When I talk about this supplier, I usually say *we* rather than *they*.	1	2	3	4	5	6	7

4. This supplier's successes are my successes.	1	2	3	4	5	6	7
5. When someone praises this supplier, it feels like a personal compliment.	1	2	3	4	5	6	7
6. If a story in the media criticized this supplier, I would feel embarrassed.	1	2	3	4	5	6	7

For the following six statements, *circle the number* on the scale (1 to 7) that *best* describes your **general** feelings.

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
1. I rarely feel self-conscious in a strange group.	1	2	3	4	5	6	7
2. I am seldom at a loss for words.	1	2	3	4	5	6	7
3. I am considered a leader in my social circle.	1	2	3	4	5	6	7
4. People seem to be interested in getting to know me better.	1	2	3	4	5	6	7
5. I usually try to add a little excitement to a party.	1	2	3	4	5	6	7
6. I find it easy to introduce people.	1	2	3	4	5	6	7

For the following statements, *circle the number* on the scale (1 to 7) that *best* represents your use of various negotiation strategies with this **minority supplier**.

	Strongly Disagree 1	2	3	4	5	6	Strongly Agree 7
1. We lean toward a direct discussion of the problem with this supplier.	1	2	3	4	5	6	7
2. We try to show this supplier the logic and benefits of our position.	1	2	3	4	5	6	7
3. We communicate our priorities clearly to the supplier.	1	2	3	4	5	6	7
4. We attempt to get all our concerns and issues in the open.	1	2	3	4	5	6	7
5. We tell the supplier our ideas and ask them for their ideas.	1	2	3	4	5	6	7
6. We share the problem with the supplier so that we can work it out.	1	2	3	4	5	6	7

7. We try to find a compromise solution.	1	2	3	4	5	6	7
8. We try to find a position that is intermediate between their position and our position.	1	2	3	4	5	6	7
9. We try to soothe the supplier's feelings and preserve our relationship.	1	2	3	4	5	6	7
10. We try to find a fair combination of gains and losses for both of us.	1	2	3	4	5	6	7
11. We propose a middle ground.	1	2	3	4	5	6	7
12. We try to do what is necessary to avoid tensions.	1	2	3	4	5	6	7
13. We will let this supplier have some of their positions if they let us have some of ours.	1	2	3	4	5	6	7
14. We press to get our points made.	1	2	3	4	5	6	7
15. We make an effort to get our way.	1	2	3	4	5	6	7
16. We were committed to our initial position during the negotiation.	1	2	3	4	5	6	7
17. We try to win our position.	1	2	3	4	5	6	7
18. We threatened to break off negotiations with the supplier.	1	2	3	4	5	6	7
19. We indicated that we wanted to deal with other suppliers.	1	2	3	4	5	6	7
20. We made implicit threats to the supplier.	1	2	3	4	5	6	7
21. We expressed displeasure with the supplier's behavior.	1	2	3	4	5	6	7

For the following three statements, *circle the number* on the scale (1 to 7) that *best* describes your feelings about this **minority supplier**.

	Strongly Disagree						Strongly Agree
1. What we have achieved in our relationship with this supplier has been beyond our predictions.	1	2	3	4	5	6	7
2. The financial returns our firm obtains from this supplier are greatly above what we envisioned.	1	2	3	4	5	6	7

3. The results of our firm's working relationship with this supplier have greatly exceeded our expectations. 1 2 3 4 5 6 7

For the following two questions, *circle the number* on the scale (1 to 7) that *best* describes your satisfaction with your negotiation with this **minority supplier**.

1.	Very satisfied	1	2	3	4	5	6	7	Very dissatisfied
2.	Very little	1	2	3	4	5	6	7	A lot

General Information

1. Position or Title : ______________________________

2. Number of years in current position : ________

3. Gender : Male ________ Female ________

4. Race / National Origin :

White ________
African American ________
Asian Pacific American ________
Native American ________
Hispanic American ________
Other ________

THANK YOU VERY MUCH FOR YOUR COOPERATION

Please return the completed questionnaire in the enclosed self-addressed, stamped envelope to:

Alicia D. Cooper
Michigan State University
Department of Marketing & Supply Chain Management
N370 Business Center Complex
East Lansing, MI 48824-1112

In the space below, please feel free to add any comments or concluding thoughts.
NOTE: If you wish to receive a copy of the results of this study, please indicate so below.

APPENDIX B

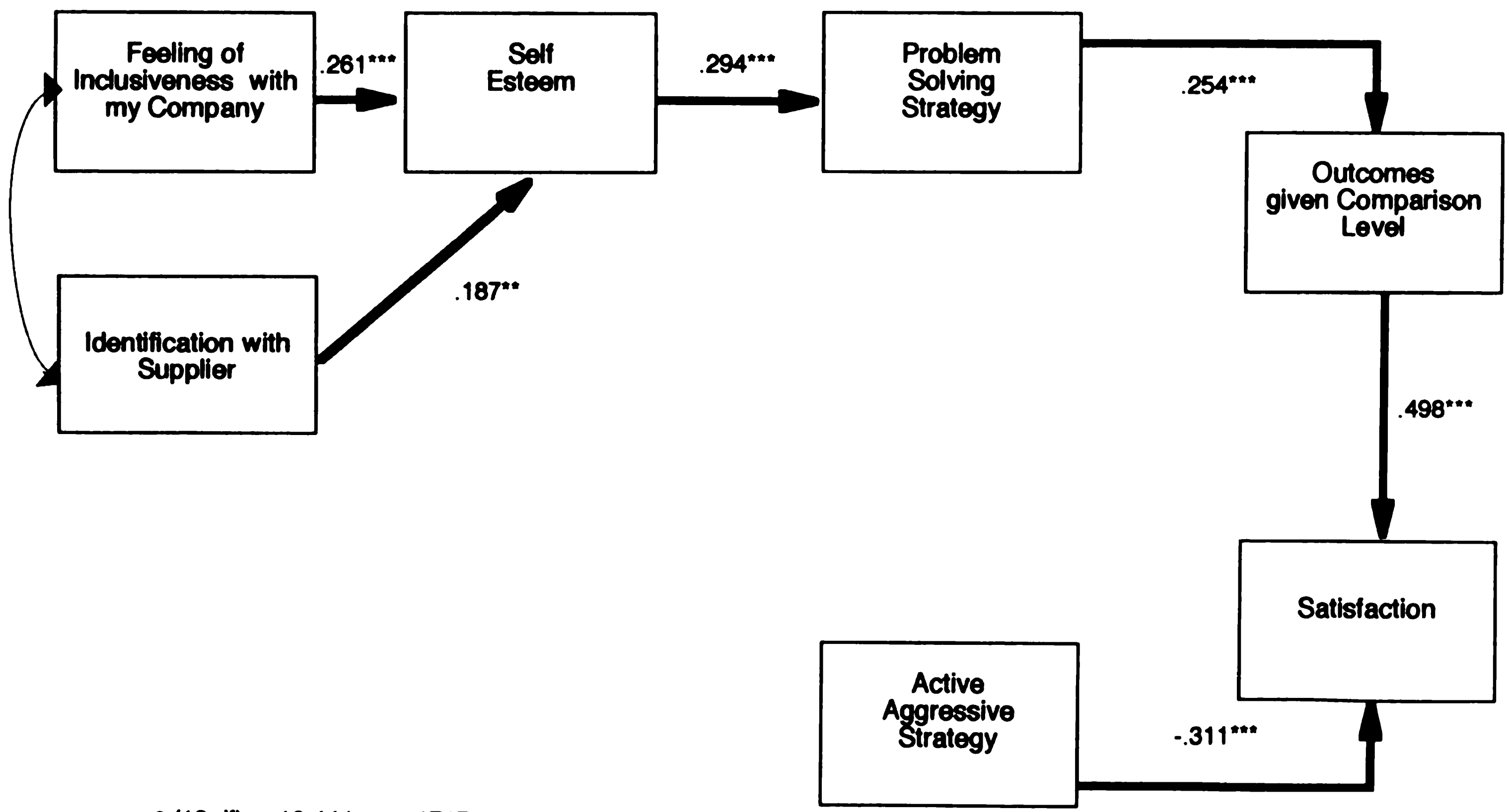
APPENDIX B

NEGOTIATIONS WITH NON-CATEGORIZED SUPPLIERS

Table B.1
Characteristics of Purchasing Agents Negotiating with Non-Participants in Purchasing Programs (n=115)

Characteristic			Number of Cases	Percentage
Purchasing Programs	Preferred Supplier Program		48	41.7
	Minority Supplier Program		84	73.0
Product/Service Negotiated	maintenance services		5	4.4
	travel & related services		3	2.6
	computers & supplies		13	11.3
	office supplies & furniture		41	35.7
	medical/laboratory supplies		13	11.3
	food/beverage services		4	3.5
	construction/electrical		10	8.7
	telecommunication services		5	4.4
	miscellaneous		21	18.3
Title of Respondent	Director, assistant director		47	40.9
	Purchasing agent, buyer		30	26.1
	Coordinator/manager		13	11.3
	MBE/SBE Coordinator		0	0.0
	Senior PA, senior buyer		19	16.5
	Other		6	5.2
Ethnicity / Gender	Male		Female	
White	67	58.3 %	37	32.2 %
African American	2	1.7 %	3	2.6 %
Asian Pacific American	1	0.9 %	0	0.0 %
Native American	0	0.0 %	0	0.0 %
Hispanic American	2	1.7 %	1	0.9 %
Other	2	1.7 %	0	0.0 %

Figure B.1
Final Path Model of Purchasing Agent Negotiations with Non-Categorized Suppliers



$\chi 2$ (12 df) = 16.444, p = .1717
BBNFI = .869; BBNNFI = .926; CFI = .958

Notes: Numbers represent standardized beta estimates. Bold line indicates significant path. *** = p < .01; ** = p < .05.

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