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How Do Large Purchasing Organizations Treat Their Diverse Suppliers? Minority Business Enterprise CEOs' Perception of Corporate Commitment to Supplier Diversity

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Abstract

Supplier diversity programs were created in the United States nearly 50 years ago to encourage private sector companies to provide business opportunities to underutilized minority business enterprises. In order to assess the experiences that minority business enterprise CEOs have with large purchasing organizations and their perceptions of justice and commitment of large purchasing organizations to the buyer–supplier relationship (BSR), this study utilizes survey data collected from 206 minority business enterprise CEOs who supply large purchasing organizations that espouse a strong commitment to supplier diversity. The theoretical framework of organizational justice is utilized to establish testable hypotheses. The results from hierarchical linear regression show minority business enterprise CEOs' perception of large purchasing organizations' commitment to the BSR is positively related to the distributive and informational dimensions of organizational justice. Surprisingly, the procedural dimension was found to have a significantly negative relationship. This research also found a

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significant, negative relationship between minority firm CEOs' perception of distributive and informational justice and their perceptions of unethical behavior by large purchasing organizations.

Keywords
corporate social responsibility, minority business enterprise, organizational justice, supplier diversity, unethical buying behavior

Corporate social responsibility has become a force in the ethics, strategy, organization, leadership, and supply chain literatures. Subsumed under the corporate social responsibility umbrella is the concept of supplier diversity, which emphasizes ethical procurement practices to create a transparent, equitable, inclusive supplier base that improves efficiencies as well as reflects the diverse consumer base large purchasing organizations (LPOs) are trying to attract (Worthington et al., 2008). Nearly all LPOs have supplier diversity listed on their websites and annual reports as one of their key corporate social responsibility initiatives (Schoeneborn et al., 2019; Tate et al., 2010). The supplier diversity literature traditionally focuses on LPOs that are publicly traded and how these organizations procure various goods and services from minority business enterprises (MBEs).

The U.S. Small Business Administration defines an MBE as one owned by individuals who are socially disadvantaged (i.e., have been subjected to racial or ethnic prejudice or cultural bias because of their identity as members of a group) and economically disadvantaged (i.e., socially disadvantaged individuals who have not been able to compete due to diminished opportunities to obtain capital). This definition pertains to businesses owned by Black Americans, Hispanic Americans, Native Americans, and Asian Pacific Americans, which includes Subcontinent Asian Americans (SBA.gov). Notwithstanding advertised diversity initiatives, only a small percentage of LPOs publish their procurement expenditures with MBEs, with the notable exception of best-in-class supplier diversity companies that belong to the Billion Dollar Roundtable (see Billiondollarroundtable.org). According to their website, the BDR was created in 2001 to recognize and celebrate corporations that achieve spending of at least US$1 billion with minority and woman-owned businesses (bdr.org). The BDR encourages corporate entities to continue growing their supplier diversity programs by increasing commitment and spending levels each year. However, the BDR currently has only 27 companies within its consortium. The omission of expenditure data from the vast majority of LPOs leaves many shareholders, customers, and MBEs believing that most supplier diversity programs are more about optics than real intentions to grow, develop, and provide equal opportunity to their MBE supplier base (Bates, 2001; Schneider, 2019).

Research by Worthington et al. (2008) investigates the motivation of LPOs to conduct business with MBEs. They also talk extensively about the "browning" of America's population and the explosive growth of MBEs. They posit that LPOs' economic futures will be determined by their ability to align their goods and services to meet the needs and wants of the fast-growing minority population. They also postulate that, in order to service the expanding minority customer base, LPOs are going to have to turn to their minority suppliers for critical information to determine what new products, processes, and/or services minorities will be looking for today and into the future. For example, Choi and Linton (2011) found that "[l]ower-tier suppliers [i.e., MBEs in this study] can provide valuable information about the latest manufacturing advances and technological innovations" (p. 114). Other research by Henke and Zhang (2010) found that automotive suppliers reserve their most advanced technological innovations for customers with which they have a strong sense of commitment and a history of fair dealings. Therefore, MBEs can serve as a valuable source of information in both process and product innovation to LPOs who are willing to commit to the buyer–supplier relationship (BSR).

In order to assess LPOs' commitment to developing a positive relationship with MBEs, one free of unethical behavior, I utilize two questions to drive this research. More specifically, I query the person with the most intimate knowledge of their sentiment, MBE CEOs.

> **Research Question 1:** Do MBE CEOs perceive they are being treated justly by their LPO customers, and by extension, does this perception affect their view of the LPOs' commitment to the BSR?
> **Research Question 2:** Do MBE CEOs' perception of the presence of unethical procurement behavior by their LPO customers impact their views on both fairness and the LPOs' commitment to the BSR?

Understanding how MBE CEOs perceive organizational justice demonstrated to them by LPOs may offer insight into the efficacy of supplier diversity programs. Investigating these two questions can elicit insights into whether and how LPOs may be creating a real sentiment of distrust among their MBEs as it relates to their commitment to supplier diversity.

MBEs in the United States are experiencing substantial growth in numbers and continue to outpace the rate of growth of all U.S. business starts. According to data from the US Census Bureau (2015), the number of MBEs grew 45.5% from 2007 to 2012, compared to a growth rate of 13.6% for White-owned firms. This growth has resulted in MBEs now comprising over 21.3% of all U.S. businesses (US Census Bureau, 2015). However, the data are not all optimistic. For example, average gross receipts of MBEs came to US$171,000, while average gross receipts for comparable White-owned firms surpassed US$650,000, and the gap is continuing to widen (US Census Bureau, 2015). Similarly, comparable White-owned firms employ 21 people, while MBEs average 7 employees (US Census Bureau, 2015).

To date, most MBE research has focused on how to assist nascent minority entrepreneurs and small-sized MBEs like those previously mentioned (by revenue or number of employees) to overcome the disparities by means of education (Kollinger & Minniti, 2006), access to capital (Rhodes & Butler, 2004), and improving their networks (Sonfield, 2016). However, there is minimal research on MBEs that have moved beyond the aforementioned barriers to growth to become vetted, qualified, and approved suppliers to LPOs (Blount et al., 2013; Shelton & Minniti, 2018). To external viewers, their ability to move beyond the basic pitfalls and challenges of entrepreneurship to service LPOs makes them appear content and successful. Although these firms are larger in scale as compared to their smaller-sized MBE peers, no research has examined if they feel they are treated equitably by the LPOs they are doing business with. This research helps to facilitate the conversation.

In order to address the research questions posed above, I utilize the lens of organizational justice theory posited by Luo et al. (2015, p. 607):

> The role of justice ordering, as an important social force (Luo, 2007b), in curbing opportunism and improving relationship outcomes in buyer–supplier relationships has not been adequately addressed in prior research. Justice is fundamental to all social exchange as perceptions of equity nurture continued commitment to an ongoing exchange, even under uncertainty (Adams, 1965). Justice strengthens overall commitment (Johnson et al., 2002), improves resource allocation (Kim & Mauborgne, 1993), and reduces opportunism (Luo, 2007b). It also alleviates relational uncertainty, which may be difficult or even impossible to reduce through formal contracts and create enduring economic incentives that counter opportunism and promote long-term cooperation (Luo, 2007a).

Addressing how MBEs are being treated by LPOs is of paramount importance to the United States for a multiplicity of economic and societal reasons. First, by 2044, 50% of the population will be diverse (Colby & Ortman, 2017). Second, a 2016 report by leading enterprise benchmarking firm the Hackett Group claimed supplier diversity programs add, on average, US$3.6

million to the bottom line for every US$1 million in procurement operation costs. Third, the National Minority Supplier Diversity Council (NMSDC) economic impact study from 2014 revealed minority firms generate more than US$400 billion of economic impact annually. Fourth, these minority-owned small businesses drove the creation and/or preservation of more than 2.2 million jobs held by persons who find themselves either directly or indirectly employed by MBEs (NMSDC, 2014). Fifth, these same minority suppliers also generate close to US$49 billion in tax revenue for the benefit of local, state, and federal governments (NMSDC, 2014). Finally, if MBEs become unsustainable enterprises, valuable product, service, and customer insights may no longer be shared with LPOs; this coupled with the high probability of increased minority unemployment stemming from MBE closures poses a significant threat to the overall economy (Bates, 2006).

The rest of the article proceeds as follows: First, I discuss the theory of organizational justice and leverage its procedural, distributive, and informational dimensions to develop hypotheses. Next, I provide a description of the data and methods used for testing the hypotheses. Finally, I conclude with the findings, managerial implications, and potential limitations of the study along with recommendations for future research.

Literature Review and Hypotheses Development

The concept of justice was explicitly articulated by ancient Greek philosophers Aristotle and Plato to provide citizens with a moral compass directing them to treat their fellow countrymen equitably in all aspects of life, whether personal or professional. Their initial conceptualization of justice has evolved into researchers now studying how corporations treat their employees and that treatment's resulting impact on firm performance. According to McCardle (2007), organizational justice can be explained as an individual's and/or group's perception of the fairness of treatment received from an organization and their behavioral reactions derived from those perceptions. Even more recently, the concept of justice has extended into supply chain management (SCM) research to better understand BSRs (Hornibrook et al., 2009). Although this is a growing segment in SCM research, the inclusion of MBEs into the discussion has not been thoroughly assessed (Theodorakopoulos et al., 2015).

Justice as a construct has been delineated into four dimensions: distributive, procedural, informational and interpersonal. Distributive justice was introduced by Homans (1961) and further expounded upon by Adams (1965). Both scholars were interested in how people concern themselves with whether outcomes are fair. Procedural justice was initially introduced by Thibaut and Walker (1975). Their research investigated whether and how fairness is perceived by individuals in a particular process and if they perceive they have some influence in the process. These two dimensions have traditionally been considered more structural in nature because they are typically tied to formalized procedures and systematic allocations of the rewards and/or consequences (Tyler & Bies, 1990).

By contrast, informational justice is typically assessed by how information being disseminated by one party is received and perceived by another party. Although this can be handled through structured mechanisms, there are also non-formal mechanisms through socialization where information can be disseminated and interpreted (Cousins & Menguc, 2006). Finally, interpersonal justice is viewed as how one person treats another and how this treatment is perceived as being just and fair (Bies & Moag, 1986; Greenberg, 1993). In particular, interpersonal justice refers to a person's perception of being treated politely and respectfully by those implementing decisions that can determine procedures and outcomes that may affect their lives (Liu et al., 2012).

In this article, procedural, distributive, and informational dimensions of organizational justice are utilized to test the hypotheses. I postulate that each of these dimensions has a direct relationship with MBE CEOs' perception of un/ethical buying behavior of LPOs as well as the LPOs' commitment to the relationship. The interpersonal dimension is not included in this article based on the salience of responses I received from MBE CEOs while conducting this research, most specifically in the development of the survey instrument. In every instance, interpersonal justice did not affect their perception of the LPOs' commitment to the BSR; rather, the receiving of information in a timely manner, procedures being administered fairly, and contracts being equitably distributed based on price, performance, and quality are most important.

Research focused on BSRs has seen a significant uptick in the supply chain literature, especially over the past couple of decades (Carr & Pearson, 1999; Paulraj et al., 2008). Some researchers have focused on how socialization creates a sense of closeness between buyers and suppliers and how this closeness enhances trust and deters unethical behaviors (Cousins et al., 2008; Cousins & Menguc, 2006). Others have focused on psychological and social contracts and how unethical violations of contracts by buyers are negatively perceived by suppliers (Eckerd & Hill, 2012; Hill et al., 2009). Hill and colleagues (2009) also found that unethical violations of contracts reduce trust and supplier satisfaction in the relationship with LPOs. However, there has been scant research on how LPOs' supplier diversity programs' effectiveness and fairness are perceived by their MBE suppliers (Krause et al., 1999; Theodorakopoulos & Ram, 2008). This article seeks to address this deficiency in the literature.

As one can imagine, the BSR can be difficult to manage, especially when considering the premise of supplier diversity. As stated earlier, supplier diversity brings to bear ethics, transparency, equity, and inclusiveness; however, the fundamental function of procurement managers is to obtain the highest quality product/service at the lowest possible cost. This dilemma leads many scholars to ask the question: Is supplier diversity viable with cost pressures dictating procurement decisions, or is it inherently disadvantageous (Bates, 2001; Schneider, 2019; Shah & Ram, 2006)?

Mukherji and Francis (2008) state that the BSR requires mutual adaptation, interdependence, and collaboration to create a symbiotic relationship. Gullett and colleagues (2009) explore the importance of ethical behavior to the BSR. In their article, they expound upon Hosmer's (2008) six-factor ethical framework by examining the nature of trust and its implications to the BSR. However, their framework was not empirically tested and only included the distributive justice dimension, leaving unanswered questions about the importance of procedural and informational justice. This article looks to extend these previous contributions by bringing to bear the impact of three dimensions of organizational justice on MBE CEOs' perception of unethical LPO behavior as well as the perceived LPO commitment to the BSR. I believe examining these variables from the perspective of MBE CEOs will offer the greatest insight to determining the authenticity of LPOs' commitment to supplier diversity.

Effects of Procedural Justice

Procedural justice has traditionally been described as the right processes, policies, and procedures used in the distribution of benefits (Korsgaard et al., 1995). According to Brown et al. (2006), proper perceptions of procedural justice by suppliers of their LPO customers can help improve their perceptions of their commitment to the BSR. In this research scheme, I promulgate that if MBE CEOs perceive procedural justice is being applied consistently by LPOs to all suppliers, then MBE CEOs will perceive the buying firm is committed to the success of the relationship. Kumar et al. (1995) introduce procedural justice from the position of the fairness of a party's (an LPO in this case) policies for dealing with its vulnerable partners (MBEs in this case); procedural justice refers to the fairness of the means used to determine the outcomes in the relationship. This nuanced view aptly applies when utilizing the lens of supplier diversity, where MBE suppliers are not likely to be at the same production or economic scale as their White-owned counterparts (Winbush et al., 1996).

According to Leventhal (1980) and Colquitt (2001), procedural justice refers to the perceived fairness of decision-making procedures. The few studies that exist from the MBEs' perspective have found that they have historically felt that LPOs follow different standards/procedures for them as compared to their White-owned counterparts (Ram et al., 2002). Previous research has also found that MBEs feel there is bias in how LPOs engage with them as pertains to providing the same ethical/moral standards, accurate information, and bias-free processes as compared to their White-owned counterparts (Carter et al., 2015). I propose that when MBE CEOs perceive that procedural justice is not being followed by an LPO, it increases the perception that unethical behavior is occurring. Based on the aforementioned, the following hypotheses are offered:

Hypothesis 1a: Procedural justice is positively associated with MBE CEOs' perception of LPOs' commitment to the BSR.
Hypothesis 1b: Procedural justice is negatively associated with MBE CEOs' perception of LPOs' unethical behavior.

Effects of Distributive Justice

According to Kumar (1996) and Hertel et al. (2002), in an exchange-based relationship, distributive justice incorporates how profits are shared as well as how benefits and burdens are to be allocated between two parties. Distributive fairness is also considered a critical aspect in buying behavior, and many supply chain scholars posit that perceived inequity in outcomes may result in unfavorable perceptions by suppliers of buyers' intentions (Frazier, 1983). Hornibrook and colleagues (2009) state that

> within supply chain relationships, organisational commitment can be defined as a firm's long-term orientation towards its partner organisation, which suggests a willingness to accept inequities in the short term due to the belief that balance in the distribution of rewards will be achieved over the long term. (p. 794)

Duffy and colleagues (2013) extend Kumar et al.'s (1995) work on procedural justice and find that in BSRs, distributive justice also relates to the weaker party's perceptions of the fairness of the division of benefits and burdens that it receives from its relationship with the more powerful buying firm. To that end, I propose that distributive justice will have the most significant positive association with MBE CEOs' perception of LPOs' commitment to the BSR, as the distribution of contracts is the most clear-cut way for MBEs to determine if they are being treated equitably (Morgan & Hunt, 1994; Tang & Sarsfield-Baldwin, 1996).

Research by Colquitt (2001) and Leventhal (1976) states that distributive justice refers to fairness of decision outcomes. As can be seen by the gross sales receipts difference between MBEs and White-owned firms, the conversation about how contracts are being distributed is apropos. MBEs who feel they are being treated unfairly in terms of the contract allocations they receive in comparison to the amount of effort they put into the relationship may attempt to redress the balance by decreasing outputs or withdrawing from the BSR (Duffy et al., 2013). According to Bates (2011), some MBEs have become disillusioned, believing that there is not much likelihood of an equitable distribution of contracts and that unethical procurement practices are at play. Recent research by Yawar and Seuring (2017) posits that a holistic approach must be taken not only to improve the number of sales opportunities for MBEs but also to establish long-term relationships that will increase the number of opportunities for collaboration. Thus, I hypothesize the following:

Hypothesis 2a: Distributive justice is positively related to MBE CEOs' perception of LPOs' commitment to the BSR, and it will also have the strongest association among the three dimensions of organizational justice.

Hypothesis 2b: Distributive justice is negatively related to MBE CEOs' perception of LPOs' unethical behavior.

Effects of Informational Justice

Previous research has found that informational justice has a significant effect on value creation (Ellis et al., 2009). Informational justice also implies the degree to which two parties communicate in a timely and candid manner, while also providing reasonable explanations of the procedures involved (Liu et al., 2012). Higher levels of informational justice in a relationship have been found to increase the amount and frequency of information conveyed between parties (Kumar et al., 1995). Anderson and Narus (1990) explicitly speak to communication being the foundation in the development of long-term, benevolent relationships. Previous research on exchange relationships found information sharing to have a significant direct effect on commitment (Joshi, 2009). Other scholars such as Kim and Frazier (1997) found an indirect effect of pertinent information being shared based on the level of commitment between parties. In order to provide transparency and trust in the relationship, MBEs strive to overcommunicate in many cases about their points of difference and their willingness to super-serve the needs of the LPO

(Ndinguri et al., 2013). If MBE CEOs perceive they are being given information in a timely manner from LPOs, they will also perceive a greater commitment from the LPO to strengthen the relationship over the long term.

Ndinguri and colleagues (2013) advocate for open lines of communication between LPOs and MBEs to mitigate opportunism, especially by the LPO toward the smaller MBE (Kumar et al., 1995). The literature is clear on the importance of communication in the building of trust between unrelated parties (Blau, 1964; Dwyer et al., 1987; Eckerd & Hill, 2012). In the absence of communication, misperceptions about intentions and a greater likelihood of MBE CEOs' perceiving unethical practices are occurring become more likely. Therefore, the following hypotheses are posed:

Hypothesis 3a: Informational justice is positively related to MBE CEOs' perception of an LPO's commitment to the BSR.
Hypothesis 3b: Informational justice is negatively related to MBE CEOs' perception of an LPO's unethical behavior.

Effects of Perceived Unethical LPO Behavior on LPOs' Perceived Commitment to the BSR

Perceived unethical behavior can have deleterious impacts on the BSR (Bendixen & Abratt, 2007; Eckerd & Hill, 2012). Benton and Maloni (2005) found that as LPOs misuse their power in the BSR, dissatisfaction increases among its vendors, subsequently causing supply chain efficiency to decrease. A similar perspective is provided by Schleper et al. (2017), which further substantiates the importance of how LPOs need to be perceived as ethical actors by their suppliers. As previously hypothesized, I believe there are direct negative relationships between organizational justice and perceived unethical buyer behavior by the supplier, and positive relationships between organizational justice dimensions and buyer-firm commitment as seen from the perspective of the MBE CEOs. Following this logic, if an LPO is perceived to behave unethically to maximize power or profits, the supplier will view the relationship as transactional and therefore believe the LPO will be less committed to establishing/maintaining a long-term relationship (Moberg & Speh, 2003).

Thus, the following hypothesis is propounded:

Hypothesis 4: LPOs' perceived unethical behavior is negatively related to MBE CEOs' perception of the buying firms' commitment to the relationship.

Method

Research Setting and Respondents

The unit of analysis for this study is an individual MBE CEO perception. This study utilizes a convenience sample of minority firm CEOs who belong to the NMSDC's affiliates that service Michigan, Ohio, and Indiana and are doing business with LPOs. These regional affiliates have over 650 certified minority-owned firms as members. The NMSDC, headquartered in New York City, is a non-profit organization comprised of a network of 23 affiliated regional councils across the country, all of which provide business certification and business development opportunities for certified minority firms. Since 1972, the goal of the national organization has been to provide a direct link between corporate America and minority firms and is seen as the gold standard for supplier diversity advocacy by both LPOs and MBEs (see nmsdc.org). Nationally, the organization has over 1,450 corporate members whose focus is to improve their supplier diversity expenditures with more than 13,000 certified minority firms within NMSDC's network.

Research Design and Data Collection

The data for this study were collected via internet survey by emailing 681 MBE CEOs who belong to NMSDC's affiliates in Ohio, Michigan, and Indiana. According to Boyer and colleagues (2002), internet surveys obtain similar response rates with more complete information than mail surveys. In preparation for this project, a draft survey was developed from thoroughly vetted scale measurements found in the extant literature and shared with several SCM subject matter experts and a focus group of four MBE CEOs in the Midwest (Flynn et al., 1990). After receiving feedback from the focus group, the original survey instrument was refined to mitigate response bias as well as to improve cogency (Wieland et al., 2017).

Subsequently, I coordinated with the presidents of the regional NMSDC affiliates to send an introductory notification to all MBE CEOs informing them of the forthcoming survey. The message urged its MBE CEOs to respond to the survey for NMSDC to ascertain their perceptions of the sincerity and fairness of its corporate members in providing them with procurement opportunities. Five days later, the first email with the survey hyperlink was sent. Utilizing suggestions to increase response rates by Dillman et al. (2009), two subsequent email requests were sent two weeks apart. Two hundred and six usable responses were received, resulting in a 30% response rate. The survey was composed of Likert-type-scaled questions ranging from 1 = *strongly disagree* to 5 = *strongly agree.* The survey also included responses that were captured in a nominal manner.

Measures and Validation

Using recommendations by Armstrong and Overton (1977), late respondents (responses received within the fourth week or later) were compared to early respondents (respondents within the first two weeks) in terms of the mean responses on each variable using a *t*-test. The results revealed no significant differences between the early and late respondents. In a similar manner, survey respondents were compared to non-respondents by their organizational size (as determined by the number of employees), and no significant differences were found, suggesting that the respondents were representative of the sample population who belong to the NMSDC regional affiliates at the time of the survey (Lambert & Harrington, 1990).

In the present study, two dependent variables are tested. First, I measure the MBE CEOs' perception of the LPOs' commitment to the BSR with four scale questions derived from previous work by Eckerd and Hill (2012). Subsequently, I examine the secondary dependent variable, MBE CEOs' perception of unethical LPO behavior, with four scale questions also derived from Eckerd and Hill (2012). Minority business enterprise CEOs' perceptions of organizational justice and unethical LPO behavior were utilized as independent variables. Questions for perceived procedural justice were derived from Leventhal (1980) and Colquitt (2001). Perceived distributive justice scale questions were sourced from previous studies by Leventhal (1976) and Colquitt (2001). Finally, perceived informational justice questions were derived from Bies and Moag (1986) and Shapiro et al. (1994). Procedural and distributive justice dimensions were comprised of three scale questions, while the scales for informational justice, perceived unethical LPO behavior, and perceived LPO commitment were composed of four questions (Table 1).

Breusch and Pagan, and Cook and Weisberg tests for heteroscedasticity were conducted with no significant findings. A variance inflation factor (VIF) analysis to assess for multicollinearity was also conducted. All variable results were <1.8, which indicates no significant multicollinearity problems; therefore, it was determined that the data could move to the next validation step to determine their suitability to formally test the hypotheses.

Unlike general management or entrepreneurial research that has spent the last 50 years investigating small and mid-sized enterprises (SMEs), the SCM literature has only recently begun to incorporate research on supply chain relationships that involve SMEs and, more specifically, the special case of MBEs (Kull et al., 2018; Theodorakopoulos, 2012). According to the U.S. Small Business Association, SMEs account for over 99.75% of the businesses in the United States and by extension represent an enormous opportunity to expand

Table 1. Survey Items, Factor Loadings and Reliability.

	Cronbach's α	Factor loading	CR	AVE
MBE CEOs' Perception of LPO Commitment to the BSR—adapted from Eckerd and Hill (2012)	.88		.87	.81
The LPO considers us as an extension of their firm.		.82		
The LPO is willing to take a long-term approach to fostering our relationship		.81		
The LPO is willing to dedicate people and resources to improve our relationship		.87		
The LPO includes us in their strategic planning		.90		
MBE CEOs' Perception of Unethical LPO Behavior—adapted from Eckerd and Hill (2012)	.87		.90	.82
The LPO gives preference to suppliers preferred by top management		.84		
The LPO writes specifications that favor non-diverse suppliers				
The LPO invents a second source of supply to gain leverage over suppliers		.88		
The LPO purposely misleads you/your salesperson in negotiations		.93		
MBE CEOs' Perception of Procedural Justice—adapted from Leventhal (1980) and Colquitt (2001)	.80		.83	.73
The LPO buying procedures are free of bias		.83		
The LPO buying procedures are based on accurate information		.86		
You/your company are able to appeal LPO buying procedures		.88		
MBE CEOs' Perception of Distributive Justice—adapted from Colquitt (2001) and Leventhal (1976)	.90		.92	.81
Your outcome(s) with the LPO is appropriate for the work you have completed		.89		
Your outcome(s) with the LPO reflects what you have contributed to the BSR		.92		
Your outcome(s) with the LPO is justified, given your performance		.93		
MBE CEOs' Perception of informational justice—adapted from Bies and Moag (1986) and Shapiro et al. (1994)	.91		.91	.79
The LPO is candid in communications with you		.88		
The LPO clearly explains their procedures to you		.90		
The LPO explanation(s) are reasonable and appropriate		.87		
The LPO communicates details in a timely manner		.88		

Note. $N = 206$. All constructs were measured on five-point Likert-type scales. MBE = minority business enterprises; LPO = large purchasing organization.

our knowledge of diverse supply chains and how they function. This article delves into this opportunity by investigating MBEs, which are the fastest growing type of SME in the United States (SBA.gov).

As the SCM literature has attempted to expand its breadth into understanding the BSR with SMEs, tensions have also emerged among scholars on how to best handle the challenges of properly obtaining and validating survey data on these private firms (Krause et al., 2018). Traditionally, researchers such as Guide and Ketokivi (2015) and MacKenzie and Podsakoff (2012) have suggested that multiple respondents be surveyed to reduce response and common method bias; however, other scholars suggest that in the case of SMEs, this requirement may not be feasible or necessary. Recent research by Flynn et al. (2018) suggests six special cases where utilizing single respondent surveys is viable; the present study aligns with two of them.

First, they suggest that because SMEs have limited size and the founder and/or CEO is a key informant that has expansive knowledge of almost all facets of the organization, their responses will be fully informed from both a micro (e.g., procurement practices) and a macro (e.g., organization strategy) level. This study surveys MBE CEOs who handle the LPO relationship. Second, Flynn and colleagues (2018) posit that single-source surveys may be utilized when investigating a phenomenon in a new context. This article examines the BSR of a special type of SME, called an MBE. As stated earlier, there is limited research on MBE sentiment of receiving equitable treatment by their LPO customers; thus, this article creates a new context to explore the BSR (Krause et al., 1999).

Following guidance from Podsakoff et al. (2003), this article incorporates several procedural suggestions to mitigate against common method bias. First, the questions were formatted in a random order to prevent respondents from perceiving patterns. Second, at the halfway point of the survey, a short break occurred to reduce respondent fatigue. Third, anonymity was demonstrated to the respondents by having no place for their personal or corporate names in the electronic survey. Finally, the directions of the survey stated that there are no right or wrong answers, to encourage them to be as honest as possible with their responses.

To assess the extent to which the survey data in this study may be negatively influenced by common method bias, a Harman's single-factor test was employed (Podsakoff et al., 2003). The results of this test demonstrated that neither a single factor nor a one general factor presented itself when considering all variables at once. Secondarily, following recommendations by Mishra (2016), a confirmatory factor analysis was also conducted. Table 1 reports the factor loadings, construct reliability, and validity of the variables of interest. All factor loadings were considerably above .60. The Cronbach's alphas were all above .80, suggesting good internal consistency across the constructs (Cronbach, 1951). Results from confirmatory factor analysis show a good overall model fit (χ^2/df = 2.14, CFI = 0.91, GFI = 0.96, NFI = 0.92, IFI = 0.95,

Table 2. Frequencies and Percentages for the Demographic Variables.

Variables	*N*	(%)
Gender		
Male	145	(70.3)
Female	61	(29.7)
Industry type		
Service	131	(63.7)
Manufacturing	75	(36.3)
Firm size		
1–19	46	(22.4)
20–49	114	(55.3)
50–99	29	(14.1)
100–249	11	(5.3)
More than 250	6	(2.9)
Buyer-supplier relationship (years) *M*(*SD*)	6.36	(5.3)

Note. $N = 206$.

and RMSEA = 0.07) (Hu & Bentler, 1999). Composite reliabilities (CR) and average variances extracted (AVE) were also found to be at satisfactory levels (>0.70) (Bagozzi & Yi, 1988; Hair et al., 1998). The constructs also showed good discriminant validity. Discriminant validity was determined by examining whether the 95% confidence interval of the correlation between any two factors does not include 1.0 (Anderson & Gerbing, 1988). The content validity of each construct scale was evaluated during the development of the survey instrument with guidance from three academic subject matter experts along with input from several MBE CEOs (Wieland et al., 2017) As such, it was concluded that the data were suitable for analysis.

To provide more accurate estimates of the hypothesized variables, other factors that previous research has found to be important in explaining perception in relationships were controlled (Hill et al., 2009). The control variables of gender, industry type (manufacturing or service based), firm size (as determined by the number of employees), and the duration of the BSR in years are presented in Table 2. The majority of participants were male (70.3%). Furthermore, 63.7% of businesses were service based, and 55.3% of the MBEs surveyed had between 20 and 49 employees. The mean number of the BSR in years was 6.36 with a standard deviation of 5.3.

Inter-correlations (tested using a two-tailed alpha of .05) between the study variables are summarized in Table 3.

Table 3. Correlations Between Scales and Demographic Variables.

	Gender	Industry type	BSR duration	Firm Size	Procedural justice	Distributive justice	Informational justice	Unethical LPO behavior	LPO commitment
Gender	—								
Industry type	.074	—							
BSR duration	−.015	.140*	—						
Firm size	.091	.083	.111*	—					
Procedural justice	.060	−.017	.077	.043	—				
Distributive justice	.175***	.084	−.025	.046	.065	—			
Informational justice	.034	.008	.033	.081	.117*	.626**	—		
Unethical LPO behavior	.004	.010	−.079	.093	−.128*	−.136*	−.110*	—	
LPO commitment	.114*	.015	−.024	.097	−.116*	.317**	.294**	−.108*	—

Note. $N = 206$. BSR duration is the BSR in years. Gender is coded 1 = female and 2 = male. Industry type is coded 1 = service and 2 = manufacturing. Two-tailed tests. LPO = large purchasing organization.
$^{*}p < .05$. $^{**}p < .01$. $^{***}p < .001$.

Results

To test the hypotheses, two hierarchical regressions were conducted. In both analyses, the control variables were entered in Model 1, followed by the explanatory variables of interest in Model 2. Table 4 illustrates the results of the first analysis which tested hypotheses 1a, 2a, and 3a, where perceived LPO commitment was the dependent variable. In Model 1 gender was positively associated with the LPOs' perceived commitment to the relationship at the .05 level. Since gender was coded as a dichotomous variable, with females being 1 and males being 2, the results illustrate that males have a more positive perception of the LPOs' commitment to the BSR. This aligns with previous research by Wu (2010) and Carter and colleagues (2015) who found that women business owners perceive greater degrees of discrimination within the procurement process than their male counterparts. However, once the explanatory variables of interest were input into Model 2, gender was no longer significant. Model 2 results illustrate a significant relationship between perceived LPOs' commitment and distributive justice (r = .205, p <.001) and informational justice (r = .170, p < .01) supporting hypotheses 2a and 3a. Counter to expectations, procedural justice was found to be significant, but negatively associated with LPOs' perceived commitment (r = −.155, p < .05); thus, hypothesis 1a was not supported. As expected, a significant negative relationship between perceived unethical behavior by LPOs and LPOs' perceived commitment to the relationship was found (r = −.120, p = .05), supporting hypothesis 4. The F change from Model 1 (1.38) to Model 2 (6.81) was found to be significant, illustrating the importance of the explanatory variables being investigated.

To test hypotheses 1b, 2b, and 3b, where perceived unethical LPO behavior was the dependent variable, the same hierarchical regression process was followed. In Model 1 the control variables were input first, and in Model 2 the explanatory variables of organizational justice were inserted. Based on results from the analysis presented in Table 5, no significance was found in Model 1 with the control variables; however, once the variables of interest were input into Model 2, support for hypotheses 2b (r = −.153, p < .05) and 3b (r = −.128, p < .05) was found. As it pertains to hypothesis 1b, procedural justice was found to have a negative relationship with unethical LPO behavior; however, it was not significant. To summarize the results, hypotheses 1a and 1b were not supported, while hypotheses 2, 3, and 4 were fully supported.

Table 4. Summary of Hierarchical Regression Analysis for MBE CEOs' Perception of Organizational Justice Variables on Perceived LPO Commitment.

	Model 1			Model 2		
Variable	*B*	*SE B*	*B*	*B*	*SE B*	*B*
Gender	.652	.332	.113*	.439	.319	.076
Industry type	.053	.319	.010	−.029	.302	−.005
BSR duration	−.013	.033	−.023	−.016	.031	−.028
Firm size	.077	.254	.056	.088	.203	.059
Procedural justice				−.140	.040	−.155*
Distributive justice				.204	.070	.205***
Informational justice				.130	.053	.170**
Unethical LPO behavior				−.203	.091	−.120*
R^2		.02			.12	
F for change in R^2		1.38			6.81***	

Note. $N = 206$. LPO = large purchasing organization.
*$p < .05$. **$p < .01$. ***$p < .001$.

Table 5. Summary of Hierarchical Regression Analysis for MBE CEOs' Perception of Organizational Justice Variables on Perceived Unethical LPO Behavior.

	Model 1			Model 2		
Variable	*B*	*SE B*	*B*	*B*	*SE B*	*B*
Gender	.004	.197	.001	.018	.202	.005
Industry type	.070	.189	.022	.055	.191	.017
BSR duration	−.027	.019	−.082	−.026	.019	−.077
Firm size	.023	.123	.031	.035	.032	.063
Procedural justice				−.079	.025	−.081
Distributive justice				−.131	.045	−.153*
Informational justice				−.113	.034	−.128*
R^2		.03			.10	
F for change in R^2		1.67			4.38***	

Note. $N = 206$.
*$p < .05$. ***$p < .001$.

Discussion

Previous authors have examined the BSR between organizational justice and performance outcomes, from both tangible (ROI, sales revenue, and employee/supplier turnover) and intangible (commitment, opportunism, and satisfaction) perspectives. However, almost all previous research has been from the perspective of White-owned firms. The current research helps to expand the breadth of this body of literature to be more inclusive by exploring the effect of organizational justice on the perceptions of a unique and exceedingly fast-growing type of business in the United States—the MBE. The findings from this analysis offer insight from both theoretical and applied perspectives.

Theoretical

Research by Liu and colleagues (2012) found that all dimensions of organizational justice are important in BSRs; however, they found the procedural and informational dimensions have the largest effects on improving relationships and firm performance. del Río-Lanza et al. (2009) found that the procedural justice dimension had the strongest relationship with improving customer satisfaction. Other scholars such as Griffith et al. (2006) found that procedural and distributive justice had direct positive associations with the long-term relationship orientation between suppliers and their distributors, with procedural justice being the most pronounced.

In an effort to generalize the results to include the unique case of MBEs, this article found both distributive and informational justice to be positive and significant, with the former being most pronounced, which is converse to what Griffith and colleagues (2006) uncovered in their research. This makes sense based on the interviews that occurred during development of the survey instrument. Four MBE CEOs that were interviewed stated that the most important aspect of justice to them was the equitable distribution of contracts, especially if they feel they have put in the same effort as well as provided a similar quality product/service as their non-minority counterparts. Secondarily, having accurate information in a timely manner was critical to their perception of justice. Strangely, procedural justice was found to have a significant negative relationship with perceived LPO commitment. This outcome seems counterintuitive—as LPOs follow their procedures in a perceived equitable manner, MBEs still believe they are not "walking the talk" as it relates to their commitment to supplier diversity and are not committed to the relationship (Schoeneborn et al., 2019). Said differently, whether LPOs follow their internal processes or not, it seems MBEs feel they are not committed to the BSR. This negative perception of LPO procedures may come from a sense that the relationship is not based on an earnest effort by LPOs to develop the BSR, but more so from a procedural mandate that LPOs impose on their buyers in order to meet a CSR objective (Bates, 2001; Graafland & Smid, 2016).

Another interesting finding was that the BSR duration between MBE CEOs and LPOs was not significant as has been traditionally found in most supply chain research that examines the BSR of non-minority firms and LPOs. I found this somewhat surprising; however, this result aligns with that of Eckerd and Hill (2012). It seems that in the case of MBEs, the duration of the relationship does not seem to improve MBE CEOs' perceptions of the LPO to the BSR. This finding implies that there may be a deeper systemic belief among MBEs that no matter how long they work with their LPO customer, they do not feel the LPO is necessarily committed to supplier diversity. In total, these findings are significant contributions to both the BSR and the supplier diversity literature; they illustrate a clear difference in how MBEs and White-owned firms perceive, interpret, and weight the dimensions of organizational justice.

The results also show that unethical behavior (as perceived by the MBE CEOs) has a negative relationship with both the distributive and the informational dimensions of justice. This implies that unethical LPO behavior creates the perception that the information provided and contracts allocated are disingenuous. Although insignificant, procedural justice also had a negative association with unethical LPO behavior, which suggests that MBE CEOs believe that LPOs may be participating in unscrupulous activities and are not following their procedures in an equitable manner. This perceived unethical treatment by LPO buyers of their MBE suppliers may not be purposeful but is in line with modern discrimination theory (MDT). MDT argues that in areas that are subjective, like justice, there is a potential for subtle forms of discrimination to be found in relationships, especially when there is power asymmetry between parties (Dovidio & Gaertner, 2000). Cortina (2008) states that overt discrimination has become passé; now it appears in more subtle and passive-aggressive forms to avoid detection and discipline.

Managerial

This article has important managerial and policy implications. First, this study provides insight into the NMSDC, which is the conduit between MBEs and LPOs. The NMSDC may be useful in helping their corporate members create and implement better supplier diversity programs that can ameliorate feelings of injustice by their MBEs. Second, this same information could also be utilized by procurement managers within LPOs to help them internally drive the case for supplier diversity and enhance their likelihood of creating a more inclusive procurement process (Whitfield & Landeros, 2006). Third, beyond assuaging MBE CEOs' feelings of inequity, there exists an opportunity for LPOs to reanalyze how they do business with MBEs. It may also be advisable for LPOs to include some of their current MBE suppliers or some recommended by NMSDC to help create new procurement policies that specifically address the concerns of their diverse suppliers (Adobor & McMullen, 2014; Richard et al., 2015).

Fourth, this article expands recent findings by Theodorakopoulos et al. (2015, p. 244) that utilized a case study method to uncover how corporations struggle to incorporate organizational justice in the private sector. The authors received the following response from one of the procurement manager interviewees:

> [T]he public sector seems to be more proactive . . . linking inclusiveness with the strategic agenda, establishing policies, simplifying procedures, etc. I think it is more difficult in the private sector, but the stronger the business case becomes, the easier it is to move forward.

Although the present study suggests that managers will need innovative protocols to help their organizations overcome the negative perceptions some MBEs may have, it also understands LPOs will have a difficult time implementing punitive actions against their procurement managers to meet supplier diversity objectives because the private sector has greater flexibility in instituting what are called "*corporate goals, recommendations, and guidelines*" for their procurement staff versus MBE expenditure mandates for companies that provide goods or services to the government. Furthermore, this research aligns with Schneider's (2019) perspective about the contradiction between creating a managerial business case for supplier diversity based on financial returns versus abiding by the root principles and purpose of CSR.

Fifth, accompanying senior management support, internal training programs for buying managers on the important business case for diversity as well as how to properly communicate with diverse suppliers must also be implemented (Cole, 2008; Slater et al., 2008). Understanding how to develop and implement a strong supplier diversity program may improve the current MBE CEOs' perception of inequity in the procurement process as well as potentially decrease the disparity in contract allocations between White-owned firms and MBEs (Bates, 2011).

Limitations and Future Research

There are several limitations that my research faced. First, information for the research was derived from cross-sectional data. As with any cross-sectional data, these lack the dynamic perspective of time. Future longitudinal research would offer greater insight into the study of this phenomenon.

Second, the research was only conducted within three Midwestern states, which casts doubt on its generalizability across various other regions or in a national setting. I suggest future research with different regional or national data sets in the United States. As one can imagine, MBE CEOs' perceptions may vary based on their geographic location. For example, how would an African American MBE CEO located in a Northeastern city like Buffalo, New York, where African Americans moved in significant numbers in the 1950s and 1960s to the present day to escape physical and economic oppression in the South, view justice compared to an MBE CEO located in Jackson, Mississippi, where there is/has been systemic racism? Comparing these two (or more) locations may provide very different MBE CEO responses based on their cultural and historical contexts and would be worthy of further analysis. I also recommend expanding this research into a global context. Expanding this line of inquiry into an international setting would expand our understanding of the commonalities and differences across countries, especially with Europe struggling to integrate millions of ethnic minorities into their culture; having an equitable, pragmatic approach to inclusive entrepreneurship opportunities with LPOs could be an important tool to foster goodwill with MBEs (Maignan & Ferrell, 2000; Theodorakopoulos & Ram, 2008).

Finally, I may not have reached some key MBE CEOs via the internet survey due to non-response. Therefore, future studies should take a multiple-source data collection approach to better triangulate the phenomenon (Calantone & Vickery, 2010). This current research was conducted strictly from the perspective of MBE CEOs; introducing the LPOs' perspective to create a dyadic assessment of the BSR would be highly beneficial. Also, understanding how LPOs view their actions against their own supplier diversity goals would offer deeper insight into these initial findings (Glavas & Goodwin, 2013). This stream of research could potentially determine if LPO buying behavior is truly insincere, unethical, and discriminatory (as perceived by the MBE) or if there is simply incongruence between what MBEs and LPOs find equitable (Cortina, 2008; Winbush et al., 1996). Another tool which could be utilized to obtain more granular data on this phenomenon would be a thorough content analysis through a case study approach (Wengraf, 2001). Conducting case studies may be an appropriate extension of this work because only scant research currently exists about how MBE CEOs perceive they are being treated by their LPO customers (Eisenhardt & Graebner, 2007; Voss et al., 2002).

Although every effort was made to ameliorate these issues, their effects could not be totally ruled out. However, the findings in this research advance the important discussion about equity in supply chains in a substantive manner.

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