

## **The Effect of Informational Influence on Ethical Supplier Selection Judgment**

### **Introduction**

The purpose of this research is to apply social comparison theory (Goethals, 1986) and social impact theory (Harton et al., 1998; Latané, 1981) to study the impact of informational influence within the organizational buying center on purchasing agents' individual ethical supplier selection judgment, which is defined in this research as an evaluation of the degree to which a potential supplier selection is morally right (J. Rest et al., 1997). Informational influence refers to the interpersonal processes that promote change in group members' opinions<sup>1</sup> when they use the responses of others in the group as reference points and informational sources (Forsyth, 2009). According to the Rest's ethical decision making model, individuals make ethical judgment before they establish behavioral intention, which leads to final behavior (J. R. Rest, 1986). Literature review shows that the ethical judgment is the most frequently examined stage by researchers (O'Fallon and Butterfield, 2005). Therefore, this research will focus on individual ethical supplier selection judgment and see how informational influence changes this judgment.

Review indicates that unethical organizational buying practices has caused a lot of economic and social impacts on organizations (DeLaurentis, 2009; Guo et al., 2012; RISING, 2013), which have triggered lots of ethics related research both in business ethics literature (e.g., O'Fallon and Butterfield, 2005) and in ethical supply chain management literature (e.g., Carter, 2000; Landeros and Plank, 1996). Both two research streams have generated lots of insights that explain the factors related to individual's ethical judgment, such as age, value orientation/philosophy, rewards/sanctions, code of ethics/ ethics policies, culture, and cognitive moral development (CMD)<sup>2</sup> etc.. However, we believe that those insights, acquired from studies based on the individual decision settings, may not help us to fully explain the ethical supplier selection judgment in organizational buying context, because the supplier selection is a group settings (Johnston and Lewin, 1996; Sashi, 2009) and group decision literature (Forsyth, 2009; Kaplan and Miller, 1987) indicates informational influence within group is an important force that causes people to change their opinions or judgments<sup>3</sup>. Following this reason, this research argues that informational influence within the organizational buying center is a factor that is omitted by the current ethical supply chain literature and that may greatly change individual's ethical supplier selection judgment. Review also indicates that the supplier selection situations will be more complicated if there is more variety of supplier selection criterions used and if the supplier selection has more strategic importance. Under each situation, purchasing agents within buying center may need more information and more reference points to make judgments by interacting with each other, which may change the influence structure within buying center. So, it's important to understand how supplier selection situations are related to informational influence, which may change individual's ethical supplier selection judgment. However, this relationship has not been addressed yet. Therefore, this research is going to address the following research questions:

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<sup>1</sup>Opinion: a view, judgment, or appraisal formed in the mind about a particular matter (<http://www.merriam-webster.com/dictionary/opinion>). To describe individual's view on a particular matter, researchers in group decision literature use "opinion" while researchers in ethics study adopt "judgment." In this research, we treat these two terms as equal.

<sup>2</sup> A construct developed by Lawrence Kohlberg to describe his six stages of moral development, which can be more generally grouped into three levels of two stages each: pre-conventional, conventional and post-conventional (Kohlberg, 1981).

<sup>3</sup> Another group influence on individual's judgment shift is normative influence, which is based on the desire to conform to the social norms, standards, and convention (Forsyth, 2009). Review shows that informational influence produces more frequent and stronger shifts than normative influence does (Kaplan and Miller, 1987). So, normative influence within buying center will be a control condition in this research.

1. How do supplier selection situations, more specifically, the variety of selection criteria and the strategic importance of supplier selection, relate to the informational influence within organizational buying center?
2. Within the organizational buying center, how does the informational influence impact on individual's ethical supplier selection judgment?

Understanding the impact of informational influences within buying center and supplier selection situation on individual's ethical supplier selection judgment is important for two reasons. First, this research can generate a new thinking with respect to how buying agents make ethical supplier selection judgment. By proving the impact of informational influences from group interaction on individual's ethical supplier selection judgment, this research can show that the individual's ethical judgment in the supplier selection context is actually a group phenomenon, rather than an individual phenomenon. We hope this new thinking may change managerial control practices on ethical supplier selection. Second, this research can also contribute to the behavioral supply chain research stream by demonstrating the dynamic process of individual ethical supplier selection judgment in the organizational buying context and add more clarity to the ethical judgment study within group situation.

### Theory and Hypothesis

Group decision literature indicates that information influence occurs when group members use the responses of others in the group as reference points and informational sources (Forsyth, 2009; Kaplan and Miller, 1987). According to social impact theory (Horton et al., 1998; Latané, 1981), the impact of any source of group influences on individual's opinions or judgments, depends on the strength, the immediacy, and the number of people (sources) present (Forsyth, 2009, p. 183). So, informational influence within organizational buying center will be changed (either increase or decrease) by factors that can alter either the strength or the number of people (source) present. Supplier selection literature (Choi and J. L. Hartley, 1996; Weber et al., 1991) indicates that the supplier selection situation can be changed if there is a more variety of supplier selection criterion and if the supplier selection is more strategically important to organization. More variety of supplier selection criteria used in the buying center indicates purchasing agents need more information and more reference points within the buying center to make judgment on potential supplier selection, therefore increasing the number of sources present which in turn increase the informational influence within buying center. Therefore, we assume that:

**H1:** The variety of supplier selection criteria will be positively related to the informational influence within organizational buying center.

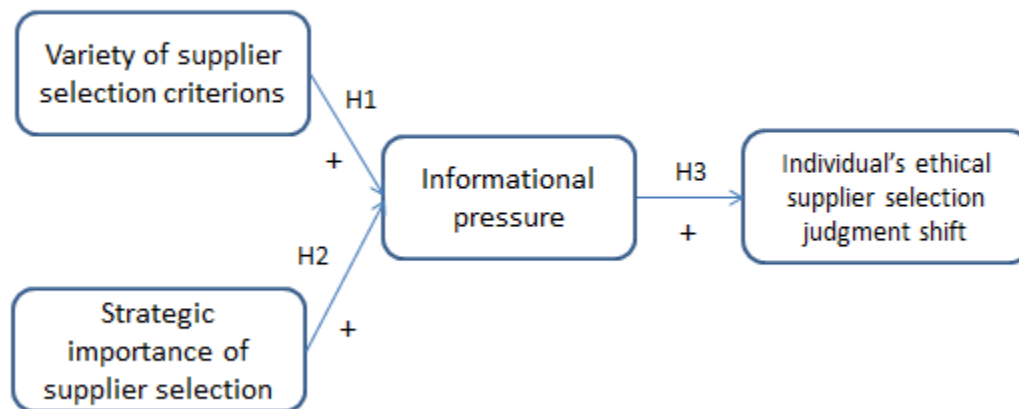
Johnston and Bonoma (1981) show that the importance of a purchase has a positive effect on the total number of individuals involved in the buying process. The meta analysis about the influence of purchase situation on buying center structure conducted by Lewin and Douthett (2005) indicates that important purchasing is positively related to the vertical involvement of buying center structure, which is characterized by the number of levels of the organization's authority (e.g., CEO or functional vice presidents) exerting influences and communicating within the buying center (Johnston and Bonoma, 1981). Following these research conclusions, we can draw a conclusion that the strategic importance of supplier selection will both increase the number of and the strength of people present in the buying center, which can lead to more informational influence. Based on the above analysis, we have the following hypothesis:

**H2:** The strategic importance of supplier selection will be positively related to the informational influence within organizational buying center.

According to social comparison theory (Baron et al., 1996; Goethals, 1986), group members, as active information processors, evaluate the accuracy of their views and gauge the quality of their personal attributes by comparing themselves to other individuals. Group members initially espouse judgments that are less extreme than their true judgments because of a fear of being labeled deviant and that (after group discussion reveals that others espouse similar but more extreme judgments) they shift their judgments toward their true values and may even leapfrog over the more extreme judgments of others. This shift is termed as “choice shift” (Friedkin, 1999), which indicates that after a group's interaction on an issue, the average final opinion (a view, judgment, or appraisal formed in the mind about a particular matter) of group members differs from the members' mean initial opinion. According to organizational buying literature, the supplier selection involves group interactions and discussions (Johnston and Lewin, 1996; Sashi, 2009). Following the logic relationship between informational influence and the shift of individual's judgment from group decision literature, we have the following hypothesis when purchasing agents evaluate the ethicality of a potential supplier selection:

**H3:** Within the organizational buying center, informational influence will increase the shift of individual's ethical supplier selection judgment.

### Research framework



### Experiment design and data analysis

This research will use experimental design method to capture how supplier selection situations relate to informational influence within buying center and how this influence change individual's ethical supplier selection judgment. According to social impact theory (Harton et al., 1998; Latané, 1981), the informational influence within buying center can be determined from the strength, immediacy and the number of people (source) present. Since this experiment will be run by face to face group interaction, the immediacy of the people (source) would be the same across all groups. The condition that this research is going to manipulate is the variety of supplier selection criteria and the strategic importance of supplier selection. Each condition will have two levels (high verse low) to capture the variance of situations. The conditions that this research is going to control to partial out the impact of normative influence on individual's judgment are the norms, standards, and convention within buying center.

The general procedures for running this experiment would be the followings. First, it will adopt the vignettes designing methods (RUNGTUSANATHAM et al., 2011) to create generic supplier selection scenario in supply chain context. Then, it will do a pretest by asking respondents to make an evaluation without discussion on the supplier selection scenario according to the multidimensional measurement scale developed by (Reidenbach and Robin, 1990). Next, it will randomly assign respondents into a team with five or six people, and let those people within group to discuss the ethical scenarios and interact with each other and then make another evaluation on the supplier selection scenario that they all agree on. The group setting in the posttest will be set up according to the condition that this research is going to manipulate. The difference between the average judgment of group members in posttest and the members' mean initial judgment in pretest will be the judgment shift.

This research is going to use MBA students in supply chain department as research respondents. MBA students were included because they are a commonly used proxy for business people and have not been found in prior research to differ significantly from business people(Beekun et al., 2008). Exploratory and confirmation factor analysis will be used to develop the scale for multidimensional ethical scale. For the data analysis, this research is going to use multiple regression analysis to analysis the relationship between informational influences and the changes in individual's ethical supplier selection judgment.

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