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## Based on Psychological Contract of Relational Norms of Marketing Channel Governance Study

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**Abstract:** In order to curb Speculative behavior, the channel member must through a certain channel governance mechanisms, which can improve the level of channel cooperation. This study introduce psychological contract theory to relational norms of marketing channel governance and proposes 6 hypotheses, by means of survey, 267 useable responses was obtained from leading agricultural industry in Jiangxi province. The results of the study can improve the level of channel cooperation between leading enterprises and farmers.

**Key words:** Psychological contract, relational norms of marketing channel governance, speculative behavior

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### INTRODUCTION

China is a large agricultural country, the sheer number of farmers, the vast of rural area, the importance of agriculture in the national development, has caused the country attaches great importance to the “three rural” work. Currently, the “leading enterprises+farmers cooperative mode (orders of Agriculture) is the main form of cooperation in agricultural products marketing in China, this mode of cooperation is that farmers sign a cooperation contract with the leading enterprises before agricultural production (Rousseau and Tijoriwala, 1998). In the process of agricultural production, farmers arrange production in accordance with the contract while the leading enterprises in accordance with the contract to complete the processing and marketing of agricultural products. This mode of cooperation has closed up the relationship between the interests of both sides and has improved the efficiency of individual farmers, reduced the transaction costs, the leading enterprises can enhance the risk resistance capacity and gained benefit from it. However, with the deepening between the cooperation of leading enterprises and farmers, the partners both existing channel speculation, in reality, this mode of cooperation is not stable (Fengqin, 2003). The research results from show that the contract execution rate between the leading enterprises and farmers was less than 20%, Jinyong (2007) survey data also show that up to 60% of farmers choose to breach of the contract.

Therefore, this study suggests that as improving the written contracts between the leading enterprises and

farmers, you must also have in-depth understanding of the psychological contract that is considered as understand tacitly by both contract sides. Most scholars only applied the concept of the psychological contract to this narrow range of the employees and employers (or organization) in the internal organizations. Only a few scholars extends the research of the psychological contract to other areas, Greenberg (1996) proposed that the psychological contract can be is applied to study the various relationships. Therefore, this article will use the psychological contract of the enterprises understanding of as the entry point and have a further study of the impact of psychological contract in agricultural product marketing on the use of the standard management mode by the enterprises.

### THEORETICAL BACKGROUND AND HYPOTHESES

**Psychological contract:** “Psychological contract” was proposed by an American management psychologist Schein (1967). He did believe that the psychological contract refers to a set of expectations which can not express in the internal organization (Schein, 1967). He thought that Psychological contract can be divided into transactional psychological contract and relational psychological contract (Table 1). Schein's point of view had long been determine the direction of the researches in this field till the late 1980s. The tendency that regard the psychological contract as a recessive pattern of the exchange relationship between employers and employees changed (Greenberg, 1996). Rousseau and Tijoriwala

**Table 1: Difference between Transactional psychological contract and Relational psychological contract**

	Transactional psychological contract	Relational psychological contract
Focus	Economical, External demand	pursuit of social and emotional needs
Time frame	Limited period	Infinite period
Stability	Stability	Elastic and dynamic
Scope	Less involve employee life	Involve more employees personal life
Explicit degree	Boundary of employee's responsibility is clear	Boundary of employee's responsibility is not clear

Data source: Robinson and Rousseau (1994)

(1998) proposed in his article "The Psychological and Implicit Contract in Organization" that psychological contract is essentially refers to the subjective belief of those involved people (mainly of the employees) and it's a process of gradually constructed in practice. She believes that psychological contract is: "a subjective belief that is established by individuals' mutual exchange between him/her with a third party and the belief is based on the marked or implied commitment in the bilateral exchange" As a result, the psychological contract is no longer treat as the result of a mutual agreement or default, the emphasis of the studies shifted to the individual level of the formation of the subjective psychological contract. Further more, Rousseau has made the distinction between "standard contract", "psychological contract" and "implied contract" in organizations, so that she made the psychological contract strictly based on the domain of the individual cognition. Rousseau further pointed out that some expectations can be seen as a contract while others can not, the key lies in the promise (Robinson and Rousseau, 1994).

In the practice research, MacNeil (1980) had studied the structure of the contract, he found that the contract has two continuous dimensions, one is transactional contract (transactional contract) and the other is relational contract (relational contract). The empirical studies of Rousseau and Tijoriwala (1998) have shown that the psychological contract includes three dimensions: trading dimensions (transactional dimension), team player dimension (team-player dimension) and relational dimensions (relational dimension). The transaction dimension is mainly refers to the providing economic and material benefits for employees from organizations, the staff undertakes the basic tasks. Team-player dimension refers to the staff and the organization pay attention to interpersonal support and good interpersonal skills; relational dimension refers to the staff and organizations' focus on the future, long-term and stable contract and promote the common development of both sides. But at the same time, they stressed that only the measure of the first two dimensions of the psychological contract could test the influential mechanism between organizations and staff. Therefore, this study will use the two-dimensional

structure of Rousseau and Parks, transactional psychological contract and relational psychological contract.

### **NORMATIVE CHANNELS GOVERNANCE**

The marketing channel is a trading relationship between the different organizations. The goal of the channel members is inconsistent, so they should adopt the corresponding governance mechanism. And the governance mechanism can be divided into three types (Table 2):

- Authority governance : the channel members control each other by the use of power and authority
- Contract governance: both channel sides through signing the contract which include the channel responsibilities and interests and then members of the marketing channel can influence (Weitz and Jap, 1995)
- Normative management mechanism: through the study of the middlemen channels by Claro *et al.* (2003), the normative management is often carried out through joint planning and joint problem solving between the channel members

Joint planning is the discussion and consultation between channel members for events that may occur in the future and its consequences and establish the responses to clear the responsibility and obligation of each other. Joint problem solving refers to that in order to solve the problems ultimately; the channel members have discussions and consultations for the occurred events and problems. The normative management mechanism for the channel relationship in this article is also divided into these two dimensions: The joint planning. The leading enterprises will have clear goals and the coordination of action steps at the outset through developing joint planning with farmers which will reduce the friction and conflict in the process of cooperation, enhance the efficiency of cooperation and joint action. At the same time, in the process of cooperation, the joint problem solving between the leading enterprises and farmers could

Table 2: Difference of authority governance, contract governance and normative management

Governance	Company channel	Relation channel	Traditional, Normal regulations channel
Authority governance	Regulation, policy, inspect	Channel power	Free choice trades
Contract governance	Remunerate system and incentive mechanism	Contract item, charter	Haggle to make sure price
Normative management	Culture of company	Trust, commitment	Market trades

Data source: Heide (1994)

dissolve the friction and conflict that has occurred, enhance mutual trust, improve quality of the relationship and ultimately achieve the purpose of improving channel efficiency (Gongdong and Wenhua, 2004).

### HYPOTHESIS

Here, will be according to the theoretical model, combining with the earlier research of domestic and foreign scholars and putting forward relations of theoretical hypothesis between the psychological contract and channel relationship management. It will be as the basis of the Questionnaire design, empirical analysis

Impact of leading enterprises' aware transactional psychological contract on the governance mode of standard type channel. Relational Norms is a bilateral coordination mechanism which relies on cooperative behavior (Heide, 1994) and emphasizes the common aspiration of the channel members to maintain the relationship and the willingness of trying to seek mutual solution. The leading enterprises use governance mechanisms to control, make the channel members reach to a tacit understanding through mutual trust, commitment and the norms of cooperation relationship. Claro *et al.* (2003) argued that, in the past researches on the relationship of the middlemen channels, channel members finished the standard governance by planning together and solving problems together. Jointly making plan means the channel members scheme to the events and consequences that may affect the channel relationships in the future and make appropriate measures before cooperation. Hence, in the conditions of transactional psychological contract, leading enterprises that are generally based on their own interests will increase the use of compulsory powers, the way of contract governance, reducing jointly making plan with the farmers and jointly solving problem

Based on the above analysis, the studies make the following hypothesis:

**H1a:** Transactional psychological contract perceived by the leading enterprises will have negative impact on jointly making plan between enterprises and farmers

**H1b:** Transactional psychological contract perceived by the leading enterprises will have negative impact on jointly solving plan between enterprises and farmers

Relational Psychological Contract (RPC) reflect that employees received a long-term job security at the price of working in a long term keeping loyal and willing to accept the adjustment of the inner jobs, it bases on the socio-emotional exchange and long-term cooperation (Wang and Zhang, 2012). In fact, farmers and the leading enterprises in the relational psychological contract formed long-term partnerships. Therefore, under the conditions of the RPC, the leading enterprises naturally increase the use of non-mandatory powers, take fewer contract measures and more willing to co-plan and solve the problems together with the farmers

Based on the above analysis, the studies made the follow:

**H2a:** In other conditions under the condition of the same, leading enterprises perceived psychological contract have a positive impact on joint planning

**H2b:** In other conditions under the condition of the same, leading enterprises perceived psychological contract have a positive impact on joint problem solving

- Impact on the Speculative behavior from the standardize channels' management of the leading agricultural enterprises

The academics considered that under the channels' Speculative behavior, channel members get their own interests at the expense of each other's interests, it's manifestations is that the channel members violate the contract signed by both parties that is actual behaviors didn't consistent with the behaviors regulated in the contract (Li, 2002). For example, changing products, the farmers agricultural products sold to the leading enterprises which bid higher but didn't sign a contract.

According to the difference of the trading environment and trading behavior, the channels Speculative behavior is divided into four kinds. That are channels Speculative behavior in original environment, channels Speculative behavior in the new marketing environment, passive Speculative behavior in the original marketing environment, passive Speculative behavior in the new marketing environment (Wathne and Heide, 2000). When taking standard governance to strengthen management marketing channels, enterprises will have to consciously establish a high degree of mutual trusty and a high degree of commitment with partners. Under the

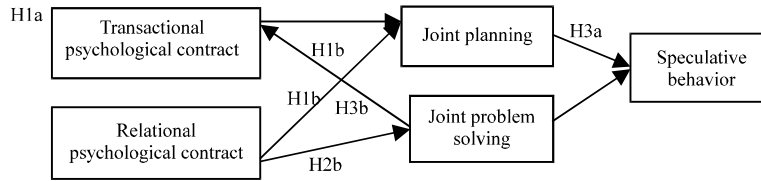


Fig. 1: Psychological contract-relational norms of marketing channel governance-speculation behaviors hypothesized model. Data source: Studies trim

premise of benefit, channel members will be in their own interest at the expense of others is a self-serving premise that they will consciously suppress their own speculation (Weitz and Jap, 1995). Previous empirical study indicated, there's such a kind of relationship between the normative governance and the Speculative behavior. Therefore, this study presents hypothesis:

- H3a:** Joint planning between the leading enterprises and farmers has significant negative impact on the channels speculation
- H3b:** Joint problem solving between the leading enterprises and farmers has significant negative impact on the channels speculation

Based on the above hypothesis, Put forward Psychological Contract-Relational Norms of Marketing Channel Governance-Speculation Behaviors hypothesized mode l which are shown in Fig. 1.

**RESEARCH METHODS**

**Sample and data:** This study applies the channel governance of the leading agricultural enterprise as the research object, study sample selected for the national agricultural leading enterprises in the industry covering food, vegetables, livestock, fruits and other enterprises. From March 20, 2012 to July 2012, 25, the study issued a total of 300 copies of the study questionnaires, 283 returned, through the preliminary screening, 267 copies questionnaires are final effective, the effective rate of the questionnaires were 89%.

**Questionnaire design and variable measurement:** The scale of the perception among the leading enterprises and farmers in “psychological contract”is derived from the appropriate revision of the scales of Robinson and Rousseau (1994) and Li (2002), each has five questions, ten questions in total. The normative governance made scale is drawn from the appropriate revision of the scale of Claros and others, nine items in total. The speculative

**Table 3: Scale reliability: cronbach's  $\alpha$  reliable coefficient**

Measure form	Cronbach's $\alpha$	Amount	Treatment
Total measure form	0.786	23	Yes
TPC:	0.834	5	Yes
RPC	0.727	5	Yes
JP	0.813	5	Yes
JS	0.735	4	Yes
SB	0.820	9	Yes

TPC: Transactional psychological contract, RPC: Relational psychological contract, JP: Joint planning, JS: Joint problem solving, SB: Speculative behavior. Data source: Studies trim

behavior scale is translated from Jap and Anderson (2003) Scale, revised 4 topics after revision. Adopt a five-point Likert scale.

**Scale reliability and validity analysis:** The study uses SPSS21.0 to have a test of the Cronbach's  $\alpha$  reliability on the returned sample. The reliable coefficient of the revised total scale were 0.786, results are shown in Table 3, with a high reliable. At the same time, the reliability coefficient for each subscale was above 0.7, indicating that the revised scale has good reliability. Because the scale this research adopts is the maturity scale with high validity, therefore did not do scale validity analysis.

**Description of sample:** Descriptive statistical which analyze the characteristics of a set of data, According to the Enterprise Class, Enterprise scale, Enterprise profession, Cooperate time, Contract form, the study Choose 267 Sample object, results of analysis are shown in Table 4.

**Multivariate hierarchical regression analysis:** Multivariate hierarchical regression to is compare two or more regression model (Ruofeng, 1998). To compare the advantages and disadvantages of the two built models according to the difference of the variance explained by the two models. The more a model explains the variation, the better it fits the data. Suppose under the condition of ceteris paribus, a model explains more variance than the other model, then this model is a better model. The difference between the variance explained by the two models could be estimated and tested by the use of

statistical significance; this study uses multivariate hierarchical regression to analysis to analyze the data. We analysis the psychological contract in following procedures. Firstly, regression analysis the joint planning-joint problem solving model and put the relational psychological contract and the transactional psychological contract as independent variables. Secondly, put the joint planning and joint problem solving as the dependent variable, comparing both models by regression analysis. Thirdly, regression analysis the speculation model thinking about the normative governance is joined or not in the normative governance, comparing the advantages and disadvantages of the structure of the models.

**Judging from the goodness of fit indicators:** As shown in Table 5, the goodness of fit of the psychological contract 0.186. It is higher than the Ad-R2 which do not join the variables of psychological contract. So the goodness of fit of the psychological contract-joint planning model is better than the joint problem solving model.

Table 4: Description of leading agricultural industry: Enterprise class, enterprise scale, enterprise profession, enterprise cooperate time, contract form

Enterprise Class	Amount of samples	(%)
National class	78	29.0
Province class	126	47.1
City class	63	23.5
Enterprise scale (property)	-	-
>5000000 yuan	69	26.0
<5000000 yuan	198	74.0
Enterprise profession	-	-
Farming industry	56	20.9
Food industry	53	19.8
Marine industry	37	13.8
Vegetable industry	43	16.1
Fruits industry	57	21.3
Flower industry	21	7.8
Cooperate time	-	-
>10 year	69	25.8
5-10 year	102	38.2
<5 year	96	36.0
Contract form	Sample piece	-
Written contract	221	82.7
Oral contract	28	10.5
None contract	18	6.8

Data source: Studies trim

From the coefficients for JP model (Table5), the TPC coefficient is -0.38 and is significant (p<0.001), the coefficient of RPC is 0.237 and is significant (p<0.001). It states that transactional psychological contract has a significant negative influence to joint planning and the relational psychological contract has a significant positive influence to joint planning. And assuming H1a, H2a is supported, to the OB model (Table 5), the TPC coefficient is -0.34 and is significant (p<0.001), the coefficient of RPC is 0.255 and is significant (p<0.001). It states that transactional psychological contract has a significant negative influence to joint problem solving and the relational psychological contract has a significant positive influence to joint problem solving. And assuming H1b, H2b is supported, to the OB model (Table 5) and the coefficient of joint planning is -0.171 and is significant (p<0.001). The coefficient of joint problem solving is -0.194 and is significant (p<0.001). It states that joint planning and joint problem solving have a significant negative influence to the channel speculation behavior that is assuming H3a, H3b is supported.

**ANALYSIS AND DISCUSSION OF RESULTS**

**Psychological contract impact on the relational norms of marketing channel governance:** The transactional psychological contract stresses that the partnerships between farmers and the leading enterprises is based on short-term material interests (Zusuo, 2002). This article assumes that the perceptive psychological contract of the leading enterprises and farmers to make co-plan and solve the problems together. Empirical research shows that leading enterprises and farmers can make co-plan and solve problems together. It also shows that the more focus on short-term material exchange, the more unwilling to make co-plan and solve the problems together.

**Relational psychological contract impact on relational norms of marketing channel governance:** In the leading agricultural enterprises' opinion, the psychological contract emphasizes the cooperative relationship between

Table 5: Regression results of psychological contract-relational norms of marketing channel governance-speculation behaviors model: Standardized coefficients

Model	JP	JS	TPC	RPC	F	Ad-R <sup>2</sup>
<b>JP</b>						
I		0.52***			51.72***	0.162
II		0.371***	-0.38***	0.237***	15.04***	0.181
<b>JS</b>						
I	0.52***				51.72***	0.163
II	0.272***		-0.34***	0.255***	32.235***	0.389
<b>SB</b>						
I			-0.137*		4.933*	0.021
II	-0.171***	-0.194***	-0.101		4.538*	0.052

\*\*\*p<0.001, \*p<0.05 (two-tailed test). TPC: Transactional psychological contract, RPC: Relational psychological contract, JP: Joint planning, JS: Joint problem solving, SB: Speculative behavior F. F-value: Significance test of regression equation. AD- R<sup>2</sup>: Adjusted-R<sup>2</sup> which judge the fitting degree of the model. Data source: Studies trim

farmers and the leading enterprises based on the contract established in the long-term. Farmers will go from the point of view of them, attach importance to the interests of them. Sometimes, they will even give up the short-term benefits for the long-term interests and the cooperation relationship between the two sides is close and stable (Junyi *et al.*, 2009).

In this article, the studies assumed that the perception of the leading enterprises relational psychological contract not only has a positive impact on joint planning, but also on joint problem solving. The psychological contract has a positive impact on joint planning and joint problem solving. It suggests that the leading enterprises lay stress on the stable long-term cooperation with farmers and co-plan and solve the problems under the channel normative governance.

**Relational norms of marketing channel governance impact on channels speculation:** Actually, channels speculation behavior refers to the channel members violated the contractual provision of the contract not only for their own interests, but also harmed each other's which seriously affect the relationship between the channels.

In this article, the studies assumed that jointly make decision and solve problem have a notable negative impact on the channels speculative behavior. From the empirical studies, normative governance way of speculative behavior have a significant negative impact on it which suggests that the leading enterprise should discuss with farmers when they make decisions and solve problems. Only in this way can they avoid the speculative behavior, meanwhile, it will help to create a good relationship between the channels.

## CONCLUSION

The leading enterprises should take various measures to promote transactional psychological contact between farmers and leading enterprises transforming to the development and dynamic of the psychological contract. While farmers with the psychological contact are easier to make the inference of mutual trust and continue exceptions of the relationships between the two sides. In the end, it can affect the intension of cooperative behavior between farmers and leading enterprises.

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