

**THE USE AND ROLE OF POWER IN SUPPLY CHAINS:
AN INVESTIGATION FROM A FAIRNESS-ORIENTED PERSPECTIVE**

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SEPTEMBER 2011

**THE USE AND ROLE OF POWER IN SUPPLY CHAINS:
AN INVESTIGATION FROM A FAIRNESS-ORIENTED PERSPECTIVE**

**A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
IZMIR UNIVERSITY OF ECONOMICS**

BY

SEVDA DEDE

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF
MASTER OF ART
IN
THE GRADUATE SCHOOL OF SOCIAL SCIENCES**

SEPTEMBER 2011

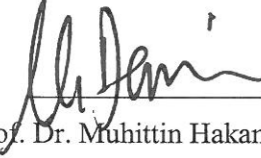
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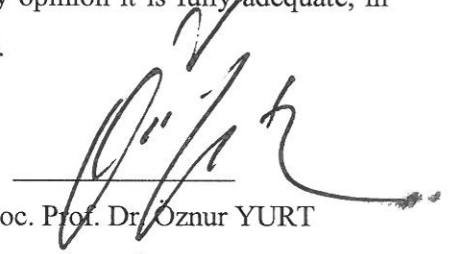
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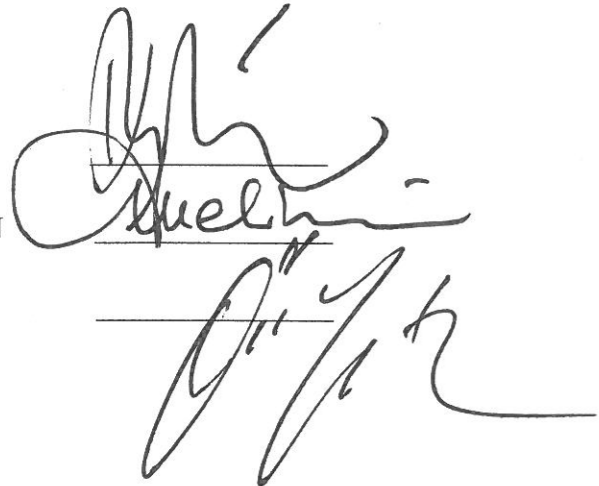
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ABSTRACT

THE USE AND ROLE OF POWER IN SUPPLY CHAINS: AN INVESTIGATION FROM A FAIRNESS-ORIENTED PERSPECTIVE

Dede, Sevda

MA in Logistics Management

Supervisor: Assoc. Prof. Dr. Öznur Yurt

September 2011, 107 pages

The main purpose of this thesis is to investigate the use and role of power in dyadic supply chain relationships and explore the possible association between the use of power by the more powerful party, the level of fairness of the more powerful party as perceived by the less powerful party and the level of commitment of the less powerful party.

For this purpose, a 41-item questionnaire has been formed to measure the variables power base, fairness and commitment, separately. The questionnaire has been applied to 40 companies which have been determined as the weaker party in their relationships.

The findings of the research activity indicate strong associations between the variables, which can be regarded as warning for the more powerful entities in dyadic supply chain relationships concerning the way they use their power.

Keywords: supply chain relationships, power, fairness, commitment.

ÖZET

TEDARİK ZİNCİRLERİNDE GÜÇ UNSURUNUN YERİ VE KULLANIMI: HAKKANİYET ÇERÇEVESİNDE BİR İNCELENME

Dede, Sevda

Lojistik Yönetimi Yüksek Lisansı

Tez Yöneticisi: Doç. Dr. Öznur Yurt

Eylül 2011, 107 sayfa

Bu tezin ana amacı, ikili tedarik zinciri ilişkilerinde güç unsurunun ne şekilde kullanıldığının saptanması ve daha güçlü olan firmanın gücü kullanım şekli, bu firmanın kendisinden daha az güçlü olan diğer firma tarafından adil olarak algılanma seviyesi ve güçsüz firmanın ilişkiye bağlılığı arasındaki olası ilişkilerin ortaya çıkarılmasıdır.

Bu amaçla, 41 maddeden oluşan ve gücün kaynağı, hakkaniyet ve bağlılık değişkenlerinin ayrı ayrı ölçülebilmesini sağlayan bir anket hazırlanmıştır. Bu anket, ilişkilerdeki güçsüz taraf olduğu belirlenen 40 firmaya uygulanmıştır.

Araştırmanın sonuçları, söz konusu değişkenler arasında ciddi ilişkiler olduğunu ortaya çıkarmıştır. Bu sonuçların, tedarik zincirlerinde güçlü firmaların gücünü kullanım şekli ile ilgili birer uyarı olarak da algılanabileceği düşünülmektedir.

Anahtar kelimeler: tedarik zinciri ilişkileri, güç, hakkaniyet, bağlılık.

To my family

ACKNOWLEDGEMENTS

Before all, I would like to express my sincere thanks to my advisor Assoc. Prof. Dr. Öznur Yurt, for her guidance and insightful support throughout my thesis. This thesis could not even get started if she did not believe that it could be possible and interesting to work on this topic. I would also like to thank Asst. Prof. Dr. Muhittin H. Demir and my colleagues at the university for their understanding and patience.

I am thankful to my friend Doğan Başkır for supporting me with his valuable knowledge and ideas from the first moment on. Ordinary chats with him turned into a precious thesis.

I am also thankful to İstemi Berk for his desire to help me do my best in any way and under all circumstances. It was lovely to feel his support along the way.

Last of all, I am extremely thankful to my family, for their belief in me and endless support.

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INTRODUCTION

For thousands of years, people have been living in communities with other people. They have been getting involved in relationships with those people around them; fighting with or supporting each other in various ways. Regarding Phillips (2009), people engage in collective effort for things which they believe are impossible or harder for them to do by themselves, as individuals. In other words, people have been creating social networks to feel stronger as a crowd with similarities or a common desire of most network members. As Sonnenberg (1990) has put it, “participants (of a network) come together because of common interests and objectives, and they voluntarily give of themselves (primarily through a barter system) because they know that by helping others, they will eventually end up helping themselves”. Consequently, it is widely accepted, today, that “both individuals and social actors can benefit from being part of a network because of mutual knowledge and trust” (Melé, 2009), although, at the same time, being a network member brings some expenses along with it.

Despite the fact that being a network member is costly (Melé, 2009), it brings more advantages than disadvantages (or expenses). For this reason, firms intend to form networks, as well as individuals, and collaborate in order to be able to attain more power. Today, due to globalization of operations and resulting increases in outsourcing and subcontracting, firms stay short of getting what they want if they

persist on fighting alone. Taking this fact into consideration, more and more firms are being parts of groups in which they can join forces with the other group members and become more powerful against the rivals, unlike the old traditional way of doing business and fighting alone. In the simplest sense, supply chains refer to such business networks where firms engage in close relationships with their suppliers and customers, share information with them, and work together to achieve the best possible outcome in the eyes of the final customer.

From another aspect, a supply chain consists of individual firms who have willingly come together because of common objectives, as well as individual objectives, which are expected to be achieved more easily or in a shorter time by the help of this supply chain relationship. Referring to Sonnenberg (1990)'s idea that "participants of a network voluntarily give of themselves because they know that by helping others, they will eventually end up helping themselves", it would also be appropriate to say that supply chain members voluntarily give of themselves and collaborate with the other members, because they know that by doing so, they will be able to achieve results for their own sake that are harder or even impossible to be achieved by themselves. In such a system, every individual company should be happy and satisfied, since otherwise, the system is not expected to be successful in the long-run.

Despite the fact that being a network member is a voluntary act in which parties come together because they are looking forward to attaining more power (in terms of money earned, reputation gained etc.) by the help of one or more of the other network members, powerful firms often neglect the other firms, leading to the corruption of fairness in the supply chain (or simply, the network). Behind the mask of creating win-win situations throughout the supply chain, the most powerful firm often makes her weight felt by other members - even if that means contradicting with the rules of the system - so that the smaller parties feel a need to

preserve and sustain their relationships with the most powerful party. Consequently, the most powerful becomes even more powerful, while the weaker parties get weaker than before, step by step.

No doubt, parties are not obliged to be a part of any kind of social network including supply chains. They do not get involved in such network relationships because they are forced to, but because they want to. Speaking specifically for supply chains, actors know that every other actor in a supply chain contributes to the overall success of the supply chain. Therefore, they are free to decide whether to exist in a certain supply chain or not, depending on their need or will to take advantage of the possible contribution to be made by many other chain members. It is possible to claim at this point, that, since the actors decide with their free will, they do not have a logical reason to give -if moral philosophy accepts any- to prove their innocence for exhibiting an unethical behavior. Subsequently, they are expected to behave in an ethical manner, since if they are not going to, they are free to get out of the network. Brass *et al.* (2004) express this idea very clearly when they say that “it makes sense to ask for ethics in the practice of networking, since interactions within a network are voluntary”.

In line with the above-mentioned truth that supply chains are formed voluntarily for the achievement of common objectives through the collaborative effort of the parties, the main purpose of this thesis is to analyze the use of power and its effect on perceived fairness. Until today, power relationships among supply chain members have been widely analyzed in such a context that supply chains were assumed to be “only profit-oriented” business groups. On the other hand, the social and ethical aspects of these supply chain relationships were unfortunately disregarded, and the performance of the system was the only criterion to evaluate the structure of supply chains. No doubt, the performance of the system refers to the profitability of the most powerful element (the owner of a well-known brand,

for example) of a supply chain, in most cases. The purpose of this thesis, however, is to focus on ethical aspects of such relationships from a fairness-oriented viewpoint, and finding out how this dynamic influences the supply chains and the relationships within supply chains. The pursuit for fairness in such supply chain relationships has been grounded on the idea that supply chains are kinds of social networks in which parties come together with their free will. In this respect, the use of power by the actors, if not power itself, is claimed to be the fundamental reason for ethical misconduct and corruption of fairness in supply chains.

There are a number of separate concepts like networks, supply chain relationships, power and commitment that are being dealt with in this thesis. All of these concepts will be introduced in the first chapter. Thus, Chapter 1 presents a detailed review of literature on the concepts, starting with the concept of power and its use in supply chains. The need for ethics within supply chain relationships is also emphasized in this chapter, building on the key elements of supply chains. Having identified the main concepts, Chapter 2 introduces the model and methodology used in the research activity. Then, in Chapter 3, findings and analysis of the research are presented. Finally, the study is briefly summarized in the conclusion part of the thesis, followed by a short discussion and opportunities for further research.

CHAPTER 1

LITERATURE REVIEW ON THE CONCEPTS OF POWER, SUPPLY CHAIN, FAIRNESS AND COMMITMENT

This chapter primarily aims at providing a detailed review of literature on the important concepts which form the basis for this thesis. The chapter starts with an in-depth description of the concept of power. In this part, the concept is analyzed at both the inter-personal and the inter-organizational levels. The chapter continues with a detailed review of supply chain literature followed by the related social networks literature, and focuses on the use of power in supply chains. In the following part of the chapter, the need for ethics in supply chains and the concept of fairness are examined. Finally, the chapter is concluded with a relatively brief review of literature on commitment which is especially handled at the inter-organizational level.

1.1 THE CONCEPT OF POWER

Power is one of the primary determinants in contemporary social relationships, as it has always been. Since the very beginning of the primitive people, it has been a tool to be possessed, a priority to be experienced and a dream to be continued. Instinctively, people want to be more powerful than the others through various

ways and maintain it, in case they need to *use it* some time. Today, not only people but also organizations and even states fight for attaining more power than they already have, and they do not hesitate to use it whenever they feel they need to.

Due to the fact that power is the subject of people, organizations and states, the conceptualization of power varies among the fields. Economists, political scientists, sociologists and psychologists have all defined the term with some different emphasis. Belaya *et al.* (2009) have presented some of these various definitions of the concept of power. To start with, they have stated that Max Weber's (1968) definition of power as "the probability, in a social relationship, to impose one's own will even against resistance, regardless of the basis on which this probably rests" where he emphasizes self-interest and imposition of will despite resistance is one of the fundamental definitions of power as a social phenomenon. Still according to Belaya *et al.* (2009), power is perceived as "the ability to change the behavior of others" by McClelland (1975) and as "to modify the conduct of other individuals or groups" by Tawney (1931) from the context of psychology. To put it in other words, power can be defined as "the possibility of inducing forces of a certain magnitude on another person" (Lewin, 1944, 1951), or simply as "potential influence" (French and Raven, 1959) or "a potential for influence" (Coughlan *et al.*, 2006).

In this respect, Dahl (1957) states that "A has power over B to the extent that A can get B to do something that B would not otherwise do", while Emerson (1962) affirms that the "power of actor A over actor B is the amount of resistance on the part of B which can be potentially overcome by A".

After this short introduction to the concept of power, we should now get into more depth by focusing on the works of Foucault and Weber, who have admirable ideas on power. To recall, Weber (1968) defines power as the "probability that one actor

within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests”. Interestingly, Weber (1968) calls it *domination*, instead of *power*, when the subject matter is the “probability that a command with a specific content will be *obeyed* by a given group of persons”.

As do many others, Macionis and Plummer (2002) rely heavily on Weber and briefly explain power as the “ability to achieve desired ends despite resistance from others”. Two conclusions can be drawn from this definition: First, an actor (either an individual or a group) has to be able to reach his own goal if he is said to be powerful. Second, he should be able to succeed this against the counter party’s resistance. When talking about the achievement of desired ends despite resistance, one should also talk about *force*. Being a basic expression of power, force is not enough for societies or social groups to exist for long, if power derives only from force, either in the form of physical might or psychological coercion (Weber, 1968; orig. 1922). He grounds this idea on the belief that “people will break rules they do not respect, at first opportunity”. Moreover, Weber (1968; orig. 1922) believes that power should be exercised within some framework of legitimacy, since it is not possible to achieve stability in any other way and this has led him to focus on the concept of *authority*. At this point, he makes a differentiation between the types of legitimate domination and sets three pure types as traditional authority, rational-legal authority and charismatic authority. According to Weber (1968);

1. “*Traditional authority* rests on an established belief in the sanctity of immemorial traditions and the legitimacy of those exercising authority under them.
2. *Legal authority* rests on a belief in the legality of enacted rules and the right of those elevated to authority under such rules to issue commands.

3. *Charismatic authority* rests on devotion to the exceptional sanctity, heroism or exemplary character of an individual person, and of the normative patterns or order revealed or ordained by him.”

Foucault, just like Weber, has many remarkable ideas on the concept of power. Foucault (1982), who sees power as everywhere and to be found in all relationships (Macionis and Plummer, 2002) states that “the exercise of power is not simply a relationship between partners, individual or collective; but that it is a way in which certain actions modify others”. In the same work, he additionally states that “power exists only when it is put into action” and believes, contradicting with many others who see power simply as a potential for some kind of influence on others’ actions, that it cannot be found naturally ready to be exercised. Foucault uses the words like “government”, “conduct”, and “lead” to describe the power relations. By this, however, he does not include a master’s conduct of a slave, for example, where the one whom the power is exercised over, has no freedom. Rather, he puts great emphasis on the concept of freedom and states that “power is exercised only over free subjects (who are faced with a field of possibilities in which several ways of behaving, several reactions and diverse comportments, may be realized), and only insofar as they are free” (Foucault, 1982). It should also be noted that Foucault (again in the same work) considers the investigation of forms of resistance and attempts made to dissociate power relations as the key to understanding what power relations are about.

In fact, the term power can be associated with another term: Power imbalance. While power refers to one’s ability to impose his own will or capability of changing the behavior of others due to the different amounts of power held by the parties, power imbalance simply refers to the situation, itself. The existence of dependence of one party (A) on the other (B), instead of the existence of equal

parties in perfect mutuality can also be thought to explain the situation where there is power imbalance.

Besides all, it is important to understand what provides individuals or organizations with a certain power advantage. For this purpose, French and Raven (1959) have examined the sorts of resources a person might have and the devices s/he could draw upon to exercise influence. Today, the literature, still, relies heavily on the bases of social power as proposed by French and Raven (1959) when examining power relationships among individuals or organizations. According to French and Raven (1959), there are two important dimensions which determine the form of influence or compliance:

1. Social dependence
2. The importance of surveillance

The idea behind this classification lies in the truth that some actions are realized in strong relationship with another action or situation (or, socially dependent on another action), as well as a surveillance that comes along with that certain action. One can conclude from French and Raven (1959) that most changes in one's actions (recall the definitions of power as "the ability to change the behavior of others" (McClelland, 1975) and as "to modify the conduct of other individuals or groups" (Tawney, 1931)) are socially dependent on another factor. In other words, the change in an individual's or a group's behavior is usually dependent, to some extent, on the tools possessed or utilized by the other party. The table below presents this differentiation originally proposed by French and Raven (1959) and further developed by Raven (1993).

Table 1: Differentiation of Power Bases

Bases of Power	Social Dependence of Change	Importance of Surveillance
Coercion	Socially Dependent	Important
Reward	Socially Dependent	Important
Legitimacy	Socially Dependent	Unimportant
Expertise	Socially Dependent	Unimportant
Reference	Socially Dependent	Unimportant
Information	Socially Independent	Unimportant

(Source: Raven, 1993)

The interpretation of this table is quite important. Looking at the table, it is possible to conclude that a change in one's behavior is socially dependent when coercion is the source of the power one holds. In such cases, the subject of change is threatened with punishment for non-compliance and he/she cannot leave the situation, which explains why, sometimes, change in behavior occurs even though the influenced person does not privately accept that change (Raven, 1993). Without any doubt, the behaviors of the influencee must be observed by the influencer, in such a situation, along with a threat for punishment, so that the influencer knows whether the influencee complies with the enforced situation or not. The situation can be explained in a similar way when the source of the power one holds is the reward that it is expected to give. To continue, it should also be noted that the change in one's behavior is still socially dependent when the source of the power the other holds is legitimacy, expertise or reference. However, surveillance is not important in such cases, since the influencee decides by himself/herself whether to comply with the given situation or not, without a fear from punishment or an expectation of a reward to be possibly given by the influencer.

To get into more detail, reward power stems from one of the parties' expectation of a reward to be given when one conforms to the other's attempt for influence. This

does not always require a monetary reward, since it is possible to award and motivate one through various ways. The important thing is that the party with the reward power has a power advantage over the other and is capable of offering the less powerful some benefits which is harder or impossible to be achieved through the individual effort of the less powerful.

Similarly, “coercive power stems from B’s expectation of punishment by A if B fails to conform to A’s influence attempt” (Coughlan *et al.*, 2006). Any negative sanction or punishment that a firm is believed to be capable of can be regarded as coercion. From the definition, it is possible to conclude that the influencee is not actually willing to comply with the desires of the influencer, but feels a need for compliance. Moreover, any kind of threat can be regarded as coercion and from this perspective, coercion for compliance is the opposite of a reward to be given which means that coercive power is the reverse of reward power (Coughlan *et al.*, 2006).

Going on with expert power, Coughlan *et al.* (2006) state that the target’s (or the influencee’s) belief that the influencer has special knowledge or expertise which is useful for the influencee forms the basis for expert power one holds. Similarly, “referent power exists when B views A as a standard of reference and, therefore wishes to identify publicly with A” (Coughlan *et al.*, 2006).

While reward power and coercive power are on the two opposite sides in terms of their influence, expert power and referent power were believed to have only positive forms in the beginning (French and Raven, 1959). As exemplified by French and Raven (1959), a worker who believes that his/her supervisor is very knowledgeable or admirable (superior in some way) can be ready, due to such reasons, to do what his/her supervisor asks. The example could be adapted to the relationship between a father and his son where the son complies with the father’s

desires because the father is respected due to similar reasons. However, French and Raven (1959) say that they have observed, later on, situations where the influencee does exactly the opposite of what is asked or desired by the influencer, which was called the “boomerang effect” (Hovland *et al.* (1953) cited in French and Raven (1959)), proving that being expert or referent does have negative forms, as well as positive forms.

Last of all, legitimate power exists whenever the influencee feels that he/she is responsible for compliance, as the “key feature of legitimate power is that the decision makers feel constrained morally, socially, or legally to go along with the influencer” (Coughlan *et al.*, 2006). Still, according to Coughlan *et al.* (2006), there are two sources of such a responsibility, or duty: 1. Law (the source of legal legitimate power), 2. Norms or values (the source of traditional legitimate power). Although such an explanation makes sense, it should be recalled that Weber (1968) had set forth a third source of legitimacy long before Coughlan *et al.* (2006) and that was exceptional sanctity or exemplary character one had, providing one with charismatic authority.

1.1.1 POWER IN INTER-ORGANIZATIONAL RELATIONSHIPS

Power is an important component of inter-firm relationships, as well as being an important component of inter-personal relationships. Simply put by Foucault (1982), “power is everywhere”. From this perspective, Wilemon (1972) cited in Gaski (1984) state that “power refers to the ability of one channel member to induce another channel member to change its behavior in favor of the objectives of the channel member exerting influence”. Similarly, Wilkonson (1974) says, “power can be regarded as the ability of a firm to affect another’s decision making and/or overt behavior”.

Building on Dahl (1957) who states that “A has power over B to the extent that A can get B to do something that B would not otherwise do”, and Emerson (1962) who affirms that the “power of actor A over actor B is the amount of resistance on the part of B which can be potentially overcome by A”, Coughlan *et al.* (2006) assert that “power may seem to exist when one firm (the influencee or the target) follows the path that another firm (the influencer) desires”. At this point, they draw attention to the fact that the influencer cannot be said to hold power over the influencee, if the influencee would have behaved in the same manner, regardless of the other firm (the influencer). They claim that, consequently, power in inter-organizational relationships is not easy to be diagnosed since such misinterpretations are likely to exist.

In most cases, one (A)’s power over another (B) can be explained with one (B)’s dependence on the other (A). Thus, it is important to understand the concept of *dependency* for understanding the concept of *power*. By definition, “the dependence of an actor is directly proportional to its motivational investment in goals mediated by the other, and inversely proportional to the availability of those goals to that party outside of its relationship with the other party” (Emerson, 1962). To make it simpler, an individual’s or an organization’s (let’s call it A) dependence increases as it is more willing to make motivational investments in goals that another individual or organization (B) mediates, and it decreases as the number of alternative ways of achieving those goals excluding the relationship between A and B increases. Frazier *et al.* (1989) claim, at this point, that organizations, which are in very high dependence situations due to the lack of their alternatives, are likely to have fewer equity concerns and higher tolerance against the other party, when compared to organizations in low dependence situations.

In most situations, however, both parties in a dyadic relationship are dependent on each other. According to Pfeffer and Salancik (1978), “interdependence exists

whenever one actor does not entirely control all of the conditions necessary for the achievement of an action or for obtaining the outcome desired from the action”. In a supply chain, none of the parties is able to control all of the conditions; therefore, it is obvious that there exists interdependency in the supply chain. As Pfeffer and Salanaik (1978) puts it, there must be asymmetry in the exchange relationship for the dependence between two organizations to provide one organization with power over the other and that neither organization possesses a particular power advantage, reducing the likelihood that one organization will dominate the inter-organizational influences, unless there is asymmetry. Additionally, they claim “that asymmetry exists in the relationship when the exchange is not equally important to both organizations”. To exemplify, if a manufacturing company purchases only 10% of its raw materials from a certain supplier, and if that amount generates all or most of the supplier’s production capacity, then one can conclude that the supplier is more dependent on the manufacturer than vice versa. To continue, even the most powerful party in the supply chain is powerless to control everything since she needs the smaller parties to do manufacturing, delivery, warehousing, distribution or else on behalf of her. This means that the most powerful one is dependent on the less powerful, just like the less powerful ones are dependent on the most powerful one, which can also be expressed with the terms ‘mutual dependency’ or ‘interdependency’. Besides this reality, however, the most powerful one usually dominates the supply chain, if not totally controls it. To put it in other words, the weaker party is dependent on the powerful party more than the powerful party is on the weaker party, and this inequality of organizational powers held by supply chain members lead to abuse of power by the powerful party, depending on the level of ethical consciousness of the powerful party.

This asymmetry creates the potential for exploitation many times, which is something that powerful firms have been known to take advantage of in dealing

with their more vulnerable channel partners. It is usually impossible (or at least quite less likely) for the less powerful party in a dyadic relationship to be able to “avail itself of traditional safeguards against supplier opportunism”. (Heide and John, 1988). Thus, the less powerful entity usually relies on its powerful partner’s sense of fairness, and restraints to avoid mistreatment (Heide and John, 1988; Anderson and Weitz, 1992).

The amount of interdependence existing between organizations is not a given, but can change over time as organizations become more or less self-contained (Pfeffer and Salanaik, 1978). Therefore, it is possible for the less powerful companies to be less dependent on the most powerful ones as they become more powerful. Making use of Pfeffer and Salanaik (1978), the typical solution to problems of interdependence and uncertainty involves increasing coordination, which means increasing the mutual control over each others’ activities, or, in other words, increasing the behavioral interdependence of the social actors.

Obtaining power, using it correctly and maintaining power are of paramount importance for especially the management of supply chains where the inter-organizational relationships are expected to be long-term and the need for collaboration is high. In addition to these, the critical role of power management and its effect on individual supply chain entities, as well as on the supply chain as a whole, makes it inevitable, at this point, to focus on the concept of supply chains, before examining how power is used in supply chains.

1.2 THE CONCEPT OF SUPPLY CHAIN

It has been argued in the previous parts of the study that both individuals and social organizations benefit from being part of a network, although such a network activity is costly. It has also been argued that firms intend to form networks and are

ready to give of themselves, knowing that they will obtain more from this network relationship than they give to this relationship. Due to severe economic conditions and globalization of operations, today, firms face the risk of falling short of achieving desired ends if they are deny working with others. Thus, more and more firms, today, get involved in groups, in which they can join forces with the other group members and become more powerful against the rivals, unlike the old traditional way of doing business and fighting alone. In the simplest sense, supply chains refer to such business networks where firms engage in close relationships with their suppliers and customers, share information with them, and work together to achieve the best possible outcome in the eyes of the final customer.

From this perspective, supply chains can be considered as kinds of social networks where firms, instead of individuals, intend to come together and collaborate in order to be able to make up a more powerful whole. Like social networks, supply chains are made up of entities which communicate for the exchange of goods and services. They create rules that regulate the relationships in their own business systems. It is important to draw attention to the fact that supply chains are being formed by voluntary act of the parties that are ready to give of themselves with the expectation of achieving desired ends through these supply chain relationships (Sonnenberg, 1990). The firms involved in such supply chain relationships are also in need of creating regulatory rules to be obeyed by the parties of the relationship, similar to people's effort to create rules and laws to protect their existence in their civil society. The reason behind can be expressed as security needs of the parties, or simply, fear, as it will be argued for social networks in the following parts of the study. It is supported in the literature, as well, (e.g. Mentzer, 2001; Melé, 2009) that supply chains have similarities with networks. By definition, a *supply chain* is "a set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances and/or

information from a source to a customer” (Mentzer, 2001), which is very similar to the definition that Melé (2009) has set forth for *social networks* as “social structures made up of nodes or actors (individuals or organizations) and dyads or relational ties between two actors” (Melé, 2009). As obvious from the two definitions, the supply chain definition includes the business-related aspects of a social network, in addition to the logic of nodes and ties proposed by Brass *et al.* (2004). Supporting this idea, Lambert (2011) has also stated at one of his seminars that a supply chain is a network of companies. Referring to Brass *et al.* (2004), one can conclude that the individual firms in a supply chain are the nodes and the buyer-seller relationships between any two firms are the dyads or relational ties that connect them. In addition to this, this similarity between definitions makes it evident that, even at the conceptualization stage, the network literature and the supply chain literature make use of each other.

However, a supply chain differs from an ordinary social network with its actors’ free will (or voluntary act) to coordinate and collaborate towards the achievement of a common *business* goal. In other words, a supply chain is formed by its members consciously with consent to comply with the rules created for the common wealth of all members in the chain in order to be able to achieve the common goal, which is to reach the final customer in the best possible way. In this respect, Mentzer *et al.* (2001) have indicated that orientation toward closer supplier-buyer relationships is required to ensure coordination of the flow of materials since “getting a defect-free product to the customer faster and more reliably than the competition is no longer seen as a competitive advantage, but simply a requirement to be in the market”. Likewise, the existence of a common goal and the awareness that each supply chain member contributes (as much as her capacity allows) to the achievement of this goal is the reason for the supply chain members to collaborate and share information. Therefore, all supply chain

members expect the other members to make a real contribution to the outcome of the chain in a collaborative manner.

As stated in the previous paragraph, a supply chain is composed of many actors taking part in relationships and communicating continuously. According to Lambert (2011), every single element in a supply chain is a supplier to the end-point consumption, and that is the reason for any kind of network consisting of suppliers and buyers to be called a *supply* chain.

Still according to Lambert (2011), a supply chain looks different depending on where one stands in it, but every company that is somehow involved in a business relationship—even at the transactional level- is acknowledged to be in a supply chain. When one takes a look at various dyadic relationships in the same supply chain, he/she can observe that a company (A) might have power over another company (B), while it might at the same time be very powerless in its relationship with still another company (C). To exemplify, if a certain manufacturing company is selling to Wal-Mart, there is not much possibility that this company has the power to lead the relationship and be dominant on the decisions made between Wal-Mart and this company. On the other hand, when the same manufacturing company is selling to one of its distributors who only work for this company, it is more likely to lead the relationship since its dependence on the distributor is expected to be less than the distributor's dependence on this manufacturing company (its supplier). In brief, the critical thing to be understood is the role of the relative importance of a certain company to a network compared to the other players in the network.

Although opposing ideas exist in the literature, Lambert (2011) mentions that it is technically impossible for supply chains to fight against each other since there should be teams with separate/different team members, in order to be able to talk

about a fight between supply chains. The impossibility occurs due to the existence of common players in separate supply chains. From the manufacturer's perspective, for example, two competitors sell products to the same retailers. Similarly, these two manufacturers most probably purchase raw materials from the same suppliers (or at least they have some suppliers, in common). The figure below (Lambert, 2011) clearly illustrates the complexity of the situation in supply chains.

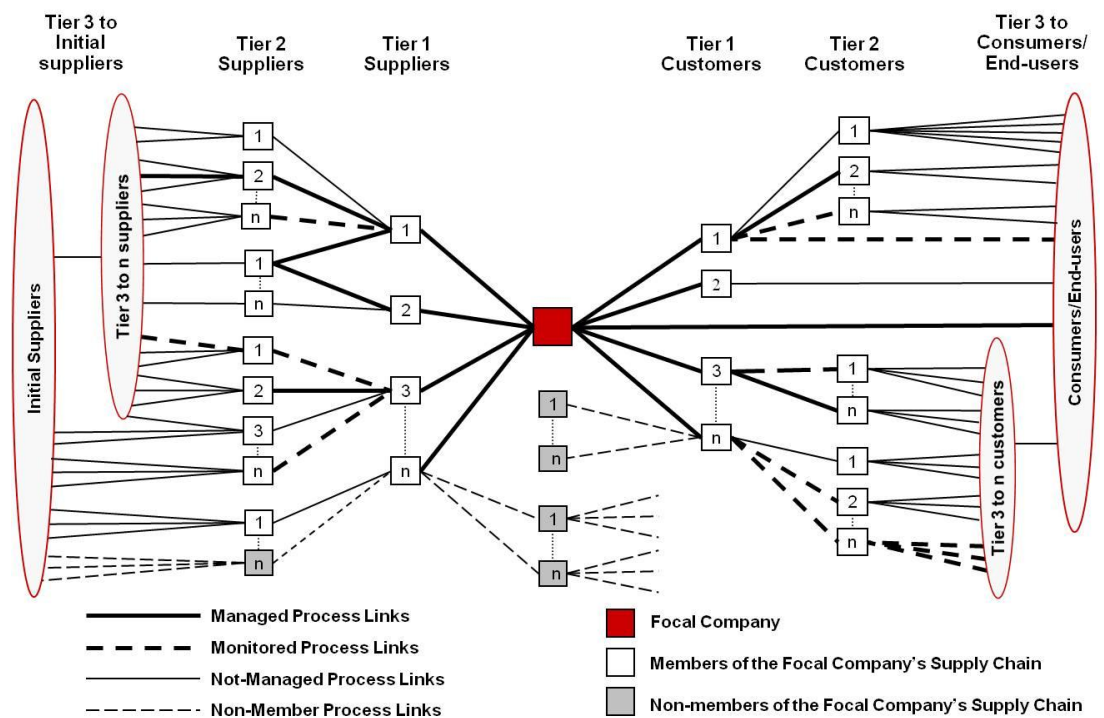


Figure 1 Types of Inter-Company Business Process Links
(Source: Lambert, 2011)

In this very complex business system, Lambert (2011) proposes that the success of a supply chain entity depends on how well it manages its supply chain relationships. In brief, the company which deals with its relationship management better and thus, has better relationships with the other players in the same supply chain, wins the fight. For this reason, the types of inter-organizational relationships in supply chains should be analyzed in more detail.

1.2.1 TYPES OF SUPPLY CHAIN RELATIONSHIPS

Although we claim that the elements like trust, information sharing, transparency, collaboration and cooperation, resource sharing, common goals and willingness to work together are necessary for supply chains, Lambert (2011) declares that any kind of buyer-seller relationship – even a very simple, one-time transaction - can be regarded as a supply chain relationship. According to Lambert *et al.* (1996), supply chain relationships vary from *arm's length relationships*, which are the simplest forms of inter-organizational relationships where the buyer and seller are distant from each other, to *vertical integration*, which can even end up with one of the companies' acquisition of the other. Benton and Maloni (2005) classify supply chain relationships in two groups as traditional supply chain relationships and supply chain partnerships. From various definitions concerning arm's length relationships, partnerships, and other types of supply chain relationships, one can conclude that arm's length relationships and traditional supply chain relationships are two different names for describing the same type of supply chain relationships. Before going on with the details of relationship types in supply chains, the difference between traditional supply chain relationships and supply chain partnerships can be seen in the table set forth by Benton and Maloni (2005).

Table 2: Elements of Traditional Supply Chain Relationships and Supply Chain Partnerships

<i>Traditional supply chain relationships</i>	<i>Supply chain partnerships</i>
<i>Price emphasis for supplier selection</i>	<i>Multiple criteria for supplier selection</i>
<i>Short-term contracts for suppliers</i>	<i>Long-term alliances with suppliers</i>
<i>Bid evaluation</i>	<i>Intensive evaluation of supplier value-added</i>
<i>Large supplier base</i>	<i>Few suppliers</i>
<i>Proprietary information</i>	<i>Shared information</i>
<i>Power driven problem solving improvement</i>	<i>Mutual problem solving improvement</i>

(Source: Benton and Maloni, 2005)

As indicated before, Lambert (1996) proposes a more detailed classification of supply chain relationships. He calls the simplest form of supply chain relationships *arm's length* and the closest form of supply chain relationships *vertical integration*. The details of the relationship types as proposed by Lambert et al. (1996) are presented below, dealing with the two opposites arm's length relationships and vertical integration first, and focusing on supply chain partnerships, which are much more important for this study, afterwards.

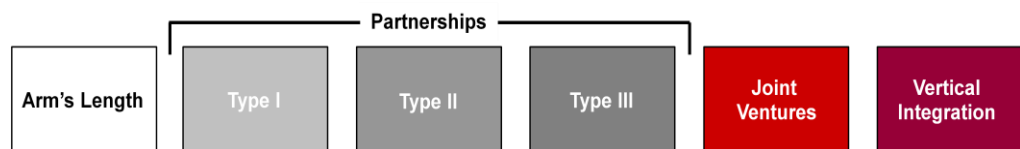


Figure 2 Types of Supply Chain Relationships
(Source: Lambert et al., 1996)

Arm's Length Relationships – To start with, arm's length relationships refer to relationships where the companies interact with each other on a transaction-based structure. The relationship continues as long as both parties are pleased with the relationship, so the relationship is continuously in evaluation to see if it is worth maintaining or not. No plans are made concerning the future of the relationship even if proves to be a very long relationship, in the end. Due to the lack of such plans and dedicated investments, parties to the relationship are not expected to be committed to the relationship since they know that their relationship can end at any time.

In addition to Lambert (1996), Cox (2004), who deals with supply chain relationships by classifying them into two groups as arm's length relationships and collaborative relationships states that arm's length relationships involve the supplier and buyer providing only basic information to each other, rather than sharing information that is useful for the future planning of the parties.

Joint Ventures – Such relationships between organizations entail some degree of shared ownership across the two parties.

Vertical Integration – A typical vertical integration requires a very high level of integration, even at the level that one company totally acquires or purchases the other company.

Despite the fact they are regarded as types of supply chain relationships, it is not possible to talk about collaboration (or collaborative effort) - which is expected to exist in supply chains - in arm's length supply chain relationships or in vertical integration. Collaboration can only be possible when two individual and free agents (in this case, companies) work together with their free will with the expectation of a better result from the relationship, than would be achieved by the individual

effort of the companies alone. Regarding the fact that this study mainly aims at analyzing such supply chain relationships, which are expected to be based on mutual good will, trust, willingness to work together, and resulting collaboration; supply chain partnerships set forth by Lambert *et al.* (1996) and collaborative relationships set forth by Cox (2004) are focused on in the following paragraphs.

Partnerships - As defined by Lambert *et al.* (1996), “a partnership is a tailored business relationship based on trust, openness, shared risk and shared rewards that yields a competitive advantage, resulting in business performance greater than would be achieved by the firms individually”. They state that partnerships are the opposite of arm’s length relationships which end when the exchanges at hand end, while they are also not a type of relationship that one of the parties give too much of itself, like it happens in more integrated relationships. In other words, a partnership is “like an ownership without the pains of ownership” (Lambert, 2011). It is also associated with the term “collaborative relationship” in the literature. Lambert *et al.* (1996) propose three types of partnerships, depending on the level of interaction and integration between the parties.

Type I Partnership – The organizations involved in a type I partnership see each other as partners. Due to this, coordination exists between their operations, but this coordination is not unlimited. The parties are usually not fully involved in the partnership for very long durations, but instead, a division or functional area from each organization is involved in the partnership that has a short-term focus.

Type II Partnership – The organizations involved in a type II partnership operate in a more integrated manner than organizations

involved in a type I partnership. The partnership is not expected to last `forever`, but still, it has a long-term horizon. The partnership is not limited with a division or a functional area, but includes multiple divisions from each organization.

Type III Partnership – Finally, the organizations involved in a type III partnership share a significant level of operational integration. “Each party views the other as an extension of their own firm”. There is not a predefined date that the partnership ought to end.

Similar to the interpretation that arm’s length relationships and traditional supply chain relationships are two different names for describing the same type of supply chain relationships, one can say that partnerships and collaborative relationships are very close in meaning although different in name. As already mentioned before, Cox (2004) deals with supply chain relationships classifying them into two groups as arm’s length relationships and collaborative relationships. According to him, “the buyer and supplier, both, make extensive dedicated investments and provide detailed information” under a collaborative relationship. Moreover, the aim of collaborative work is to “create a product at a cost and/or functionality that is not currently available in the market, and could not be created by more arm’s length relationships”.

This study is not concerned with the two opposites – arm’s length relationships and vertical integration. Instead, the study places importance on relationships where the buyer and the seller are willing to work together and collaborate to some extent, like they do in case of partnerships and collaborative relationships.

Having read all that has been said on types of supply chain relationships, one can fail to reach a conclusion that having a partnership relationship is always the best

and thus, the goal to be achieved. In fact, it is not more partnering which is better; but it is the right amount of partnering that is better. Conditions differ from one relationship to another and if the right amount of partnership is not determined by the parties correctly, then the companies might either face an opportunity loss if, for example, a Type I partnership is being handled when the right amount is that of a Type III partnership, or other losses if a Type III partnership is being handled when the right amount is that of a Type I partnership. According to Lambert *et al.* (1996), two individual organizations do not even need a partnership in many cases, and a good contract would work for them.

Despite the fact that long-term strategic partnerships have many positive outcomes, Mentzer *et al.* (2000) agree with the idea presented above and propose that there is not a type of interfirm relationship that is ideal for any two companies. Furthermore, they emphasize that if there is need for partnership between two firms, then, either an *operational partnering* which leads to competitive parity or, a *strategic partnering* which leads to sustainable competitive advantage, can be appropriate for the current situation of the relationship. As can be anticipated, “much time and effort is needed to maintain a higher level of cooperation that comes with strategic partnering, and the investment in nonfungible assets may be difficult to recover” (Mentzer *et al.*, 2000).

Up to this point, only the simplest form of supply chain relationships, which can take place between any two members of a supply chain, has been dealt with. However, relationships are not always as simple as can be observed in a dyad (social group with two members) since every social actor (an individual or an organization) interacts with more than one other actor. Similarly, Mentzer *et al.* (2001) discuss supply chain relationships in terms of their degree of complexity. First, they address *direct supply chains*, which consist of a company, a supplier and a customer. Then, they point at *extended supply chains*, which also involve

suppliers of the immediate supplier and customers of the immediate customer. Finally, they draw attention to *ultimate supply chains*, which include all “the upstream and downstream flows of products, services, finances and information from the ultimate supplier to the ultimate customer”. Figure 2 (Lambert, 2011) could be reexamined, at this point, in order to be able to visualize the complexity of supply chains.

To enrich our argument with a base from sociology, we refer to Simmel (1858-1918) cited in Macionis and Plummer (2002) who note that dyads are instable in nature since both members should sustain the relationship at the same time and in case that one does not, the relationship collapses. Parallel to this, triads (a social group with three members) are more stable than dyads because one of the parties can act as a mediator in case two are in conflict. Likewise, as groups grow beyond three members, the loss of one or more members does not threaten or destroy the group’s existence, and consequently, the group becomes more stable. Regarding these explanations from a sociological perspective, ultimate supply chains are expected to be more stable (although more complex) than extended and direct supply chains which actually look simpler.

1.2.2 SUPPLY CHAIN MANAGEMENT

After having discussed the supply chain concept in detail, it is now appropriate to address the issue of supply chain management. To start with, Mentzer *et al.* (2001) propose that “supply chains exist no matter if they are managed or not”, although one may fail to agree. Moreover, they say that a supply chain is managed only if certain activities (namely, integrated behavior, mutually sharing information, mutually sharing risks and rewards, cooperation, the same goal and the same focus

on serving customers, integration of processes and partners to build and maintain long-term relationships) exist.

The figure below clearly represents the context of supply chain management including what it requires and what it provides. Looking at the figure, one can conclude that individual supply chain entities should be willing to address relationship traits such as trust, commitment and interdependence which are also dealt with in this thesis. From this aspect, Mentzer *et al.* (2001) have pointed at some issues that Lambert (1996) has made before.

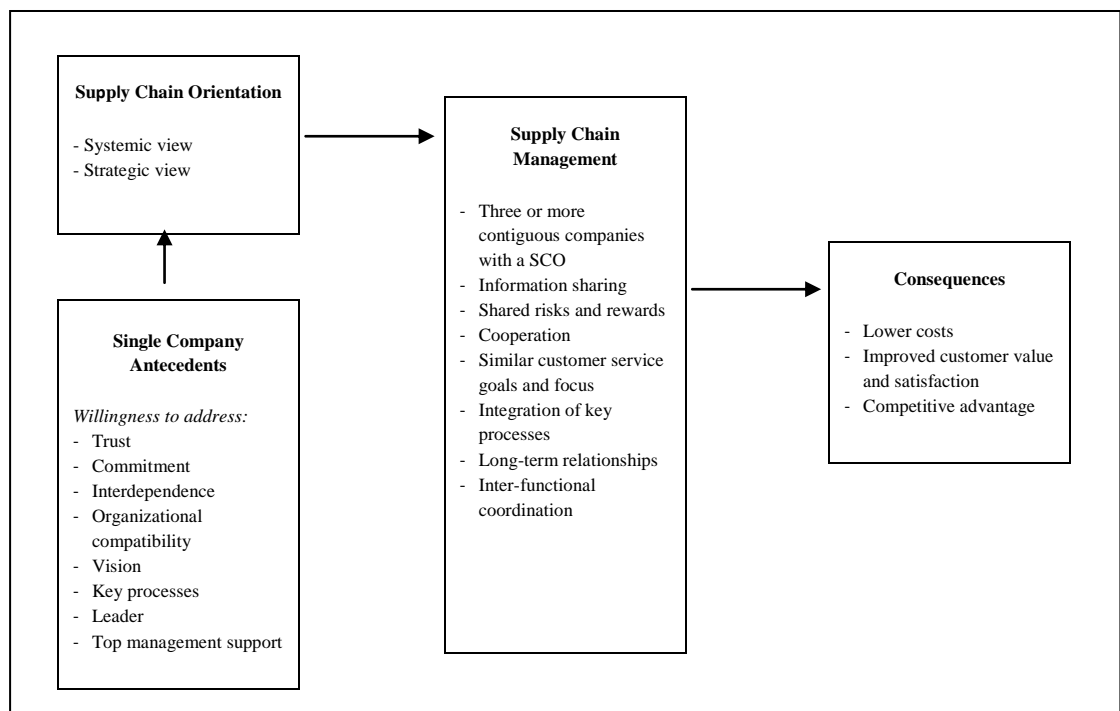


Figure 3 *Supply Chain Management Antecedents and Consequences*
(Source: Mentzer *et al.*, 2001)

In fact, there is a conflict between what Mentzer *et al.* (2001) have indicated and what presumed in this study. As mentioned earlier, the assumption in this study is that a supply chain is formed with conscious intention of its members so that all members of this chain benefit from this act and gain more than what they would gain alone. Subsequently, it is not a behavior to be highly appreciated of a supply

chain member if he is willing to integrate and share information with other members and show commitment to this relationship, but it is what this supply chain member is ought to do. To sum up, we do not believe that a supply chain exists if its actors are not willing to work with each other and do some sacrifices for this purpose. As and Maloni (2004) put it, "the success of supply chain management lies in the existence of an appropriate level of supply chain collaboration" which makes it necessary to place more emphasis on the concept of supply chain collaboration.

1.2.3 SUPPLY CHAIN COLLABORATION

As can be understood from the figure below, the literature suggests two main elements for supply chain collaboration (Matopulos *et al.*, 2007):

1. "Designing and governing supply chain activities.
2. Establishing and maintaining supply chain relationships"

Since the overall aim of this thesis is to explore power relationships within supply chains, it is important that the second part of the figure is well-understood. In this part, Matopulos *et al.* (2007) propose that managing power in a supply chain is central to establishing and maintaining supply chain relationships, which is directly interrelated with managing dependence and trust, as well as sharing risks and rewards in that certain supply chain. For a better understanding of the issue, the concepts of dependence and trust, along with sharing risks and rewards, are explained below.

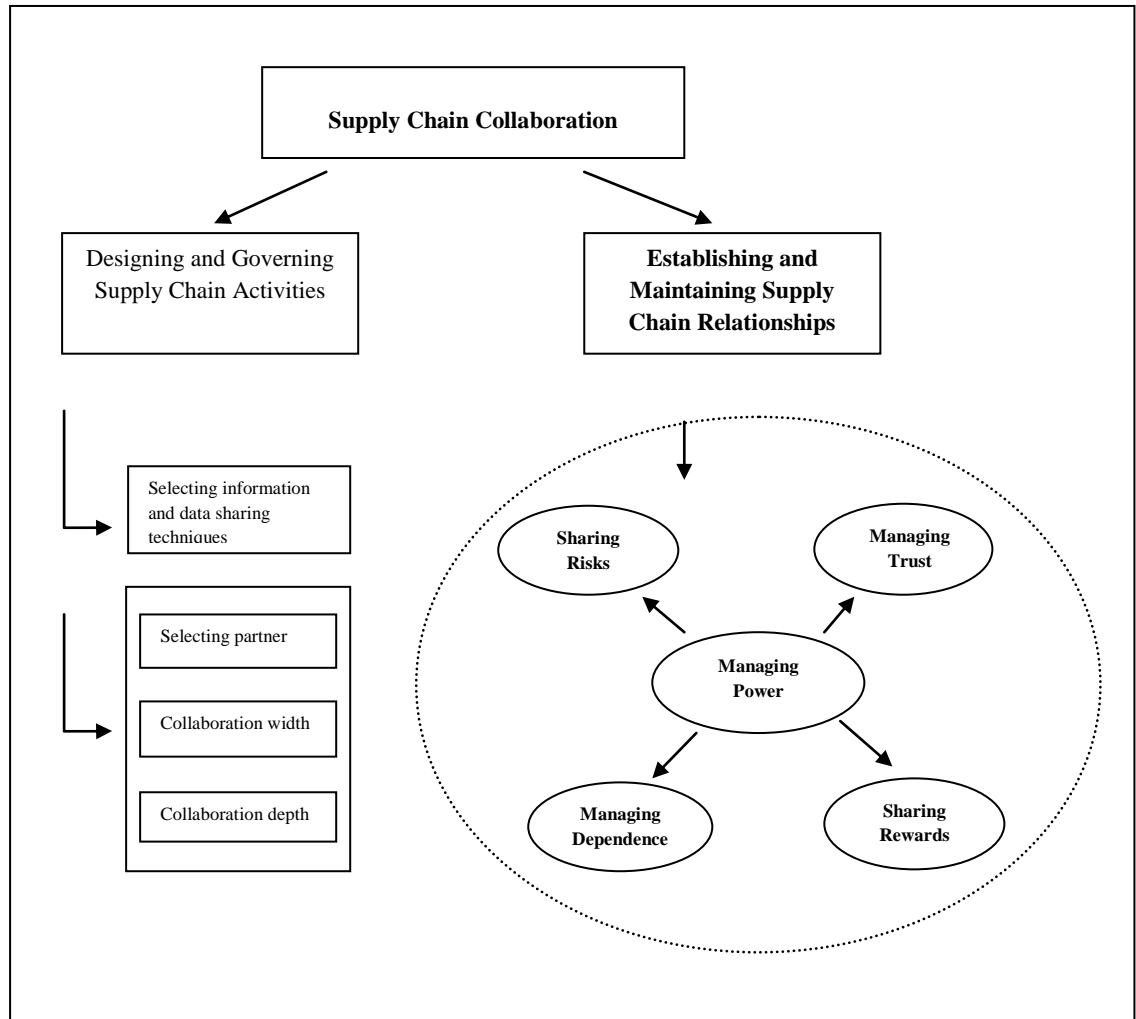


Figure 4 *Supply Chain Collaboration*
 (Source: Matopulos et al., 2007)

Dependence

As already mentioned in the earlier parts of the study, the concept of dependency is a very critical issue to be handled for understanding power since the amount of power that one holds over the other relies heavily on the other’s dependence on it.

It has also been mentioned that, by definition, “the dependence of an actor is directly proportional to its motivational investment in goals mediated by the other, and inversely proportional to the availability of those goals to that party outside of its relationship with the other party” (Emerson, 1962). To

make it simpler, an individual's or an organization's (A) dependence increases as it is more willing to invest in objectives mediated by another individual or organization (B), and decreases as the number of alternative ways of achieving those goals excluding the relationship between A and B increases.

Trust

According to Mayer, Davis and Schoorman (1995) cited in Yurt (2004), trust is defined as taking the risk of being damaged or hurt. It is not something that individuals or organizations can ask for or order; but it something that must be gained. It is only possible for one party to trust another, when that party believes that the other is worth trusting.

Trust between individuals and trust between organizations are different to some extent since the goals to be achieved are different. When there is trust between the parties in a relationship, there needs to be a certain level of risk and mutual dependency, as well. Due to this mutual dependency, parties cannot reach their goals unless they trust each other. The level of mutual dependency in such a relationship affects the level of trust in the same relationship. Trust is not a way of behaving; but it is a psychological situation, which can result in various consequences. To conclude, solution of inter-organizational problems are dependent on the existence and level of trust and power (Yurt, 2004).

Trust is one of the most important criteria that a business relationship requires since it has quite a big impact on the success of the relationship. Moreover, it is a significant factor for providing competitive advantage in all purchasing, sales and logistics operations. The success of the relationship is dependent on the level of mutual trust between the parties.

Information sharing, which comes along with trust between parties, is a success factor for supply chain management, as well. Moreover, the overall performance, effectiveness and efficiency are highly correlated with the trust level in a relationship. Therefore, trust is a critical factor in the relationship between organizations within a supply chain.

Sharing risks and rewards

Sharing risks and rewards is another very critical issue for establishing and maintaining supply chain relationships, thus for achieving a high level of supply chain collaboration. As mentioned in the earlier pages, trust and power are the two main reasons for parties to undertake risks in a certain relationship. However, it is usually the power holder who is being trusted because power brings trust. To clarify, if company A is the power holder in a supplier-buyer relationship, then company B (the less powerful one) is expected to trust company A, and thus undertake more risks than company A does. This would be logical as long as company B earns more than company A from this relationship, which could be called a fair sharing of risks and rewards.

Since the idea of supply chains requires fair treatment of all parties in the chain, parties should be sharing risks and rewards in a just and fair way. Although further calculations would be needed to better accomplish the optimum level that the risks and rewards be shared, it is possible to say that the rewards obtained by the parties should more or less be equal to the risks held. It is not fair that one of the parties get a larger share from the overall risks and a smaller share from the overall rewards that result from that relationship.

Many firms, although maintaining their relationships, complain about the imbalanced situation of sharing risks and rewards in their relationships with their powerful suppliers or customers.

While the success of supply chain management lies in the existence of an appropriate level of supply chain collaboration, there are some barriers to effective supply chain management. Jones and Riley (1992) specify such barriers as “tradition, organizational, legal and non-integrated management systems”. Benton and Maloni (2005) make a more detailed explanation on the issue and assert that the following are the barriers to effective supply chain management:

- “Fear of loss of control
- Failure to share information
- Lack of self awareness
- Lack of partner awareness
- Enormity of supply chain
- Lack of supply chain satisfaction
- Lack of customer understanding
- Lack of understanding of supply chain
- Myopic strategies
- Deficiency of mutuality”

On the other hand, no matter how complex a supply chain is (whether direct, extended or ultimate), one of the companies in the chain acts as a focal company. This focal company undertakes the duty of leadership and is dominant on the decisions given in the chain. According to Hult *et al.* (2000), two types of management leadership styles exist which can be named as transactional leadership and transformational leadership.

To start with, Hult *et al.* (2000) indicate that foundation principles of transformational leadership appear in a work by Weber (1968) where he talks about charismatic grounds as one of the three pure types of authority along with traditional grounds and rational grounds. Being the first to introduce the term “charismatic authority”, Weber states that charismatic authority is composed of three other terms. The first term is *will*, which can be explained by one’s desire and readiness to do something. The second one is *respect*, which is an act of giving particular attention, or a high or special regard by definition (Merriam Webster), and the last one is *force* which is simply defined as active power (Merriam Webster). In the existence of charismatic authority, the power holder has the initiative to use the power he/she holds, although he/she can choose not to use it, as well. The critiques to this idea suggest that charismatic authority can only be acceptable if there are regulatory rules along with individuals’ right to criticize. To exemplify from inter-organizational relationships, as one organization gets more powerful than it is, there is possibility that the other organizations that are somehow involved in a relationship with or affected by the acts of this organization be disturbed from this. In such a case, it would not be sufficient for the other organizations that the empowering organization does not use the power it holds in a negative manner since this choice still leaves possibility for the abuse of power by the empowering organization at any time. The disturbance of these organizations could only be minimized if they are given the right to express their disturbance of something in the system and as long as the system is able to respond to their call. From a contemporary view, however, transformational leadership can be very beneficial for the parties, since as Hult *et al.* (2000) put it, “transformational leaders try to raise the needs of their followers and promote activities and behaviors that lead to performance over and above simple transactional exchanges”.

Transactional leadership, on the other hand, involves “the leader’s attempt to satisfy the current needs of their followers by focusing attention on path-to-goal exchanges” Hult *et al.* (2000). From this perspective, a transactional leader in a supply chain makes sure that the way of reaching the objective (or, the path to goal) is correctly comprehended by the parties of the relationship and that the potential barriers to the achievement of the goal are removed. A transactional leader gives importance to having tasks and processes done. Thus, activities which are critical for the successful completion of a task are expected to be central for a transactional leader. Such leadership is rooted in the “here and now”, where as Hult *et al.* (2000) indicates, “reaction, conflict and crisis drive the relationship more than thoughts of ethics, responsibility and morale”.

Although both transformational and transactional leadership can have positive and negative effects on involved individuals or organizations, supply chain leadership can consist of more than reacting to crisis and fulfilling predetermined needs. Moreover, leaders that are successful innovators tend to possess high transformational skills (Howell and Frost, 1987) as well as stimulating a shared vision and raising the level of commitment to the purchasing relationship. In addition to these, Sujjan *et al.* (1994) cited in Hult *et al.* (2000) indicates that that “transformational leadership focuses on the mutual needs, aspirations, and values that produce positive organizational results, oftentimes leading to relationship commitment and performance over and above what is considered reachable via transactional leadership behaviors”. Thus, transformational leadership is expected to have a stronger influence towards building commitment to the relationship, making sure that the involved individuals or organizations can interrupt the system whenever they are not happy with the current situation.

No matter if transactional or transformational, a leader is expected to lead its community in a way that favors all members. However, it is a fact that a leader has

a dominating, if not controlling power on others which can either be used in a positive or a negative way, depending on the existence or inexistence of goodwill of the leader. The important point is that the leader (or the focal company) of the supply chain can use this chance of dominating the supply chain in a fair way that pleases all the entities in the chain or totally direct the supply chain in favor of its own self-interest.

From many aspects, supply chains can be resembled to social networks, since they have many similarities starting from the conceptualization stage. For this reason, social networks should be focused on, at this point, before going on with the use of power in supply chains.

1.3 SOCIAL NETWORKS

For human beings, there were no rules in the beginning. People enjoyed the arbitrary will they had. Since there were no rules, people had unlimited freedom, even the freedom of killing. In such a living, only the strongest survived. Still, even the strongest had a risk to come across with an even stronger one day, and be killed. Therefore, people formed rules and laws to prevent their own existence, since the loss from being killed –one’s existence- was far more critical than the gain from being the strongest. While the former situation where there were no rules but unlimited freedom is called the “state of nature”, the rules and laws for safeguarding people’s existence appeared in the “civil society”. From then on, people formed and obeyed regulatory rules in their networks not because they respected others’ existence but because they wanted others to respect theirs.

In the literature, the term *network* is defined as “a set of nodes and a set of ties representing some relationship, or lack of relationship, between nodes” (Brass *et al.*, 2004), whereas *social networks* are said to be describing “social structures

made up of nodes or actors (individuals or organizations) and dyads or relational ties between two actors” (Melé, 2009). Regarding these definitions, along with the definition for supply chains as “a set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances and/or information from a source to a customer” by (Mentzer, 2001), one can conclude that the supply chain definition includes the business-related aspects of a social network, in addition to the logic of nodes and ties. This clearly shows that supply chain literature and networks literature make use of each other, starting at the conceptualization stage. Moreover, Lambert (2011) has also stated at one of his seminars that a supply chain is a network of companies, which can be regarded as an important indicator of the relationship between the two concepts; networks and supply chains.

Brass *et al.* (2004) state that they refer to the nodes as actors in a network (e.g. individuals, work units, or organizations) that create and maintain relationships which are represented by the ties. Additionally, they state that strategic alliances and collaborations, flows of information (communication), affect (friendship), goods and services (work flow), and influence (advice) are the examples of ties (or relationships) that are widely studied in the literature.

In their research, Brass *et al.* (2004) analyze networks at three levels as interpersonal, interunit, and interorganizational. According to this classification, interpersonal networks are social networks where individuals interact with other individuals whereas interunit network are networks where units in an interorganization interact with each other. Interorganizational networks, on the other hand, refer to networks in which two or more organizations that interact with each other continuously and for a purpose and it supports the idea that supply chains can be regarded as a kind of network that exist at the interorganizational level.

No matter if the subject of matter is the individual human beings or organizations, there are some common reasons for them to form networks. The most important reason for both appears to be the need to feel stronger, for sure. Both individuals and organizations feel like they will attain more power when they come together with others who, of course, are more powerful from the aspect that the other does not feel powerful enough. This can be provided through monetary or non-monetary tools.

On the other hand, common reasons for organizations to form or join networks are usually the pursuit for a better reputation, search for transfer of information, learning from others' knowledge and experience, as well as being direct economic gain. The important point is that even if the expectation of one party to join a certain network seems not to be economic gain (or, seems to be reputation, for example), the network relationship should provide the parties with economic gain, in the end. By this, we do not mean that reputation is not valuable or that "money is everything", but we mean that gaining reputation from a relationship is not solely enough for a firm, in the long-run. On the contrary, the term reputation is quite important for both people and organizations, but it is of question if firms/organizations really care for reputation for itself. Although many exceptions can be drawn, this thesis supports the idea that many firms are concerned about reputation because being reputable brings economic gains, in the long-run. Moreover, the purpose of any firm is to make profit from operations and survive, without any doubt. Again, this does not mean that every single operation must be profitable, but it means that every single operation must serve for the long-term profitability of the firm. Regarding these facts all together, along with the fact that participants of a network come together voluntarily and for a purpose, it is not fair to expect one of the participants to be contented with whatever it gets. Whenever the operations in a relationship seem to provide an individual firm with some

benefits but does not actually contribute to the overall objectives of the firm, it becomes meaningless to continue with those operations. Considering the reputation gained from a network relationship, for example, it sometimes ends up to be meaningless since no profit-oriented organization can stand spending money for reputation (as making relationship-dedicated investments or bearing relationship-oriented expenses) if reputation gained from this relationship does not somehow provide the organization with at least the same amount of economic gains. In short, organizations are in pursuit of economic benefits in all transactions including the most successful supply chains. In this respect, Melé (2009) has stated that networks can be a source of competitive advantage for companies if they have difficult-to-imitate capabilities embedded in dyadic and network relationships. According to Sonnenberg (1990), networking provides individuals and organizations with benefits like providing network members with knowledge and the opportunity to learn from each other, providing them with resources by helping members gain access to suppliers, equipment, and personnel, forming a point of reference, and giving members with the opportunity to be where they should be at a certain time.

To continue, the types of networking as set forth by Melé (2009) can be analyzed in three main categories as utilitarian, emotional and virtuous networking. First, utilitarian networks exist when there is intention of participants to obtain benefits from the network relationships. These benefits include economic advantages, power, safety or protection, etc. According to Melé (2009), utilitarian networks can be identified with Aristotle's friendships of utility, which is not limited to friendships between individuals or pursuit of utility between organizations. Although organizations are more likely to experience utilitarian networking, it can either be of concern in inter-personal or inter-organizational context. To continue, emotional networks are motivated by positive feelings toward network

relationships or the desire to have a pleasant relationship with other actors within the network. Similar to identifying utilitarian networks with Aristotle's friendships of utility, Melé (2009) identifies emotional networks with Aristotle's friendships of pleasure which are characterized by finding enjoyment in each other or in the same things. On the other hand, for virtuous networks where utilitarian and emotional networks are not excluded, acting with good faith, sharing honest goals and participating in licit activities comes first in the list of requirements, followed by sharing information, knowledge and resources with reciprocity in the second place; serving with justice in asymmetrical power relationships in the third place and finally exercising a positive influence within the network in the fourth place. Although Melé has not given such information about the categorization he has made, it is certainly possible to conclude that he has obtained three types regarding the participants' intentions to get involved in a network relationship.

As already mentioned in the earlier paragraphs, today, more and more firms are being parts of groups or networks every other day, as well as individuals, since they know that it is impossible, in today's conditions, to continue to fight alone against the rivals as they used to do. It has also been argued earlier that supply chains refer to such business networks where firms engage in close relationships with their suppliers and customers, share information with them, and work together to achieve the best possible outcome in the eyes of the final customer. To put it in other words, firms can be thought to get in collective effort to be able to come up with results (from their collaboration with other firms) that are better than results they can come up with themselves.

Despite the fact that any two firms can interact with each other and get in transactions, these interactions between pairs of organizations may differ in terms of the level of interactions. Put simply, such interactions and transactions can be based on daily needs which can be satisfied in many alternative ways, or on more

complicated needs which require a serious interaction with a certain firm. Generally, the first type of need between firms results in short-term and transaction-based relationships, whereas more complicated needs result in more long-term, and even strategic relationships. In this respect, inter-organizational relationships are put into two main categories in the literature as arm's length relationships and collaborative relationships. Both terms have been analyzed in the part of the study that deals with supply chain relationships. Therefore, they will not be dealt with again, at this point. However, according to the author of this thesis, it is not acceptable that a supply chain exists in all business circumstances, even when there is not a collaborative effort of the parties to reach a common goal. In other words, the author believes that a supply chain should go beyond distant arm's length relationships, although the term "arm's length supply chain relationships" is used in the literature.

In the broadest sense, this thesis deals with supply chain relationships and examines them from an ethical perspective. Therefore, arm's length relationships are not the focus of the research. Instead, collaborative relationships where parties are expected to be committed to the relationship and thus a higher level of fairness is expected to exist will be the subjects of the study.

1.4 POWER IN SUPPLY CHAINS

As already mentioned before, the parties of a supply chain relationship do not have unlimited freedom so as to have the freedom to harm others for their own self-interest, but instead, they come across rules that limit their freedom to act. This way, they are expected to experience the civil society where there are regulatory rules to be obeyed, instead of experiencing the state of nature where no rules but unlimited freedom exists, which consequently limits others' freedom. However, it

may argued that supply chains are often far from being civilized enough. Most of the time, one or more of the supply chain members fail to bear in mind the underlying reasons (or the root causes) for the formation of supply chains and to comply with their requirements. As a consequence, the rules and laws created for the regulation of relationships become insufficient for the supply chain members to be willing to act in an ethical way, especially if they are the powerful ones (the focal companies) in their chain. At this point, the questions arise: “How can they feel free to transgress the rules of the system that they belong to?” “How do they dare abuse their power?” and “What would motivate them to act morally to a less powerful company, beyond the need for that certain company?” For a better understanding of all these conflicts, the issues of power and power imbalance will be dealt with, after examining supply chains in detail.

To put it in other words, all we talked about up to this point only reflects the image of how a supply chain is required to be, where firms do cooperate and collaborate just as they are supposed to do, thus, behave ethically. According to Benton and Maloni (2005), the current supply chain management makes the ambitious assumption that the constituents of the supplier-buyer dyad are willing and able to cultivate mutually beneficial relationships, which leads to *supplier satisfaction*, which has been defined as “a feeling of equity with the supply chain relationship no matter what power imbalance exists between the buyer-seller dyad”.

In reality, however, the existence of some conditions makes it less likely for supply chain members to behave supposedly. Among these conditions, this paper puts great emphasis on the issue of power since people’s (or organizations) tendency to behave ethically because one needs to, results in unethical behavior as one holds more power. No doubt, one of the actors in a supply chain is the most powerful among all, and the other actors desire to become parts of the most powerful’s chain since power brings trust and reputation along with many other benefits. To clarify,

smaller parties in the supply chain have their capacity and reliability proved by being business partners with a powerful company. Thus, the less powerful actors trust the most powerful, while the other parties (potential stakeholders or the community) trust them.

It may be argued that a firm with significant power advantage might not find it necessary to establish the win-win alliance since it can achieve its own profitability and effectiveness through control of its dependents. In other words, firms with the bargaining power have little, if any, reason to yield control or to withhold exercise of such power. In seeking their own profitability and success, the dominant firms may be better off pursuing their own individual supply chain agendas, submitting to a joint planning partnership only as much as the balance of power dictates (Benton and Maloni, 2005).

At this point, it is worth putting great emphasis on explaining what Drake and Schlachter (2008) have concluded regarding supply chain relationships. They claim that there is collaboration in any supply chain, but they make a classification for supply chains, mainly looking at the form of intention of the parties, just like the classification that Melé (2009) has done for networks (mentioned earlier in this paper) in a more general sense. According to Drake and Schlachter (2008), supply chain collaboration can be classified into two groups as dictatorial collaboration and sustainable collaboration. They point out that “*dictatorial collaboration* occurs when a dominant supply chain entity assumes control of the channel and forces the other firms to follow its edicts”, which is in contrast with *sustainable collaboration* “in which the parties share resources and engage in joint problem solving to improve the performance of the system as a whole” (Drake and Schlachter, 2008). In fact, the latter type of collaboration represents what many other authors describe as a partnership, whereas the former type of collaboration cannot be accepted as a real collaboration regarding the true meaning of the word (Merriam-Webster

dictionary definition of collaboration: 1.to work jointly with others or together [especially in an intellectual endeavor]; 2.to cooperate with an agency or instrumentality with which one is not immediately connected). Still, on the other hand, Drake and Schlachter (2008) have made an outstanding and guiding analysis of what happens in practice, referring to the fact that there exists collaboration in supply chains but that this collaboration does not always consist of a real collaborative effort with equity and justice throughout the supply chain, but many times, consists of power imbalances and abuses.

Coughlan *et al.* (2006) deal with the role of power in supply chains from a distribution channel perspective and indicate that considerations of power permeate virtually every element of marketing channels due to the fact that marketing channels are systems made up of players who depend on each other. According to them, power is the way to manage interdependence in a distribution channel for two main purposes as the channel members to work together to generate value (“grow the pie”), and each player to claims its fair share of that value (“divide the pie”).

The actual role of power in business-to -business relationships has been treated in contrasting ways in the literature (Belaya and Hanf, 2009). Craif and Gabler (1963) cited in Belaya and Hanf (2009) suggest that there are both positive and negative aspects of power. Belaya and Hanf (2009) associate the words ‘constructive’ and ‘destructive’, as well as the words ‘good’ and ‘evil’, with positive and negative aspects of power, respectively. Regarding these explanations from the literature, one can realize that power can either be used for managing the relationship for the common good of the parties involved as a constructive tool, while also for managing the same relationship for the benefit of one of the parties at the expense of the others’, making it a destructive tool. Although positive sides of the use of

power in business-to-business relationships will also be dealt with, this paper will concentrate more on the negative sides of the use of power in such relationships.

At this point, it would be suitable to make a notice that, in such situations where there seems to be conflicts and inequalities in addition to power imbalances among the parties, power is seen as the scapegoat, although the existence of power is not responsible for all negative consequences. As mentioned earlier in this paper, it is not 'power' itself that may harm relationships, but it is 'people' who dare abuse power. The reason for the powerful party (the one who holds power over the other) in a relationship to abuse power is not the subject of this paper. Instead, this paper relies heavily on the reality (or the common belief) that those who hold more power than the other have tendency to direct the other party or parties in line with their own self-interest.

Recalling Macionis and Plummer (2002), "in practice, they (some groups) simply serve as masks for what is really happening", as we can come up with a similar idea for supply chains. We claim in this paper that supply chains actually serve as masks for the parties involved, as if the relationship is a win-win alliance. Thus, the use of power, as proposed by French and Raven (1959) is a critical factor to be analyzed in supply chains.

To start with, Lusch (1976) deals with the use of power bases in distribution channels in two groups as coercive and non-coercive power bases. According to Lusch (1976), "the coercive power of A over B is based on power that B begrudgingly yields to A because B believes that A has the ability to punish him if he does not cooperate". On the contrary, "the non-coercive power of A over B is based on power that B willingly yields to A". At this point, he gives a good example through a franchisor, applying non-coercive bases of power through giving assistance to its franchisees. "To the extent that these assistances are of a

high quality, they establish the franchisor as an expert in the eyes of the franchisee; they establish the franchisor as someone with the ability to reward; they legitimize the franchisor's efforts to gain power; they help to get the franchisee to willingly yield power to the franchisor" (Lusch, 1976).

Maloni and Benton (1999; 2005) have already dealt with the way power is used in supply chains through the bases of power proposed by French and Raven (1959) and have found out that:

1. "Power plays a significant role in the supply chain, and the different sources of power have contrasting effects on inter-firm relationships in the chain. Thus, both the power source and the power target must be able to recognize the presence of power, and then reconcile supply chain strategy for power influences.
2. A stronger buyer-supplier relationship will enhance performance throughout the chain. This finding offers validation for the pursuit of supply chain integration as a key driver of corporate strategy and promotes the need for a better understanding of the integration process.
3. Exploitation of the supply chain by the power partner may lead to dissension and under performance, thus hurting the power holder. Likewise, a judicious use of power may serve to benefit the power holder."

Additionally, Benton and Maloni (2005) made a classification of power bases building on the classification made by Hinkin and Schriesheim (1989) who classified power bases as *mediated* and *non-mediated*. According to Benton and Maloni (2005), mediated power bases consist of reward power, coercive power and legal-legitimate power, and non-mediated power bases consist of expert power, referent power, traditional-legitimate power (Benton and Maloni, 2005).

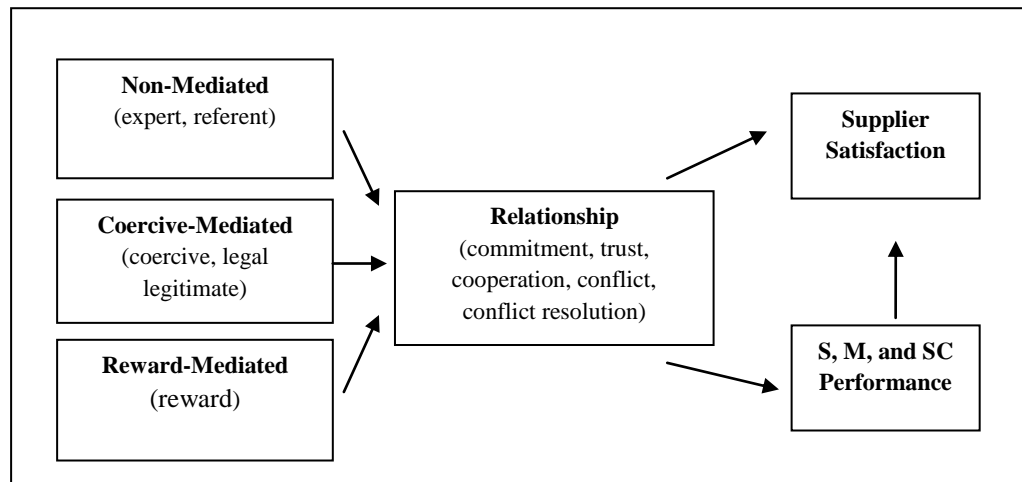


Figure 5 Effect of the Use of Power Bases on the Relationship Elements
(Source: Benton and Maloni, 2005)

In addition to Maloni and Benton (2005), Coughlan *et al.* (2006) have been in an attempt to adapt the idea to marketing channels and have tried to make clarifications through individual examples and cases from real life. To give an example, they state that coercive power can technically be considered negative reward power. However, they also come out to discover that channel members do not associate negative sanctions with the absence of rewards or fewer rewards. Thus, they do not view it as negative reward power, but as a totally different category. According to Coughlan *et al.* (2006), channel members view coercion as an attack on themselves and their business since coercion is synonymous with aggression and provokes self-defense. Additionally, they indicate the fact that channel members react by considering a counterattack when they perceive coercion, whereas they only react by indifference or withdrawal when they perceive low rewards. This defensive reaction means that using coercive power is usually less functional over the long run than other power bases, which usually produce more positive side effects (Coughlan *et al.*, 2006).

To continue with Coughlan *et al.* (2006)'s ideas concerning the effect of power bases on channel members, the durability of expert power can be declared to bring

about a problem in channel management. The reason is that the expertise can be transferred from the expertise holder to the other party as it is being shared which makes the expertise holder less powerful as the other party learns from it. Coughlan *et al.* (2006) suggest three ways for a firm that wishes to retain expert power over the long run in a given channel. First, the firm can share its expertise in small portions with others, with the purpose of holding enough vital data so that the other chain members remain dependent on it. Second, the firm can continuously hold new and useful information that makes it superior by investing in learning. Last of all, the firm can choose to share only transaction-specific customized information which is not easy or possible for the other firm to be used in another transaction or task.

Similar to the efforts to understand supply chain relationships from the aspect of French and Raven (1959)'s power bases (e.g. Maloni and Benton , 2005; Coughlan *et al.*, 2006), this thesis aims at understanding the use of power in supply chain relationships and resulting fairness of the power holder in those relationships as perceived by the less powerful parties. To put it in other words, we adapt the idea of French and Raven (1959) to supply chains in the research part and try to understand through our survey what sorts of resources a firm might have and devices which it could draw upon to exercise influence.

To conclude, we believe that “it makes sense to ask for ethics in the practice of networking” since interactions within a network are voluntary and we continue with evaluating supply chains as kinds of social (or actually, business) networks from a fairness-oriented ethical perspective.

1.5 THE CONCEPTS OF ETHICS AND FAIRNESS

1.5.1 NEED FOR ETHICS IN BUSINESS

Regarding the fact that every individual is born with various rights, it is possible to suggest that firms start operating with various rights, as well. These rights are independent from the size of the firm, the power it holds and all those similar elements that is believed to provide one with rights.

This idea appears to be more critical when the subject of matter is a group of firms that have come together consciously for obtaining more than they could obtain by themselves. To put it in other words, one can expect the rules of the nature to function in case of the existence of totally independent agents. However, in cases like supply chains, where the agents are not 100% independent from each other and where they have compromised to work and act together – which simply indicates the promise for collaboration – power should be managed in an ethical way.

In fact, the aim of the existence of systems is not to provide one entity in the system to be happy, but to provide each and every element in that system to be happy. This can only be realized if every individual element (or component) of that mechanism is given the chance of making critics to develop the system –if not totally stop the system- and the system to be providing a response to these critics.

As already mentioned in the earlier pages of this thesis, the power holder in a system has the chance of using it in various ways whenever it wishes. In this context, Weber (1968) explains the concept of charismatic authority with three things: 1.consent, 2.respect and 3.force/coercion. However, this explanation brings about such a consequence that the power holder will first try to get the consent of others on a certain issue, but in case it cannot, it will most probably apply force to get things done. Similarly, it will try to gain the respect of others to get things

done, but in case it cannot, it will again apply force to get what it wants. Therefore, such an authority could not be a desired authority.

To exemplify, in a group of four, if one entity is getting more powerful as time goes by, it is not enough for this entity to be behaving properly for others not to be disturbed from this situation. The more important point is that everybody should be able to be bringing in criticisms and complaints about the system as a whole.

There is always one company in supply chains - the focal company - that is more powerful than the others. This company often has the approbation either to use the power it holds or not to use it, as well as having the approbation to decide how to use it, which is likely to bring about the corruption of fairness in the supply chain.

Besides all, it is a fact that problems may arise in the long-term, when one of the parties in a relationship or a system is being neglected or given less importance than it deserves. In this respect, the literature suggests that individuals have two types of self-interest: 1. Short-term, 2. Long-term. According to them, only idiots run after their short-term interests. From this perspective, one can conclude that companies should be caring about the long-term happiness and satisfaction of other companies whom they interact with or who are parts of their supply chains.

Going back to the point which forms the basis to the issue of ethics, the necessity of the ethical behavior resides in two main statements:

1. Every individual and every company comes into being with certain rights (such as respect for its existence)
2. Ethical behavior is the most important prerequisite -the absolute must- of long-term efficiency.

We have already emphasized the importance of the first point before. The second point, however, requires some more emphasis.

Whenever moral behavior is insufficient and the parties are not treated morally, commitment of individual parties (people or organizations) is expected to be low, even if there seems to be good results in the short-term. In other words, the relationship between company A and company B may be maintained by the parties, however, when company B does not feel committed to the relationship, the relationship may collapse in the future, if not today. That means, the relationship is not a long-term or a sustainable relationship. Moreover, when company B is not very committed to its relationship with company A, B cannot make sufficient contribution to the relationship and the efficiency and effectiveness of the operations that result from this relationship would stay at a lower level than could actually be. It would be enough for company B to make a contribution that is lower than it could actually make, and company B would be expected to think of its own self-interest rather than the interests of the relationship, which could be supported with Weber's (1968) idea as the "ability to be broken at first opportunity – if not respected". In the end, although the literature talks about the exercised and unexercised power, it is not possible for us to regard power that stays as unexercised, as long as the less powerful is silent and obedient, as ethical.

In the literature, ethics in the business environment has been explained through the virtues of fairness, integrity, trust, respect and empathy (Murphy, 1999) which have been defined as follows:

Fairness: The dictionary definition of fairness includes being unbiased and equitable. In many cases, the term justice is associated with the term fairness. "In a business context, fairness is a basic expectation without the potentially pejorative connotation that justice entails".

Integrity: Integrity has two meanings: adherence to a code and completeness/wholeness (Merriam-Webster). Other synonyms of integrity include coherence, honesty, moral courage, reliability and self-awareness.

Trust: The concept of trust has already been explained before. Simply put it can be defined as “faith or confidence in another party” and described to be “cooperative in nature and not enforceable, it is said to be inherently an ethical notion”.

Respect: The concept of respect refers to the situation of “giving regard to the views of others”.

Empathy: Empathy means being able to put oneself in the place of others. It is noted in the literature that managers who are empathetic are likely to understand the impact more fully than those who do not practice this virtue, in assessing the impact of actions on a stakeholder group.

To sum up, the goal of this study is not to defend that power should be abolished, since it can never be totally abolished. Instead, the goal is to propose a better use of power that is perceived as ethical through being fair.

1.5.2 FAIRNESS IN SUPPLY CHAINS

Fairness is one of the most important components of moral behavior at the inter-organizational level. As already mentioned before, the dictionary definition of fairness includes being unbiased and equitable. The term justice can often be used to denote the idea of fairness. According to Duffy *et al.* (2003), two perspectives on fairness exist. One of them is concerned with the fairness of the economic price or outcomes actually achieved and the other is concerned with the fairness of the process used to determine those outcomes or the process used to manage the

exchange relationship (Kumar, 1996 and Maxwell *et al.*, 1999 cited in Duffy *et al.*, 2003). These two perspectives are commonly named as distributive justice and procedural justice in the literature. At the inter-organizational level, both terms have been used to measure how fairly one exchange partner treats another (Kumar, 1996; Hertel *et al.*, 2002)

According to this classification, the term distributive justice implies outcome-related fairness between the parties such as the fairness of cost or profit distribution, whereas the term procedural justice is concerned with the fairness of the related processes. Both terms are valuable to the formation of this paper since the existence of justice in supply chain relationships is strongly interrelated with power that exists in (or sometimes dominates) the supply chain.

1.5.2.1 Distributive Fairness

In examining suppliers' relationships with their vulnerable resellers, Kumar *et al.* (1995) have referred to distributive fairness as the "reseller's perception of the fairness of earnings and other outcomes that it receives from its relationship with the supplier". According to Kumar (1996), "distributive justice exists when the more powerful partner realizes that it has some responsibility for its partner's profitability and can thus be measured by identifying how the pie is shared or how the benefits and burdens are divided between partners".

Distributive fairness "relates to the division of benefits and burdens" (Frazier *et al.*, 1988) and can be viewed as "an evaluation of the channel partner's relative rewards (or losses) in comparison to its respective contributions or inputs" (Frazier, 1983 cited in Kumar *et al.*, 1995). From this respect, the comparison between a firm's actual outcomes to those outcomes the firm deems it deserves forms the concept of distributive fairness, and thus, the literature comes out to support what is aimed to be emphasized in this paper.

1.5.2.2 Procedural Fairness

As Kumar (1996) puts it, procedural fairness implies “the fairness of a party’s procedures and policies for dealing with its vulnerable partners and refers to the fairness of the means used to determine the outcomes in the relationship”. Kumar *et al.* (1995) suggest that procedural justice comprises of six principles which are namely bilateral communication, impartiality, refutability, explanation, familiarity and courtesy.

Table 3: Principles of Procedural Fairness

Principle	measures...
Bilateral communication	The level of willingness of the more powerful party –if it exists- to engage in two-way communication with its partners.
Impartiality	The level of equitable treatment of the channel partners by the more powerful party.
Refutability	the level of the smaller or more vulnerable partner to be giving responses to the more powerful party’s channel policies and decisions and airing its concerns without fear of reprisals.
Explanation	the level of coherent rationale that the more powerful party provides its partners with for its channel decisions and policies.
Knowledgeability (*this principle was renamed as Familiarity by Kumar (1996))	the level of understanding or awareness of the more powerful party for the conditions under which its channel partners operate.
Courtesy	the level of respectful treatment that the more powerful party exhibits against its partners.

(Adapted from Kumar *et al.*, 1995; Dufy *et al.*, 2003)

According to Korsgaard *et al.* (1995), “procedural factors such as consideration and influence affect attitudes like commitment, attachment and trust because

procedures create a sense of fairness”. The implementation of fair procedures give a feeling to the less powerful party that he/she has a control over the outcome to some extent, even if not direct control. This consequently promotes the less powerful party’s commitment to the decision.

“Fair procedures serve help protect individuals’ interests; over the long run, fair procedures should result in individuals’ receiving what they are due” and for that reason, the fairness of procedures is associated with positive attitudes toward a decision such as satisfaction, agreement and commitment.

“In case of a powerful supplier and a less powerful reseller, distributive fairness is based on reseller outcomes whereas procedural fairness concerns supplier behavior” (Kumar *et al.*, 1995). Therefore, there are many elements that directly or indirectly affect the outcomes gained by resellers (distributive fairness) including those under supplier control, those under dealer control and others external to the supplier-dealer relationship, while elements under supplier’s control compose a very large percent of procedural fairness.

Due process or procedural justice has stronger effects on relationships than distributive justice, in that the weaker partner sees the powerful partner’s system of procedural justice as reflecting more accurately the latter’s real attitudes towards the former (Kumar, 1996 cited in Duffy *et al.*, 2003).

To sum up, the existence of power sometimes causes organizations to be selfish in their relationships, to pull away from empathizing with others, and thus, corrupting the level fairness in their relationships. Consequently, the low levels of fairness in such relationships as perceived by the less powerful party, affect the level of commitment of those who have not been treated as they deserved and the sustainability and long-term success of the relationship, itself.

1.6 THE CONCEPT OF COMMITMENT

As Anderson and Weitz (1992) put it, “commitment to a relationship entails a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship”. Long-term orientation of a firm, itself, and an expectation that the relationship will be stable and will last long enough to realize the long-term benefits are critical to commitment. In line with this, the literature (Becker, 1960; Kelly, 1983; Anderson and Weitz, 1992), suggests stability and sacrifice as the essence of commitment.

It is not only a simple evaluation of the other party based on consideration of the current benefits and costs associated with the relationship which determines the hodiernal commitment of the parties to a relationship. Instead, parties consider a history of the relationship when determining unconsciously their commitment to the relationship.

Willingness of the parties in a relationship to cooperate in implementing the decisions given determines to a great extent the ultimate value of high-quality decisions (Guth and McMillan, 1986; Woolridge and Floyd, 1990). There are times that even sound decisions might come out to be unsuccessful due to the affective responses that individuals give to the processes. At such times, individuals or organizations are left uncommitted to the decisions and disinclined to work together in a cooperative manner in the future. As Korsgaard *et al.* (1995) explain in their research concerning the role of procedural justice in decision-making teams, “a more complete view of effective decision processes should consider not only the quality of decisions, but also the impact of such processes on team members’ affective responses, such as commitment to the decision, attachment to a team, and trust in its leader”.

By definition, commitment is “the extent to which team members accept the strategic decision reached and intend to cooperate in carrying it out” (Korsgaard *et al.*, 1995). When commitment is defined as such, it is also possible to say that team members are expected to make the necessary moves to comply with the decision and act accordingly. Moreover, the team leader is expected to be able to implement the decision as long as the team members agree and cooperate with a decision.

The idea presented above can easily be adopted to supply chains since the objective in a supply chain is that the individual supply chain entities act together to realize a common objective, as well as their individual objectives. The individual supply chain entities can be associated with the team members described in the above example. Thus, the focal company - which can, then, be associated with the team leader – can only be expected to be able to implement the strategic decisions as long as the team members agree on the decision. The important point is that the supply chain entities, just like the team members, might seem to agree with the decision, sometimes, and accept to comply with the decision. However, the willingness of the compliant may not always be high as this is the case with the use of coercive power, for example, and the decisions may turn out to be unsuccessful in the long-term, as it is supported by the power literature (Coughlan *et al.*, 2006) with the sentence “false positives are common”.

From many aspects, commitment is important to a business relationship. According to Anderson and Weitz (1992) cited in Andaleeb (1996), commitment fosters cooperation between independent channel members and enhances mutual profitability. Moreover, it provides business partners with access to market information to a greater extent since parties are more willing to share information when they are committed to the relationship. Thus, commitment is an essential ingredient of successful long-term relationships (Andaleeb, 1996).

Just like problematic outcomes that result from asymmetries in the amount of power held by the parties in a relationship, asymmetries in commitment often result in unsatisfactory relationships. The main reason behind is that “the more committed party is vulnerable to opportunism by the less committed party, and the less committed party is more willing to abandon the relationship and less willing to reciprocate sacrifices made by the more committed party” (Anderson and Weitz, 1992).

Anderson and Weitz (1992) focus on some key points like idiosyncratic investments, exclusivity, communications, reputation and perceptions of commitment, when dealing with commitment in distribution channels. According to them, “pledging in the form of making idiosyncratic investments in the other party is associated with stronger commitment to the relationship” both from the aspect of the distributor and the manufacturer”. Exclusivity, on the other hand, is often regarded as an obligation for the one who gives it, since the party (either the manufacturer or the distributor in such a relationship) that is accorded with exclusivity may have wrested it from the other side by virtue of its power from one or more aspects. Consequently, the one who gives exclusivity to the other seems to be committed to the relationship due to its compliance with the situation, although it does not “hold positive feelings (i.e. trust and loyalty) about and hesitate to make sacrifices that will commit them to future business with such partners” (Anderson and Weitz, 1992). To continue, two-way communication is associated with high levels of commitment of both parties since it is regarded as “a means to dampen conflict, increase trust, and improve coordination” (Stern and El-Ansary, 1988; Anderson and Weitz, 1989; Anderson and Narus, 1990). Reputation for fairness which indicates how fair the other party is perceived in its relationships with others is also important in determining the level of commitment of the parties and is associated with higher levels of commitment. Finally, perceptions of commitment

are important, as well, since one's commitment to the relationship is often influenced by the other's commitment as perceived by the first one. In Anderson and Weitz (1992)'s words, "it appears difficult to recover from a negative history, as each side doubts the other's commitment – and that doubt in turn influences each side's own commitment to the relationship".

CHAPTER 2

RESEARCH METHODOLOGY

The primary objective of this research is to investigate the use and role of power within supply chains and analyze it from a fairness-oriented perspective. For this purpose, a research has been conducted based on the literature concerning the concepts of power, supply chain, fairness and commitment. This chapter explains how this research has been conducted, providing the reader with details such as the research methodology, research model and hypothesis of the research.

2.1 PURPOSE AND SCOPE OF THE RESEARCH

The main purpose of this thesis is to explore the use and role of power in supply chain relationships where collaboration and mutuality are of vital importance. The bases that an organization's power is rooted in have been central to the research activity. Another important objective of the study has been set as to find out how the use of power by the power holder affects the level of fairness as perceived by the party that power is being exercised on, as well as finding out how this

perceived fairness affects the level of commitment of this party to the dyadic supply chain relationship in question.

For this purpose, different scales for the measurement of three supply chain relationship elements were determined to be used. To make it clearer, these supply chain relationship elements were identified as:

- the *power base* as used by the more powerful party in the dyadic relationship (or, the power holder),
- *the level of fairness* as perceived by the less powerful party in the relationship, and finally,
- *the level of commitment* of the less powerful party to the dyadic relationship.¹

2.2 METHODOLOGY

The ideal research methodology to be used for the research part of the thesis has been determined as a quantitative technique through the use of a questionnaire. A questionnaire that consists of 41 questions has been formed by combining three questionnaires from the literature. The objective of the questionnaire has been the exploration of the relationship between the bases of power used, fairness as perceived and commitment. The questionnaire has been applied to companies that were either in the position of suppliers or customers of a more powerful company with whom they believed they were in a supply chain relationship. In the end, 40 questionnaires have been collected from such companies and been used in the analysis.

¹ The more powerful and the less powerful parties in the dyadic relationships which the questionnaire was applied to were determined by the researchers and confirmed by the respondents.

2.3 RESEARCH MODEL

In the research model that was formed, the base of power used by the more powerful actor in a supply chain relationship has been thought to have significant influence on the level of fairness as perceived by the less powerful party in the relationship. It has also been thought that the base of power used by the more powerful actor would affect the level of commitment of the less powerful actor to the same dyadic relationship.

Along with this, the level of commitment was thought to be highly correlated with the level of fairness (procedural or distributive) of the more powerful actor, as perceived by the less powerful one.

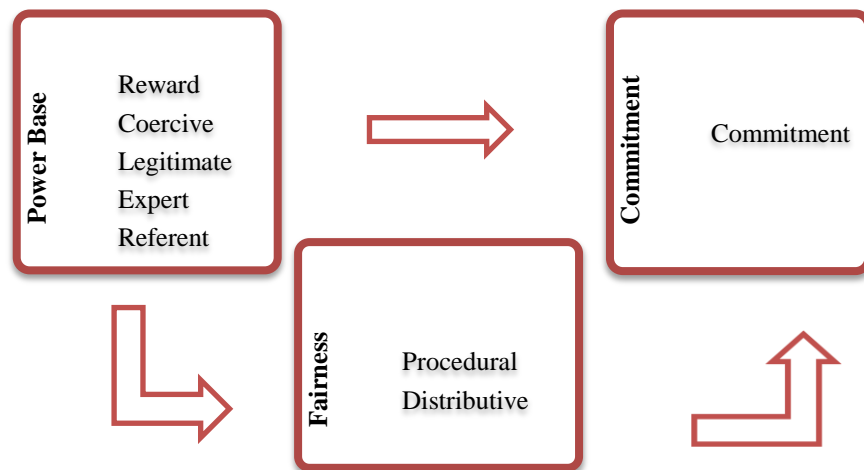


Figure 6 *The Research Model*

The research model and the presumed relationship between the variables have been given in Figure 6.

2.4 THE CONTENT OF THE QUESTIONNAIRE AND THE SCALES USED

The questionnaire consists of five parts that actually measure three main relationship elements. The power bases used by the more powerful party in the relationship have been measured in the first two parts. The first part measures the two bases of power, coercive and reward, in which the change is socially dependent and where surveillance is important. In this part of the questionnaire, the wording of the statements have been used as ability to do something via the use of the appropriate suffix in Turkish that would mean the word “can” in English. The reason behind this is that the concept of power has been defined as *potential influence* by French and Raven (1959) who were first to have suggested the five potential bases of power that we have used in our survey. The second part measures the three remaining bases of power as set forth by French and Raven (1959) in which surveillance is unimportant, but where resulting changes are still socially dependent. Due to this differentiation between the two main sub-categories of the power bases, they have been measured in separate parts with different introductory statements.

The third part of the questionnaire measures distributive fairness and is concerned with the level of fairness of earnings and gains that the answering company possesses as compared to the related effort and investment it makes, the duties and responsibility that the other company places, the earnings and gains that the more powerful party possesses and the earnings that the powerful party brings in for the competitors.

After having distributive fairness measured, the fourth part of the questionnaire measures procedural fairness through statements about the behaviors of the powerful party concerning its transactions with its suppliers and customers.

Finally, the last part of the questionnaire measures the level of commitment of the less powerful party to the relationship. This is also the only part of the questionnaire that has been concerned about the company that fills in the questionnaire, since all other parts are concerned about the acts of the more powerful party.

The items in the questionnaire has been translated from English to Turkish by the researchers and double-checked by a translator and interpreter to ensure that the meanings are not distorted.

For the measurement of the power base that is being used by the powerful party (the first two parts), the questionnaire that Hinkin and Schriesheim (1989) has proposed in their article “Development and Application of New Scales to Measure the French and Raven (1959) Bases of Social Power” has been used and adopted to the supply chains. The five-item Likert scale consisted of answer choices as “1” denoting “strongly disagree” and “5” denoting “strongly agree”. Although the questionnaire used in the research activity has been presented in the appendix, it is the researchers’ concurrence that the original items as they were identified in the literature should also be presented. For this purpose, the 20 original items used (after translation to Turkish) to measure power bases (reward, coercive, legitimate, expert, referent) are presented as they were originally developed by Hinkin and Schriesheim (1989).

My supervisor can...

Reward Power

1. Increase my pay level.
2. Increase my getting a pay raise.
3. Provide me with special benefits.

4. Influence my getting a promotion.

Coercive Power

5. Give me undesirable job assignments.
6. Make my work difficult for me.
7. Make things unpleasant here.
8. Make being at work distasteful.

Legitimate Power

9. Make me feel that I have commitments to meet.
10. Make me feel like I should satisfy my job requirements.
11. Give me the feeling I have responsibilities to fulfill.
12. Make me recognize that I have tasks to accomplish.

Expert Power

13. Give me good technical suggestions.
14. Share with me his/her considerable experience and/or training.
15. Provide me with sound job-related advice.
16. Provide me with needed technical knowledge.

Referent Power

17. Make me feel valued.
18. Make me feel like he/she approves of me.
19. Make me feel personally accepted.
20. Make me feel important.

For the measurement of the level of fairness as perceived by the less powerful party, related questions of the questionnaire that Kumar *et al.* (1995) have proposed in their article “The Effects of Supplier Fairness on Vulnerable Resellers” have been used. For the part that measures distributive fairness, two opposites “1” and “5” denote the expressions “totally unfair” and “totally fair”, respectively. For

the part that measures procedural fairness, on the other hand, a five-item Likert scale has been used again, “1” denoting “strongly disagree” and “5” denoting “strongly agree”. The 17 original items used to measure two dimensions of fairness (distributive and procedural) are as follows:

Distributive Fairness

How fair are your firm's outcomes and earnings compared to

1. the effort and investment that we have made to support the supplier's line.
2. the roles and responsibilities the supplier assigns to our organization.
3. what other dealers in our industry earn.
4. what the supplier earns from sales through our dealership.
5. the contributions we make to this supplier's marketing effort.

Procedural Fairness

In relationships with their dealers, the supplier and their personnel

Bilateral communication

6. promote bilateral communication with the dealers.
7. a high level of two-way communication exists.

Impartiality

8. do not discriminate but rather treat all dealers similarly.
9. apply consistent policies and decision-making procedures across all dealers.

Refutability

10. sometimes alter their policies in response to dealer objections.
11. seriously consider a dealer's objections to the supplier's policies and programs.

Explanation

12. seldom explain their decisions to dealers.
13. provide valid reasons for any changes in policies affecting the dealers.

Knowledgeability

14. are knowledgeable about the local situations faced by the dealers.
15. take pains to learn the local conditions under which the dealers operate.

Courteous Behavior

16. treat the dealers with respect.
17. are polite and well-mannered.

Last of all, for the measurement of the level of commitment of the less powerful party, three questions from the above-mentioned article by Kumar *et al.* (1995) “The Effect of Supplier Fairness on Vulnerable Resellers” have been used just as they were in the original article. Again, “1” denoted “strongly disagree” and “5” denoted “strongly agree”. Finally, the 3 original items used to measure the level of commitment are presented below:

1. Even if we could, we would not drop the supplier because we like being associated with them.
2. We want to remain a member of the supplier’s network, because we genuinely enjoy our relationship with them.
3. Our positive feelings towards the supplier are a major reason we continue working with them.

2.5 SAMPLING AND DATA COLLECTING PROCEDURES

The sample population of the survey has been determined as the manufacturing companies in two organized industrial zones in Izmir (namely, Izmir Atatürk Organized Industrial Zone in Çiğli and Kemalpaşa Organized Industrial Zone in Kemalpaşa). These manufacturers were chosen from a list given by the directorates of their organized industrial zones because of their property of being long-term business partners with more powerful manufacturing companies. They could either be suppliers of a well-known manufacturing company (in the white goods sector, for example), or, just the opposite, customers of a well-known manufacturing

company (i.e. in the energy sector). All of these manufacturers that were included in the sample population were less powerful than their well-known suppliers and customers. The reason for such control was that the aim of the research activity is to understand how the more powerful companies treat their less powerful partners and how this treatment affects the level of fairness as perceived by the less powerful ones. Although it was already known that the manufacturers which we got in contact with were the weaker ones in their dyadic relationships, they were asked once more before the application of the questionnaire, just to make sure that all respondents filled in the questionnaire thinking of their relationship with a more powerful business partner. A questionnaire would not be applied if any one of the contacted companies came out to be the powerful ones in their relationships.

The position of respondents in their companies differed depending on which side (supplier or customer) the company operated. For example, in the companies which were customers of a very powerful supplier, a purchasing manager completed the questionnaire. In the companies which were suppliers of a very powerful customer, on the other hand, it was the sales managers or the qualified sales personnel who completed the questionnaire.

The questionnaire has been applied to 40 companies, getting face-to-face with the respondents most of the time. Only a limited number of questionnaires (four or five) were collected through e-mail, but even in such cases, related information was given face-to-face or on the phone, before the questionnaire was filled in.

2.6 HYPOTHESES OF THE RESEARCH

Broadly speaking, it was proposed that commitment of a company would be highly correlated to the use of power by the more powerful party in a dyadic supply chain relationship, as well as being highly correlated with the fairness of the more

powerful party, as perceived by the less powerful party. The hypothesis that have been tested in this research can be enumerated as follows:

Hypothesis 1 *There is not a relationship between reward power and procedural fairness.*

Hypothesis 2 *There is a relationship between reward power and distributive fairness.*

Hypothesis 3 *There is a relationship between reward power and commitment.*

Hypothesis 4 *There is a relationship between coercive power and procedural fairness.*

Hypothesis 5 *There is a relationship between coercive power and distributive fairness.*

Hypothesis 6 *There is a relationship between coercive power and commitment.*

Hypothesis 7 *There is a relationship between legitimate power and procedural fairness.*

Hypothesis 8 *There is a relationship between legitimate power and distributive fairness.*

Hypothesis 9 *There is a relationship between legitimate power and commitment.*

Hypothesis 10 *There is a relationship between expert power and procedural fairness.*

Hypothesis 11 *There is a relationship between expert power and distributive fairness.*

Hypothesis 12 *There is a relationship between expert power and commitment.*

Hypothesis 13 *There is a relationship between referent power and procedural fairness.*

Hypothesis 14 *There is a relationship between referent power and distributive fairness.*

Hypothesis 15 *There is a relationship between referent power and commitment.*

Hypothesis 16 *There is a relationship between procedural fairness and commitment.*

Hypothesis 17 *There is a relationship between distributive fairness and commitment.*

Hypothesis 18 *There is a relationship between power bases (overall) and fairness.*

Hypothesis 19 *There is a relationship between power bases (overall) and commitment.*

Hypothesis 20 *There is a relationship between fairness and commitment.*

Hypothesis 21 *Commitment is predicted by power bases which are reward power, coercive power, legitimate power, expert power, referent power and fairness dimensions which are procedural fairness and distributive fairness.*

To test the hypothesis, correlation analysis and multiple regression analysis were conducted. All tests were handled using the statistical analysis software SPSS 16.0. For the statistical analysis, significance levels were determined as 0.05 and 0.01.

Findings of the questionnaire, along with the reliability of the scales are presented in the following chapter.

CHAPTER 3

ANALYSIS AND FINDINGS

In the previous chapter, the research that was conducted for the purpose of understanding how power is used in supply chain relationships has been explained in detail. This chapter aims at presenting the findings of this research, providing the necessary basis for making a comparison between what the literature suggests on the issue and what the questionnaire reveals concerning the region the questionnaire was applied.

3.1 DESCRIPTIVES

To start with, the descriptive statistics were obtained as to understand the minimum, maximum and mean values for the variables that are associated with the use of power in interorganizational relationships, along with the variables associated with the fairness perceived by the less powerful party (the respondent), and the resulting commitment of the less powerful party.

Table 4: *Descriptive Statistics for Power Base, Fairness and Commitment Variables*

	N	Minimum	Maximum	Mean	Std. Deviation
Reward Power	40	1.50	5.0	3.47	0.89
Coercive Power	40	1.00	4.50	2.66	0.76
Legitimate Power	40	1.00	5.00	4.05	0.73
Expert Power	40	2.00	5.00	3.54	0.73
Referent Power	40	2.00	5.00	3.57	0.69
POWER	40	2.60	4.30	3.45	0.36
Distributive Fairness	40	1.60	4.40	3.17	0.79
Procedural Fairness	40	2.42	4.50	3.42	0.48
FAIRNESS	40	2.24	4.24	3.35	0.50
COMMITMENT	40	1.33	5.00	3.88	1.02
Valid N (Listwise)	40				

3.2 RELIABILITY ANALYSIS

Next, reliability analysis has been conducted in order to be able to be sure about the reliability levels of the scales used to measure the variables in the questionnaire. The related cronbach's alpha values for the variables have been found to be as follows:

Reward power: 0.825

Coercive power: 0.684

Legitimate power: 0.925

Expert power: 0.776

Referent power: 0.854

Power (overall): 0.710

Distributive fairness: 0.830

Procedural fairness: 0.727

Fairness (overall): 0.818

Commitment: 0.890

According to basic statistics knowledge, a reliability value that is greater than or equal to 0.70 is acceptable in such research activity (Nunnally, 1978). In our case, all variables except one (coercive power) have cronbach's alpha values above 0.70. Therefore, there is no real need to eliminate a question in the scales, but still, some details should be mentioned:

1. The cronbach's alpha value for coercive power (0.684) can be increased to 0.713 if the second question in the scale (PC6) is eliminated.
2. The cronbach's alpha value for overall power (0.710) can be increased to 0.735 if the sixth question in the scale (PC6) is eliminated.
3. The cronbach's alpha value for distributive fairness (0.830) can be increased to 0.874 if the third question in the scale (FD23) is eliminated.
4. The cronbach's alpha value for procedural fairness (0.727) can be increased to 0.786 if the seventh question in the scale (FP32) is eliminated.
5. The cronbach's alpha value for overall fairness (0.818) can be increased to 0.847 if the same problematic question above (FP32) is eliminated.
6. The cronbach's alpha value commitment (0.890) can be increased to 0.923 if the first question in the scale (C38) is eliminated.

Despite the fact that higher reliability levels can be achieved by making the above-mentioned revisions, making only one elimination of questions (elimination of PC6 for coercive power to be able to increase its cronbach's alpha value to above 0.70) could be an alternative course of action at this point, since it is accepted to be statistically reliable if cronbach's alpha value is greater than or equal to 0.70.

One question from the scale that measures coercive power (and thus, overall power) and one question from the scale that measures procedural fairness (and thus, overall fairness) has been removed, however, in order to be able to get more

reliable results from the correlation and regression analysis that will be presented in the following pages. The new cronbach's alpha values for the variables that have been revised are as follows:

Coercive power: 0.713 (increased from 0.684)

Power (overall): 0.735 (increased from 0.710)

Procedural fairness: 0.786 (increased from 0.727)

Fairness (overall): 0.847 (increased from 0.818)

3.3 CORRELATION ANALYSIS

The relationship between the *use of power base* (as measured by the questionnaire that Hinkin and Schriesheim (1989) has proposed as a new scale to measure the French and Raven (1959) Bases of Social Power), *fairness* (as perceived by the less powerful party in the supply chain relationship and measured by the scale proposed by Kumar *et al.*, 1995), and *commitment* (of the less powerful party and as measured by the scale proposed by Kumar *et al.*, 1995) has been investigated using pearson correlation coefficient.

Table 5: Correlation between Power Bases, Fairness Dimensions and Commitment

		Reward P	Coercive P	Legitimate P	Expert P	Referent P	Distributive F	Procedural F	Commitment
Reward Power	Pearson Correlation	1							
	Sig. (2-tailed)								
	N	40							
Coercive Power	Pearson Correlation	-.251	1						
	Sig. (2-tailed)	.118							
	N	40	40						
Legitimate Power	Pearson Correlation	-.154	.264	1					
	Sig. (2-tailed)	.342	.099						
	N	40	40	40					
Expert Power	Pearson Correlation	.301	-.252	-.086	1				
	Sig. (2-tailed)	.059	.117	.599					
	N	40	40	40	40				
Referent Power	Pearson Correlation	.210	-.158	.029	.458**	1			
	Sig. (2-tailed)	.193	.332	.860	.003				
	N	40	40	40	40	40			
Distributive Fairness	Pearson Correlation	.271	-.428**	-.267	.387*	.474**	1		
	Sig. (2-tailed)	.091	.006	.096	.013	.002			
	N	40	40	40	40	40	40		
Procedural Fairness	Pearson Correlation	.223	-.145	-.066	.365*	.666**	.502**	1	
	Sig. (2-tailed)	.166	.372	.687	.020	.000	.001		
	N	40	40	40	40	40	40	40	
Commitment	Pearson Correlation	.345*	-.322*	.198	.191	.513**	.495**	.603**	1
	Sig. (2-tailed)	.029	.043	.220	.237	.001	.001	.000	
	N	40	40	40	40	40	40	40	40

*Correlation is significant at the 0.05 level (2-tailed) and ** Correlation is significant at the 0.01 level (2-tailed).

The findings of the correlation analysis presented in the table above indicate that most hypothesis have been accepted although some were rejected. The table also indicates that there are some additional significant relationships between the variables (i.e. expert power - referent power, distributive fairness – procedural fairness) which were not hypothesized in the beginning. The significance levels of those hypothesis which were accepted are bolded in the table. The details of the findings related to the hypothesis are presented below:

Hypothesis 1 The correlation coefficient between **reward power** and **procedural fairness** is not significant ($p=0.166$). Therefore, **Hypothesis 1 is rejected.**

Hypothesis 2 The correlation coefficient between **reward power** and **distributive fairness** is not significant ($p=0.091$). Therefore, **Hypothesis 2 is rejected.**

Hypothesis 3 The correlation coefficient between **reward power** and **commitment** is significant ($p=0.029$) at 0.05 level with an $r=0.345$. Therefore, **Hypothesis 3 is accepted.**

Hypothesis 4 The correlation coefficient between **coercive power** and **procedural fairness** is not significant ($p=0.372$). Therefore, **Hypothesis 4 is rejected.**

Hypothesis 5 The correlation coefficient between **coercive power** and **distributive fairness** is significant ($p=0.006$) at 0.01 level with an $r=-0.428$. Therefore, **Hypothesis 5 is accepted.**

Hypothesis 6 The correlation coefficient between **coercive power** and **commitment** is significant ($p=0.043$) at 0.05 level with an $r=-0.322$. Therefore, **Hypothesis 6 is accepted.**

Hypothesis 7 The correlation coefficient between **legitimate power** and **procedural fairness** is not significant ($p=0.687$). Therefore **Hypothesis 7 is rejected**.

Hypothesis 8 The correlation coefficient between legitimate power and **distributive fairness** is not significant ($p=0.096$). Therefore, **Hypothesis 8 is rejected**.

Hypothesis 9 The correlation coefficient between **legitimate power** and **commitment** is not significant ($p=0.220$). Therefore, **Hypothesis 9 is rejected**.

Hypothesis 10 The correlation coefficient between **expert power** and **procedural fairness** is significant ($p=0.020$) at 0.05 level with an $r=0.365$. Therefore, **Hypothesis 10 is accepted**.

Hypothesis 11 The correlation coefficient between **expert power** and **distributive fairness** is significant ($p=0.013$) at 0.05 level with an $r=0.387$. Therefore, **Hypothesis 11 is accepted**.

Hypothesis 12 The correlation coefficient between **expert power** and **commitment** is not significant ($p=0.237$). Therefore, **H12 is rejected**.

Hypothesis 13 The correlation coefficient between **referent power** and **procedural fairness** is significant ($p=0.000$) at 0.01 level with an $r=0.666$. Therefore, **Hypothesis 13 is accepted**.

Hypothesis 14 The correlation coefficient between **referent power** and **distributive fairness** is significant ($p=0.002$) at 0.01 level with an $r=0.474$. Therefore, **Hypothesis 14 is accepted**.

Hypothesis 15 The correlation coefficient between **referent power** and **commitment** is significant ($p=0.001$) at 0.01 level with an $r=0.513$. Therefore, **Hypothesis 15 is accepted.**

Hypothesis 16 The correlation coefficient between **procedural fairness** and **commitment** is significant ($p=0.000$) at 0.01 level with an $r=0.603$. Therefore, **Hypothesis 16 is accepted.**

Hypothesis 17 The correlation coefficient between **distributive fairness** and **commitment** is significant ($p=0.001$) at 0.01 level with an $r=0.495$. Therefore, **Hypothesis 17 is accepted.**

To briefly summarize the results, one can report that there is a significant relationship between

- Reward power and commitment
- Coercive power and distributive fairness
- Coercive power and commitment
- Expert power and procedural fairness
- Expert power and distributive fairness
- Referent power and procedural fairness
- Referent power and distributive fairness
- Referent power and commitment
- Procedural fairness and commitment
- Distributive fairness and commitment.

Among these significant relationships, those between *coercive power and distributive fairness*, *referent power and procedural fairness*, *referent power and distributive fairness*, *referent power and commitment*, *procedural fairness and commitment*, and *distributive fairness and commitment* have higher significance

levels (at 0.01 level) and indicate stronger relationships between the variables compared to the rest of the relationships.

Another relationship we wanted to point at was the relationship between the same variables when we grouped reward power and coercive power as a single group, and expert power and referent power as another single group. Although legal-legitimate power is a component of mediated power and traditional-legitimate power is a component of non-mediated power (Benton and Maloni, 2005), we did not include legitimate power in either group. One reason for this was that legitimate power was found to have no significant relationship with the other variables in our research. Another reason was that the questionnaire used in the research activity did not include items that gave the researcher the opportunity to measure legal-legitimate and traditional-legitimate power, separately. The significant relationships have been bolded in the table below.

Table 6: Correlation between Mediated Power Bases, Non-mediated Power Bases, Distributive Fairness, Procedural Fairness and Commitment

		Mediated	Non-mediated	Distributive Fairness	Procedural Fairness	Commitment
Mediated (Reward – Coercive)	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	40				
Non-mediated (Expert – Referent)	Pearson Correlation	.060	1			
	Sig. (2-tailed)	.715				
	N	40	40			
Distributive Fairness	Pearson Correlation	-.167	.503**	1		
	Sig. (2-tailed)	.303	.001			
	N	40	40	40		
Procedural Fairness	Pearson Correlation	.060	.599**	.502**	1	
	Sig. (2-tailed)	.714	.000	.001		
	N	40	40	40	40	
Commitment	Pearson Correlation	.175	.407**	.495**	.603**	1
	Sig. (2-tailed)	.280	.009	.001	.000	
	N	40	40	40	40	40

** . Correlation is significant at the 0.01 level (2-tailed).

The table implies that there is not a significant relationship between mediated power bases and any of the other variables. Non-mediated power bases, on the other hand, have significant relationships with procedural fairness ($p=0.000$), distributive fairness ($p=0.001$) and commitment ($p=0.009$), all at 0.01 level.

Last of all, a correlation analysis has been made for the relationships between the concepts of power, fairness and commitment in the most general terms. For this reason, all five power bases (reward, coercive, legitimate, expert and referent) and two types of fairness (procedural and distributive) have been grouped into two single groups as *power* and *commitment*, respectively. The bolded numbers denote significant relationships between the variables.

Table 7: Correlation between Overall Power, Overall Fairness and Commitment

		Power	Fairness	Commitment
Power (overall)	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	40		
Fairness (overall)	Pearson Correlation	.395*	1	
	Sig. (2-tailed)	.012		
	N	40	40	
Commitment	Pearson Correlation	.422**	.642**	1
	Sig. (2-tailed)	.007	.000	
	N	40	40	40

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

The table shows that there is a significant relationship between

- power and fairness ($p=0.012$) at 0.05 level,
- power and commitment ($p=0.007$) at 0.01 level, and
- fairness and commitment ($p=0.000$) at 0.01 level.

In short, results of the testing of related hypothesis are presented below:

Hypothesis 18 The correlation coefficient between **power bases (overall)** and *fairness* is significant ($p=0.012$) at 0.05 level. Therefore, **Hypothesis 18 is accepted.**

Hypothesis 19 The correlation coefficient between **power bases (overall)** and *commitment* is significant ($p=0.007$) at 0.01 level. Therefore, **Hypothesis 19 is accepted.**

Hypothesis 20 The correlation coefficient between **fairness** and **commitment** is significant ($p=0.000$) at 0.01 level. Therefore, **Hypothesis 20 is accepted.**

3.4 REGRESSION ANALYSIS

After having analyzed correlations between several variables, we have also conducted a regression analysis to find out if the variable *commitment* can be predicted by the variables reward power, coercive power, legitimate power, expert power, referent power, procedural fairness and distributive fairness. The reason we did not take all five power bases as one variable as *power* is that the direction of their relationships with fairness and commitment variables were different. Therefore, we preferred to take each as a separate variable.

Table 8: *Variables Entered/Removed for Regression*

Model	Variables Entered	Variables Removed	Method
1	ProceduralFairness, LegitimatePower RewardPower CoercivePower ExpertPower DistributiveFairness ReferentPower	.	Enter

a. All requested variables entered. b. Dependent Variable: COMMITMENT

To test the related hypothesis, multiple regression with enter method was used. The results of the regression analysis are presented in the Tables 10-12.

Table 9: *Model Summary for Regression*

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
dimension0	1	.786 ^a	.618	.534	.696

- a. Predictors: (Constant), ProceduralFairness, LegitimatePower, RewardPower, CoercivePower, ExpertPower, DistributiveFairness, ReferentPower
 b. Dependent Variable: Commitment

Looking at the R Square value in the model summary presented above, our model (which includes the variables *reward power, coercive power, legitimate power, expert power, referent power, procedural fairness and distributive fairness*) accounts for 61.8% of the variance in commitment. It is possible to interpret this as a very respectable result (Pallant, 2001). Regarding the fact that the R square value in the sample tends to be a rather optimistic overestimation of the true value in the population when a small sample is involved, we find it convenient to take a look at the Adjusted R square value which actually corrects the value to provide a better estimation in such situations. Doing so, our model can be said to explain 53.4% of the variance in commitment which is a respectable value. Therefore, Hypothesis 21 is accepted.

Table 10: ANOVA for Regression

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	25.091	7	3.584	7.397	.000 ^a
	Residual	15.507	32	.485		
	Total	40.597	39			

a. Predictors: (Constant), ProceduralFairness, LegitimatePower, RewardPower, CoercivePower, ExpertPower, DistributiveFairness, ReferentPower

b. Dependent Variable: COMMITMENT

Table 11: Coefficients for Regression

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.662	1.212		-1.371	.180
	Reward Power	.251	.135	.220	1.859	.072
	Coercive Power	-.285	.156	-.229	-1.830	.077
	Legitimate Power	.514	.165	.366	3.116	.004
	Expert Power	-.285	.181	-.204	-1.577	.125
	Referent Power	.176	.235	.118	.747	.461
	Distributive Fairness	.321	.188	.250	1.703	.098
	Procedural Fairness	.777	.287	.416	2.705	.011

a. Dependent Variable: COMMITMENT

Since we are interested in comparing the contribution of each of the seven independent variables to the explanation of our dependent variable *commitment*, we consider the Beta values in the coefficients table presented above. Looking at the standardized coefficients column which give us the Beta values, procedural fairness can be said to make the strongest unique contribution (0.416) by explaining the dependent variable, when the variance explained by all other variables in the model is controlled for. Similarly, legitimate power can be said to make the second strongest unique contribution (0.366) and distributive fairness (0.250) can be said to make the third strongest unique contribution by explaining the dependent variable.

We also want to consider the values in the last column of the table since they tell us whether a variable is making a statistically significant unique contribution to the equation. Due to the fact that this significance value should be less than 0.05 for the variable to be making a significant unique contribution to the prediction of the dependent variable, it is possible to conclude that only legitimate power and procedural fairness make significant unique contribution to the prediction of commitment, in our case.

Although the regression done for explaining the dependent variable *commitment* with the predictors given above is significant overall, individual coefficients for regression given in Table 10 indicate variables which are not statistically significant. Therefore, taking off the predictors ReferentPower which has a significance level of 0.461 and ExpertPower which has a significance level of 0.125 can be taken off the regression analysis for a more significant result.

Results of the regression analysis indicate the following:

Hypothesis 21 Commitment can be predicted by power bases which are reward power, coercive power, legitimate power, expert power, referent power and fairness dimensions which are procedural fairness and distributive fairness. Therefore, **Hypothesis 21 is accepted.**

3.5 SUMMARY OF FINDINGS

A summary of findings on analyzed hypotheses is presented in Table 13.

Table 12: Summary of Findings

<u>Hypotheses</u>	<u>Result</u>
<p>Hypothesis 1 There is not a relationship between reward power and procedural fairness.</p>	rejected
<p>Hypothesis 2 There is a relationship between reward power and distributive fairness.</p>	rejected
<p>Hypothesis 3 There is a relationship between reward power and commitment.</p>	accepted
<p>Hypothesis 4 There is a relationship between coercive power and procedural fairness.</p>	rejected
<p>Hypothesis 5 There is a relationship between coercive power and distributive fairness.</p>	accepted
<p>Hypothesis 6 There is a relationship between coercive power and commitment.</p>	accepted
<p>Hypothesis 7 There is a relationship between legitimate power and procedural fairness.</p>	rejected
<p>Hypothesis 8 There is a relationship between legitimate power and distributive fairness.</p>	rejected
<p>Hypothesis 9 There is a relationship between legitimate power and commitment.</p>	rejected
<p>Hypothesis 10 There is a relationship between expert power and procedural fairness.</p>	accepted
<p>Hypothesis 11 There is a relationship between expert power and distributive</p>	accepted

<p>fairness.</p>	
<p>Hypothesis 12 There is a relationship between expert power and commitment.</p>	<p>rejected</p>
<p>Hypothesis 13 There is a relationship between referent power and procedural fairness.</p>	<p>accepted</p>
<p>Hypothesis 14 There is a relationship between referent power and distributive fairness.</p>	<p>accepted</p>
<p>Hypothesis 15 There is a relationship between referent power and commitment.</p>	<p>accepted</p>
<p>Hypothesis 16 There is a relationship between procedural fairness and commitment.</p>	<p>accepted</p>
<p>Hypothesis 17 There is a relationship between distributive fairness and commitment.</p>	<p>accepted</p>
<p>Hypothesis 18 There is a relationship between power bases (overall) and fairness.</p>	<p>accepted</p>
<p>Hypothesis 19 There is a relationship between power bases (overall) and commitment.</p>	<p>accepted</p>
<p>Hypothesis 20 There is a relationship between fairness and commitment.</p>	<p>accepted</p>
<p>Hypothesis 21 Commitment is predicted by power bases which are reward power, coercive power, legitimate power, expert power, referent power and fairness dimensions which are procedural fairness and distributive fairness.</p>	<p>accepted</p>

CONCLUSION

The main purpose of this thesis was to explore the way power is being used in supply chain relationships. To clarify, the thesis aimed at finding out how the use of power by the more powerful party in such relationships affects the level of fairness of the more powerful party as perceived by the less powerful one, as well as finding out how the use of power and perceived fairness influence the level of commitment of the less powerful party to the dyadic supply chain relationship.

Discovering the relationship between the use of power and perceived fairness was, in fact, the determination of the situation, and it concerned the less powerful party more than it concerned the more powerful one. However, discovering the relationship between the variables *power*, *fairness* and *the level of commitment* of the less powerful party was believed to be more important for the more powerful party in the same relationship due to the fact that commitment of the parties influence the long-term success and profitability of the supply chain relationship as a whole. The reason for commitment to be more important for the powerful party is that the more powerful party may fail to suppose that the less powerful party is committed to the relationship, as long as it complies with the desires of the more powerful party. However, many times such compliance is influenced by the rewards or punishments to be given by the more powerful one, which means the more powerful party might be deceiving itself when supposing that such compliance is always positive. Considering the possible effects of the *use of power* and *fairness* on *commitment*,

this study intends to investigate the use of power within supply chains from a fairness-oriented perspective.

For this purpose, a research was conducted through the use of a 41-item questionnaire. The questionnaire was applied to 40 companies which were identified either as suppliers or customers of a well-known manufacturer. It was confirmed with each respondent before the application of the questionnaire that these well-known manufacturers were definitely more powerful than the responding companies. Thus, the research relied heavily on how the relationship was perceived by the less powerful party. The survey results indicate some significant relationships between the variables, while also indicating some insignificant relationships, which were expected to be significant.

To start with, the survey results imply that there is not a significant relationship either between reward power and procedural fairness or between reward power and distributive fairness. Reward power is found out to have a significant relationship with only commitment. Similarly, coercive power is found out to have a significant relationship with commitment, as well as with distributive fairness, although it was also hypothesized as to have a relationship with procedural fairness. The proposed relationship between coercive power and perceived fairness was one of the most important reasons to conduct this research, with the belief that the more individuals or organizations were faced with coercion, the more they would complain about this relationship, and the less they would commit to this relationship. In this manner, the finding that coercive power is not associated with procedural fairness in the eyes of the less powerful party was surprising.

Interestingly, legitimate power is found out to have no significant relationship with the fairness or commitment variables. This was a surprising result since legitimate power was expected to be less committed to the relationship along with the use of

legitimate power bases, instead of exhibiting no relationship since legitimacy leads the less powerful parties to comply with the desires of the most powerful party unwillingly, as if it was an obligation. The reason for such results might be individuals' or organizations' lack of respect for or fear from the rules and laws in a general sense. Thus, they might be indifferent in terms of perception of fairness and commitment when legitimacy is used as a power base. Rather, they seem to be more influenced by the use of expert power and/or referent power which come along with the power holder's experience, knowledge, position in the market etc. which are proved to be right with the research findings presented below.

As mentioned above, the survey results indicate significant relationships between expert power and procedural fairness, as well as between expert power and distributive fairness. This shows that those who have valuable expertise and knowledge are either treating their business partners in a fair way, or they are perceived as being fair because they are esteemable and they have certain rights on the management of the relationship. This can also be interpreted as the impact of trust on commitment since such power results in trust of the less powerful party to the more powerful party.

Similarly, referent power is found out to have significant relationships with the variables procedural fairness, distributive fairness and commitment. Regarding the fact that referent power exists when one of the parties views the other as a standard of reference and wishes to identify publicly with it, the significance of relationships between the above-mentioned variables can be regarded as a proof that one's reference provides him with others' positive feelings towards him.

When these two power bases (reward power and coercive power) are considered as a single group as *mediated bases of power*, the results indicate no significant relationship with any of the other variables (procedural fairness, distributive fairness,

or commitment). On the other hand, non-mediated bases of power are found to have strong associations with each of the variables *procedural fairness*, *distributive fairness* and *commitment*. In contrast with the literature, legal-legitimate power has not been included in the new variable *mediated bases of power*, and traditional-legitimate power has not been included in the new variable *non-mediated bases of power* since it was impossible for the researcher to measure legal-legitimate and traditional-legitimate bases of power, separately. Another reason for such a decision was that legitimate power proved to have no significant relationship with the other variables, thus it was believed to have no significant effect on the new variables, as well. In brief, the results indicate the fact that having expertise and valuable knowledge and being reliable in the eyes of the business partners makes sense in terms of perception for fairness and puts some kind of a pressure on the weaker business partner to *voluntarily* go along with the more powerful one, while rewards and punishments to be given have no relationship with the perceived fairness and commitment of the parties.

As expected, results also indicate strong relationships between the variable *commitment* and the variables *procedural fairness* and *distributive fairness*. This finding was very important for the thesis since it provides us with opportunity to say that being perceived as a fair partner - either in terms of the business processes and the distribution of the outcome – is critical for achieving the commitment of the parties.

To recall, among these significant relationships, those between *coercive power and distributive fairness*, *referent power and procedural fairness*, *referent power and distributive fairness*, *referent power and commitment*, *procedural fairness and commitment*, and *distributive fairness and commitment* have higher significance levels (at 0.01 level) than the rest of the relationships, which indicate stronger relationships between the variables.

Fairness, on the other hand, has a strong effect on the level of commitment, as was expected in the beginning. Any relationship between the use of power bases and fairness (either procedural or distributive) ends up with a similar relationship between fairness and commitment.

Finally, the results indicate a strong relationship between the use of power by the more powerful party and its level of fairness as perceived by the less powerful one, as well as a strong relationship between the use of power by the more powerful party and the level of commitment of the less powerful one. The results, similarly, indicate a strong relationship between the level of fairness of the more powerful party as perceived by the less powerful one and the level of commitment of the less powerful one. Therefore, the thesis comes out to reach its objective of discovering a possible relationship between the use of power, the level of fairness and the level of commitment of the parties in supply chains and proves that there are strong relationships between the key parameters.

Due to the fact presented above, firms should be paying attention to their way of using the power they hold since the use of power is proved to have serious relationships with the level of commitment. As already mentioned before, whenever one of the parties in a relationship is not given enough concern and is not able to bring about complaints and critics to the system - which also means that the other party is dominant in the relationship - it is often impossible for the less powerful party to feel high levels of commitment to this relationship. Moreover, whenever the commitment of the less powerful party is not at the appropriate level, this means that the less powerful party is contributing less than it could to this relationship, and it is likely to quit this relationship whenever possible.

To conclude, firms – even if they are the most powerful entities, and thus, the leaders in their supply chains - should be aware of the possible results they might come up

with, depending on how they use their power in their relationships with other supply chain entities. This is not only critical for the relationship to be fair, and thus ethical from the less powerful entity's aspect, but it is also critical for the long-term success of the more powerful entity.

LIMITATIONS AND FURTHER RESEARCH

The research conducted for this thesis has some important limitations. One of the most important limitations of the research is associated with the sample size. As already mentioned in the research methodology part, 40 usable questionnaires were obtained in total from two organized industrial zones in Izmir. Although having 40 questionnaires and organizational respondents is acceptable in such a research activity, the results would be expected to be more reliable if the sample size was larger. Additionally, some of the respondents were from suppliers of more powerful manufacturers, whereas the remaining were from customers of more powerful manufacturers. Regarding the related literature which, sometimes, makes a differentiation as to focus on the issue from the buyer's perspective or the seller's perspective separately, when analyzing inter-organizational power, it would be more preferable to have at least 40 questionnaires from suppliers and 40 questionnaires from customers of more powerful manufacturers. In that case, we could have the opportunity to explore the different views on the issue. To sum up, we had the good chance of generating results as gathered from both sides of focal supply chain entities, but, we could not depend on the sample size to investigate the data from the supplier's and the buyer's perspective, separately.

Another important constraint of the research was about the respondents' level of familiarity with the concepts. While applying the questionnaire face-to-face, it was clear from the facial expressions of the respondents that they rarely had hard times

understanding the statements. Some of the respondents did not understand the term “supply chain” which necessitated us to explain the term trying not to interfere the respondent’s decision-making. There were two more statements in the questionnaire whose meanings were asked by a few respondents. In the analysis, the reliability of these two statements were found out to be lower than 0.70 and the questions were dismissed in order to be able to increase the overall reliability. Due to the time constraint, we did not have a chance to test the questionnaire before we actually applied it. Thus, we were not able to make revisions on the questionnaire in a way to make it clearer.

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APPENDIX 1 – The Questionnaire

Bu anket İzmir Ekonomi Üniversitesi Lojistik Yönetimi Yüksek Lisans Programı'nda yürütülmekte olan bir tez çalışmasının bir parçası olarak uygulanmaktadır. Anketin amacı, tedarik zinciri ilişkilerinin belli açılardan incelenmesidir ve uygulanması yaklaşık 10 dakika sürmektedir. Değerli katkınız için teşekkür ederiz.

Lütfen anketteki tüm soruları sizin de üyesi olduğunuz tedarik zincirinin en güçlü üyesini düşünerek cevaplandırınız.

Kaç yıldır bu firma ile ticari ilişki içindedesiniz?

1. Üyesi olduğum tedarik zincirinin en güçlü üyesi olan firma, ticari ilişkimiz sebebiyle;

	1: Kesinlikle katılmıyorum	2: Katılmıyorum	3: Ne katılıyorum ne katılmıyorum	4: Katılıyorum	5: Tamamen katılıyorum
1. Bize yapacağı ödeme seviyesini yükseltebilir.					
2. Bize daha fazla ödeme yapılması ihtimalini artırabilir.					
3. Firmamıza özel imtiyazlar sağlayabilir.					
4. Ek kazanç sağlamamızı olumlu yönde etkileyebilir.					
5. Bize tercih etmeyeceğimiz sorumluluklar yükleyebilir.					

6. Gerçekleştirmemiz gereken işleri zorlaştırabilir.					
7. Çalışma ortamımıza müdahale ederek kötü durumlarda kalmamıza sebebiyet verebilir.					
8. Çalışma ortamını tatsız hale getirebilir.					

2. Üyesi olduğum tedarik zincirinin en güçlü üyesi olan firma tüm ticari faaliyetlerimizde;

	1: Kesinlikle katılmıyorum	2: Katılmıyorum	3: Ne katılıyorum ne katılmıyorum	4: Katılıyorum	5: Tamamen katılıyorum
9. Yerine getirmemiz gereken taahhütler olduğunu hissettirir.					
10. İşimizin gereklerini yerine getirmek zorunda olduğumuzu hissettirir.					
11. Yerine getirmemiz gereken sorumluluklarımız olduğu hissini verir.					
12. Başarıyla sonuçlandırılması gereken görevlerimiz olduğunu görmemizi sağlar.					
13. Bize yararlı teknik önerilerde bulunur.					
14. Bizimle değerli tecrübe ve/veya bilgilerini paylaşır					
15. Yaptığımız işle ilgili son derece önemli önerilerde bulunur.					
16. Bize ihtiyaç duyduğumuz teknik bilgiyi sağlar.					

17. Şirketimize değer verdiğini hissettirir.					
18. Aldığımız kararları onayladığını hissettirir.					
19. Sektörümüzde faaliyet gösteren kabul görmüş bir firmalardan biri olduğumuzu hissettirir.					
20. Önemli olduğumuzu hissettirir.					

3. Lütfen sözkonusu müşteriniz/tedarikçiniz ile yürüttüğünüz ticari ilişkinizde , firmanızın elde ettiği sonuçların ve kazançların aşağıdaki unsurlara kıyasla ne kadar adil olduğunu değerlendiriniz.

	1: Hiç adil değil	2: Adil değil	3: Ne adil ne adil değil	4: Adil	5: Tamamen adil
21. Tedarikçimizin / müşterimizin ürün gamını desteklemek için harcadığımız emek ve yaptığımız yatırıma kıyasla					
22. Tedarikçimizin / müşterimizin firmamıza yüklediği görev ve sorumluluklara kıyasla					
23. Bu firmanın rakiplerimize kazandırdıklarına kıyasla					
24. Tedarikçimizin/müşterimizin bizimle ilişkisinden elde ettiği kazançla kıyasla					
25. Tedarikçimizin / müşterimizin pazarlama çalışmalarına yaptığımız katkıya kıyasla					

4. Çalışmakta olduğu firmalarla ticari ilişkisinde söz konusu tedarikçimiz/müşterimiz,

	1: Kesinlikle katılmıyorum	2: Katılmıyorum	3: Ne katılıyorum ne katılmıyorum	4: Katılıyorum	5: Tamamen katılıyorum
26.Tedarik zincirindeki diğer elemanlarla karşılıklı iletişimi teşvik eder.					
27. İki yönlü bir iletişim mevcuttur.					
28. Aralarında ayırım yapmadan, tümüne benzer şekilde davranır.					
29.Tümüne tutarlı bir politika ve karar verme süreci uygular.					
30.Bazı durumlarda gelen eleştirilere göre politikalarında değişiklik yoluna gider.					
31.Kendi politika ve programlarına yönelik yapılan eleştirileri dikkate alır.					
32. Aldığı kararları nadiren tedarikçilerine/müşterilerine açıklar.					
33.Politikalarında yaptığı, tedarikçilerini/müşterilerini etkileyen her türlü değişiklik için geçerli nedenler sunar.					
34.Tedarikçilerin/müşterilerin karşılaştığı bölgeye özgü durumlar ve sorunlar konusunda bilgi sahibidir.					
35.Tedarikçilerin/müşterilerin içinde faaliyette bulunduğu bölgeye özgü koşulları öğrenme zorluğunu göze alır.					
36.Tedarikçilerine/müşterilerine karşı saygılı davranır.					
37.Kibar ve iyi niyetlidir.					

5. Lütfen sözkonusu tedarikçiniz/müşteriniz ile ilişkinizin size hissettirdiklerine yönelik aşağıdaki yargıları değerlendiriniz.

	1: Kesinlikle katılmıyorum	2: Katılmıyorum	3: Ne katılıyorum ne katılmıyorum	4: Katılıyorum	5: Tamamen katılıyorum
38. İmkanımız olsaydı bile bu tedarikçimiz/müşterimiz ile çalışmayı bırakmazdık çünkü adımızın bu firmayla birlikte anılmasından mutluyuz.					
39. Bu tedarikçimizin/ müşterimizin ticaret ağının bir parçası olarak kalmak istiyoruz çünkü bu firmayla çalışmaktan gerçekten keyif alıyoruz.					
40. Bu tedarikçimize/müşterimize karşı olumlu hislerimiz, bu firmayla çalışmayı sürdürmemizin temel nedenlerindedir.					