



Emotional outcomes of Ugandan SME buyer-supplier contractual conflicts

Buyer-supplier
contractual
conflicts

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Abstract

Purpose – The purpose of this paper is to provide a multilevel investigation of the existence and relationship between severity of buyer-supplier contractual conflicts, emotional outcomes and disengagement behaviour arising out of the contractual disputes in Ugandan small to medium-sized enterprises (SMEs).

Design/methodology/approach – This paper undertakes a large-scale comprehensive survey covering 839 SMEs' buyers together with their corresponding suppliers using Krejcie and Morgan sample size determination criteria. Respondents were managers selected on the basis of their purchasing experience and knowledge of the subject matter under investigation. Data were subjected to a confirmatory factor analysis as a quasi-judicial analytical approach to assess the goodness-of-fit of the latent structure underlying the constructs under investigation.

Findings – The results demonstrate that both the confirmatory factor analysis and the structural equation model have a good fit. The direct effects of the severity of buyer-supplier conflicts and emotional outcomes of buyer-supplier emotions taken together is significant and explains 37 per cent of the variance in buyer-supplier disengagement.

Originality/value – The study predicts the emotional outcomes of buyer-supplier conflicts which were thought to be idiosyncratic, and erratic. Their connection to organizational outcomes was considered convoluted.

Keywords Uganda, Small to medium-sized enterprises, Contracts, Disputes, Conflict, Emotions, Buyer-supplier, Disengagement

Paper type Research paper

Introduction

Uganda's private sector is dominated by small and medium-sized enterprises (SMEs), which account for the majority of the entire business community. Their commercial activities represent on average 75 percent of Uganda's annual GDP. They employ over 80 percent of the total workforce in the country and produce largely for the domestic market. These SMEs are run under the idea that what the seller gains the buyer must lose (Ntayi and Rooks, 2007). The adversarial posture of SMEs brings power issues and conflicts into the buyer-supplier relationship. These firms develop different and conflicting images of the meaning of the environment and future, instead of concentrating on the interdependence nature of their businesses (Dietrich, 1994; Schmid, 1977). Knowledge of the sources of interdependence identifies areas of potential conflict as well as opportunities for cooperation (Schmid, 2004, p. 137). SME buyer-supplier relationships in Uganda are often referred to as being problematic characterized by late deliveries, lack of concern for end customers, and delays caused by disruptions. Such business practices introduce inefficient management of buyer-supplier contracts and negative emotions



which lead to relationship disengagement or termination (Ntayi *et al.*, 2010). Conflict between groups of buyers mean that contracts are necessarily incomplete (Schmid, 2004) and yet contracts are an essential component of any business and have long provided the terms, pricing, service levels and quality requirements in a buyer-supplier relationship (Schmid, 1994; Schmid, 2000, 2001, 2002). Unclear contractual terms can have a significant negative impact on the SMEs. Ntayi (2011) observes that business partners that experience frequent violation of contractual terms tend to carry this experience to subsequent future transactions. These schemas which are derived from experience are usually displayed in form of non-competitive negotiations, overpayments and performance risks (Aberdeen Group, 2006; Ntayi, 2011). Contractual violations tend to cause considerable negative impact on relationship building, quality of the relationship exchange and relationship termination or dissolution thereby affecting relationship exchange negatively.

While it has been assumed that the buyer-supplier contractual disputes result in negative emotions, little research has been carried out to corroborate this assertion from a business dyadic perspective. Extant literature has shown that emotions are critical for guiding interpersonal relationships (Keltner and Kring, 1998). Emotions pervade interdependent relationships exchange partners cultivate with subordinates, bosses and external stakeholders like suppliers, regulatory agencies, government and customers (Barsade and Gibson, 2007). Substantial emotional states are present at any time we confront business matters that are critical to organizational performance. However, this idea is contrary to classical thinking that appealed to individuals to leave their emotional sides at the door before entering the organizations for work. Such behaviour creates situations which produce emotional responses in employees (Geddes and Callister, 2007) and business partners (Ntayi *et al.*, 2010; Eyaa and Ntayi, 2010; Ntayi *et al.*, 2011b). Emotional outcomes can have serious social consequences either maintaining and enhancing positive relationships or becoming a source of antagonism and discord (Harker and Keltner, 2001).

Despite this phenomenon, there is sparse research on what constitutes emotions in buyer-supplier transactions. This is mainly because emotions are thought to be idiosyncratic, and erratic. Their connection to organizational outcomes is considered convoluted. One of the critical gaps in the buyer-supplier relationship literature has been the lack of research on specific emotional outcomes to buyer-supplier contractual disputes. The existing research has been confined to developing the buyer-supplier relationships. Additionally, past research that has attempted to study emotions in SMEs have approached it from the family point of view yet business is a highly emotional arena (Carlock and Ward, 2001). This has prompted scholars like Astrachan and Jaskiewicz (2008) and Van-den-Heuval *et al.* (2007) to call for studies on emotions in SME business relationships. The purpose of this study is to provide a multilevel investigation of the existence and relationship between severity of buyer-supplier contractual conflicts, emotional outcomes and disengagement behaviour arising out of the contractual disputes in Ugandan SMEs. In the next section, we examine empirical works that has attempted to address the emotional outcomes of exchange partners.

Literature review

In this section we present a critical review of empirical literature that has attempted to relate buyer-supplier contractual disputes, emotional outcomes of such contractual disputes and disengagement. We use this critical review to construct three hypotheses that we later test empirically.

Emotional outcomes of buyer-supplier contractual dispute and disengagement

SMEs are characterized by emotions that are critical in building relationships between buyers and sellers thereby creating value for the organization (Sharma, 2004). This suggests that SME leadership must embrace emotions such as trust, confidence and inspiration needed to develop, grow and create shareholder value in a highly competitive market (Kets de Vries *et al.*, 2007). An implied position of this observation is that in order to succeed, future SME businesses have to invest substantial resources in developing knowledge and emotional capital. The importance of emotional capital lies in the ability to influence internal and external shareholders. Recent research seems to indicate that emotional ownership, family emotional cohesion and business emotional cohesion and emotional capital are deeply rooted in SMEs (Pieper, 2007; Bjornberg and Nicholson, 2008; Danes *et al.*, 2008). These studies suggest that emotions of SME managers come from involvement and personal career investment in the business. This is perhaps one of the central reasons why SMEs avoid losing their socio-emotional wealth by accepting significant risk to their performance while at the same time avoiding risky business relationships' that aggravate risk (Gomez-Mejia *et al.*, 2007). It is usually the balancing act of managing risk while at the same time pursuing survival and growth of objectives through business and resource acquisition, creating useful business bonds, learning the market environment and defending the market position that results into business conflicts.

Extant literature in social sciences reveals that conflicts are obvious in business transactions due to the differences attached to the cognitive representation of value (goals), existence of multiple objectives and differences in the decision-making process of the business partners. The dynamic changes in values among the business partners may equally constrain their performance (Leung and Liu, 1998; Leung *et al.*, 2002; Leung and Yu, 2003). Business conflict is the discord that occurs when the interests or values of business partners are incompatible and as a result of failing to perform as agreed. For example, the buyer would like swift delivery (Duff, 1994; Ntayi *et al.*, 2010; Eyaa and Ntayi, 2010; Ntayi *et al.*, 2011b) at the agreed, cost (Masterman and Duff, 1994) and quality standards (Singh, 1990) which may not be possible to fulfill. Such a situation arouses a combination of negative emotions of: anger and surprise; disgust and anger; sadness and surprise; sadness and disgust; fear and sadness to produce outrage, contempt/resentment, embarrassment/disappointment, regret and despair/distress, respectively, that may have implications for arbitration (Bush *et al.*, 2000; Luu, 2010) and relationship continuity. According to Ntayi *et al.* (2011a) such emotions discourage bonding in SMEs which is required to create a comfortable and fulfilling atmosphere. This acts as a disincentive and promotes threat of SME survival. In a study of organizational stress, Kahn *et al.* (1964), conclude that conflict arises, if one party had a strong sense of obligation to comply with the expectations in a role. Emotional outcomes concern pleasantness and unpleasantness emotions and their activation or deactivation (energetic or lethargic arousal). We therefore hypothesize that:

- H1. Emotional outcomes of buyer-supplier contractual dispute are diverse and positively related to disengagement.

Buyer-supplier disagreements (disputes) and emotions

SMEs in Uganda, are faced with challenges arising out of the prevailing business environment which is characterized by weak ethical culture, scarcity of resources, weak bargaining power, organizational memory and organizational amnesia (Ntayi *et al.*, 2011a).

These institutional challenges are reflected in the exploitative contractual behaviors like opportunism, lying and exaggeration (Ntayi *et al.*, 2010; Eyaa and Ntayi, 2010; Ntayi *et al.*, 2011b) which have become a breeding ground for contractual disputes. There is a general perception that unethical behavior is an inherent vice within the Ugandan trading community. This is partially supported by Ntayi *et al.* (2011a), who have revealed that powerful buyers and suppliers tend to manipulate weak contractual partners, thereby affecting contract enforcement behaviors negatively. Kiryabwire (2010) attributes the failure to keep contractual promises and the difficulties associated with contract enforcement to a cultural/systemic problem, arguing that Ugandan businessmen enter contracts with no intention of keeping the promises they make. Ntayi *et al.* (2010) and Eyaa and Ntayi (2010), reveals that such business encounters have now become business practices in business transactions which are characterized by informal contracts and rules, often culminating into conflicts. Business encounters and/or relationships bring along with them emotions. This is especially true since business interactions involve people who are challenged to carry emotions associated with competition. These emotions force SMEs to defend their market positions, pursue survival instincts in a highly competitive environment, seek for business partnerships and/or allies for security and learn the business environment through information seeking, planning and predicting the likely outcomes. Indeed there is an emotional dimension to profit seeking. This is supported by Kopicki (2002, p. 77) who states that “what we’re doing keeps me up at night, not from worry but from excitement [. . .] when we put down these numbers on paper for the first time, we giggled”. For example, Butler and Waldroop (1999, p. 148) states that “most people in business are motivated by between one and three deeply embedded life interests-longheld, emotionally driven passions for certain kinds of activities.” Zafirovski (1999, p. 362) further supports the existence of emotions in business by stating that “forces such as emotions and values, not logic and rational calculations, play a central role in entrepreneurship.” It is against this background coupled with the dream to build a private kingdom, will to conquer and the joy of success that make businesses disengage from destructive motives (Schumpeter, 1949; Zafirovski, 1999). Despite the above observations, there is lack of research on emotions in the business world. From the foregoing we hypothesize that:

- H2. Severity of the buyer-supplier conflicts is multidimensional and is significantly associated with buyer-supplier emotional outcomes.
- H3. Severity of the buyer-supplier conflicts is significantly related to buyer-supplier disengagement.

Methodology

In order to answer the hypotheses, we conducted a large-scale comprehensive survey among Ugandan small and medium-sized firms. For practical reasons, the geographical scope of the study was restricted to SMEs in three districts of Entebbe, Jinja and Kampala. The target population comprised of 45,832 SMEs which were broken down under the following groupings: manufacturing, construction, trade sector, food processing and metal fabrication, cosmetics, apparel and business services, hotels and restaurants, education, wholesale and retail trade. Small scale businesses constituted 31,326, while medium enterprises had 14,506 businesses. A sample of 422 small scale businesses and 417 medium enterprises’ buyers together with their corresponding

suppliers were drawn from the above-listed sectors. The sample size was arrived at using Krejcie and Morgan (1970) sample size determination criteria. To create a sampling frame, the list of SMEs were obtained from Uganda Small Scale Industries Association (USSIA) and Uganda Manufacturers Association (UMA). Respondents were managers selected on the basis of their purchasing experience and knowledge of the subject matter under investigation.

Measurements

All measures for the three constructs of severity of the buyer-supplier conflict, buyer-supplier emotional outcomes and disengagement were derived from previous studies. Severity of the conflict was measured by asking the buyer or supplier to indicate the most recent problem they had experienced with any one supplier/buyer randomly selected. This question was followed by a list of 24 questions that required buyers/suppliers to indicate how severe this problem was. Some of these items were derived from Antia and Frazier (2001) and Mohr and Spekman (1994). The resulting questions were anchored on a five-point likert scale with “1 – no or not severe” and “5 – extremely severe”. Disengagement was measured using five dimensions of threatening to withdraw, neglect, constructive discussion, passive acceptance and venting. Questions were drawn from the research works of Antia and Frazier (2001) and Heide and Miner (1992). Item scales were anchored on a five-point likert scale with “1 – strongly disagree” and “5 – strongly agree”. Sample questions included: we threatened to stop buying from the supplier; the act strongly reduced enthusiasm to buy the suppliers’ products; we tried to solve the problem by suggesting mutually acceptable changes in the way we carried the supplier’s products; we gave the supplier the benefit of doubt and did not say anything to the supplier about it and we expressed to the supplier our outrage and displeasure about the act. The construct of buyer-supplier emotional outcomes was measured using an inventory of 45 item scales derived from literature (Chamberlain and Broderick, 2007). Sample questions included: I felt anger towards the supplier after the problem; I was very discontent with the supplier after the problem; I was worried about dealing with the supplier again in future; The problem made me feel sad; I felt ashamed of having dealt with the supplier after the problem; I envied other firms that had not experienced the problem I was facing; I felt lonely during the problem because it seemed the supplier had abandoned me; I was not at peace because of the problem; I was surprised by the supplier’s action that led to the problem; The problem left me pessimistic; I was optimistic after the problem, etc. The questionnaire was pretested on a similar comparative sample of 55 respondents for accuracy and completeness before the final survey was undertaken. All ambiguous questions were rephrased to try and capture the intended meanings without losing the validity of the constructs. The pre-test Cronbach’s α coefficient at the pretest stage was over 0.55 and considered adequate for undertaking the full survey.

Data entry, editing and reliability analysis

After data were collected and entered in SPSS v19, it was checked for data entry errors, out of range values, missing values, presence of outliers and normality of data prior to conducting multivariate analysis. We used the SPSS add-on module of “missing values analysis” to statistically test whether missing values were random or non-random. Missing values were found to be random and accounted for 3.75 percent of all

the returned questionnaires. We used missing completely at random (MCAR), to establish a $p > 0.05$, meaning that the two groups were significantly different from each other, which indicated that the missing values were random. After establishing that the data exhibited a normal distribution pattern, all missing values were filled using maximum likelihood (ML) as recommended by Allison (2003) and Schafer and Graham (2002). The ML was deemed adequate and sufficient to produce parameter estimates, standard errors and test statistics that are consistent and efficient. The ML estimator can be readily used for the estimation of confirmatory factor analysis (CFA) and structural equation modelling (SEM) with missing data (Allison and Waterman, 2002). We further tested for normality of data using the Kolmogorov-Smirnov and Shapiro-Wilks tests, stem and leaf, the PP and QQ plots which confirmed normality of the data. Outliers were not a serious problem in the data.

Data were subjected to exploratory factor analysis to try and detect a relatively small number of factors that were used to represent relationships among sets of many interrelated variables that constituted the three constructs. Our major objective of undertaking the exploratory factor analysis was to reduce and summarize data with a minimum loss of information (Hair *et al.*, 1995). Additionally exploratory data analysis was detective in character (Tukey, 1977). Consistent with Fabrigar *et al.* (1999), a principal axis factoring with an oblique rotation (direct) oblimin was used, allowing for correlations among factors. The reduced-scale items were then included in a CFA. Exploratory data analysis was used as the first step before CFA was applied. Seven factors explaining 62.41 percent of the variance in the severity of buyer-supplier conflict were obtained. These factors together with their reliability Cronbach's α coefficients were interpreted as: delivery of poor quality items (sep2) ($\alpha = 0.62$), scarcity of required items (sep4) ($\alpha = 0.64$), delivery of wrong item (sep5) ($\alpha = 0.73$), delivery of wrong quantities (sep6) ($\alpha = 0.67$), specification-related problems (sep7) ($\alpha = 0.71$), late delivery (sep1) ($\alpha = 0.63$) and price-related problems (sep3) ($\alpha = 0.61$). Buyer-supplier emotional outcomes fell into 11 distinct factors explaining 76.8 percent of the variance. These factors were; anger towards the buyer/supplier (emo1) ($\alpha = 0.87$), discontented with the buyer/supplier (emo2) ($\alpha = 0.82$), worried about dealing with the buyer/supplier again (emo3) ($\alpha = 0.87$), felt sad (emo4) ($\alpha = 0.88$), felt ashamed of having dealt with the buyer/supplier (emo5) ($\alpha = 0.88$), envied other firms that had not experienced the problem (emo6) ($\alpha = 0.89$), felt lonely (emo7) ($\alpha = 0.88$), not at peace (emo8) ($\alpha = 0.87$), surprised by the supplier's action (emo9) ($\alpha = 0.88$), pessimistic (emo10) ($\alpha = 0.88$) and optimism (emo11) ($\alpha = 0.84$). The reliability Cronbach's α coefficient for disengagement from contractual obligations was 0.74. Cronbach's α refers to the raw (non-weighted) scale reliability.

Results from factor analysis were subjected to a CFA. CFA was conducted to assess the goodness-of-fit of the latent structure underlying the constructs under investigation. Confirmatory data analysis was used as a quasi-judicial analytical approach after detecting quantitative indications, using exploratory data analysis (Tukey, 1977). In order to obtain a model fit from the CFA, it was deemed necessary to eliminate five factors; of discontent with the buyer/supplier (emo2), envied other firms that had not experienced the problem (emo6), felt lonely (emo7), not at peace (emo8) and optimism (emo11) under the buyer-supplier emotional outcomes. Additional two items dropped under the severity of the buyer-supplier conflict were; late delivery (sep1) and price-related problems (sep3). Structural equation modeling was used for parameter estimation and for model testing. The final output of the CFA and SEM are shown in Figure 1.

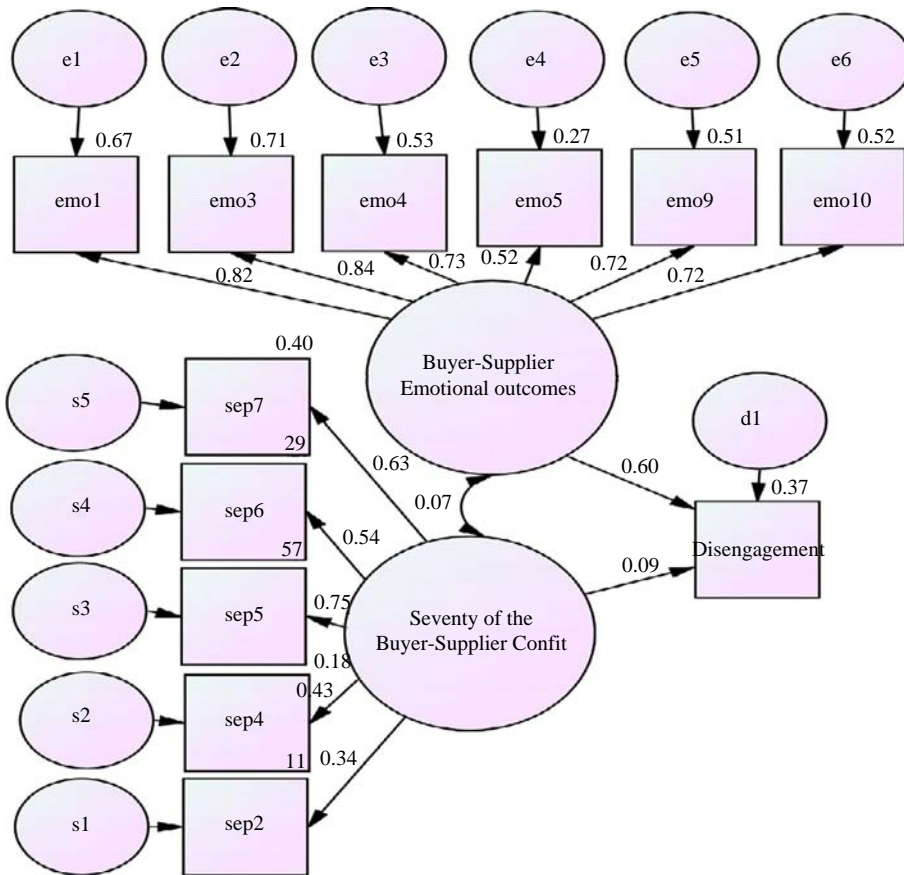


Figure 1. Confirmatory factor analysis and structural equation modeling

Sample characteristics

In this section, we present the characteristics of the respondent firms. We received 792 usable questionnaires representing a complete buyer-supplier dyad respondent firms. The data collected were entered and analysed using SPSS 19 and AMOS 18 software. The trade sector had the highest number of respondents (41.7 percent), followed by hotels/restaurants (16.1 percent), education (12.2 percent), construction (12.6 percent), manufacturing (7.4 percent), food processing (3.6 percent), metal fabrication (2.8 percent) and cosmetics (2.6 percent). Apparel (0.3 percent) and business services (0.8 percent) had the lowest number of respondents. The majority of firms (60.3 per cent) were very small and had only zero to five employees. This was followed by a smaller group of small firms that employed between 6 and 10 people accounting for 17 percent. About 13.7 percent of the firms employed between 11 and 20 while 6.5 percent employed between 21 and 50. This was followed by two relatively small categories of firms with 1.9 and 0.3 percent employing 51-100 and 101-150 employees, respectively. Most small and medium-sized buyers had about five main suppliers. However, there was variation in the number of suppliers that SMEs had. About 30 percent of the buying

firms had ten or more suppliers. On a monthly basis, a typical supplier, supplies items worth about 750,000-1,000,000 UGX, which averages about 35 percent of the total purchase volume of a Ugandan SME. About 10 percent of purchases were over UGX 5,000,000. Most of the buyers (39 percent) receive a weekly delivery from the supplier while 23 percent receive daily supplies. The average relationship between buyers and suppliers had lasted for an average of three years. Average distance between buyer and supplier was 9 kilometers. However, 1 percent of the suppliers were located at a distance of more than 100 kilometers away from the buyer.

Buyer-supplier disagreements and emotions

Disagreements and/or misunderstandings between buyers and suppliers are common. Breeding grounds for such misunderstandings include: Pricing (M = 4.05, SD = 1.70), product quality (M = 3.89, SD = 2.04), wrong and late deliveries (M = 3.54, SD = 2.01), credit terms (M = 3.06, SD = 1.84), wrong quantities (M = 2.56, SD = 1.56), poor packaging (M = 2.10, SD = 1.57), back orders (M = 1.98, SD = 1.40) and warranty policies (M = 1.91, SD = 1.22). Results reveal that SMEs buyers and suppliers on average show reasonably high levels of unethical behavior. These unethical behaviours include exaggerating supplies contrary to the terms of the contract (Mean = 5.29). Lying (Mean = 5.10) and altering facts (Mean = 5.02) were common in almost all SME buyer-supplier relationships. The mean response for truthful (Mean = 3.33), self-interests (Mean = 4.92, SD = 1.71) and failure to keep word (Mean = 4.88, SD = 1.92) implied a certain level of opaqueness between buyers and suppliers. Suppliers were observed to have delivered wrong items (Mean = 0.95, SD = 1.15), poor quality items (Mean = 4.22, SD = 1.63) and wrong quantities (Mean = 1.16, SD = 1.25) contrary to the terms specified in the contract. Conversely, suppliers expressed nasty experiences associated with timely payments by the buyers (Mean = 4.29, SD = 1.83). Means revealed the presence of emotion associated with disagreements between buyers and suppliers. Summated responses from likert scales revealed that both buyers/suppliers felt angry (Mean = 4.45, SD = 1.87), were worried (Mean = 4.27, SD = 1.81) and sad (Mean = 4.40, SD = 1.78) after the contractual conflicts. They further felt ashamed (Mean = 3.29, SD = 1.83), pessimistic (Mean = 3.98, SD = 1.79) and surprised (Mean = 4.11, SD = 1.91), of having been cheated in the buyer-supplier business transactions.

Results

The path resulting from the AMOS structural equation modeling analysis is shown in Figure 1. The results demonstrate that the model has a good fit with the following absolute/predictive fit figures: $\chi^2 = 275.830$, degrees of freedom = 43, probability level = 0.000; the Akaike information criterion (AIC) was 396.286; the Browne-Cudeck criterion (BCC) of 397.556 and the expected cross-validation index (ECVI) of 0.501. All these figures were consistent with literature which reveals that the smaller these coefficients are the better and they are good for model comparisons. The computed comparative fit indices were appropriate and above 0.90 as presented below for acceptance. Normed fit index (NFI) = 0.903, incremental fit index (IFI) = 0.917; Tucker-Lewis index (TLI) = 0.875; comparative fit index (CFI) = 0.917. The Parsimonious fit were acceptable as presented below: the Parsimony-adjusted NFI (PNFI) figure of 0.602 was sensitive to model size; the Parsimony-adjusted CFI (PCFI)

sensitive to model size was 0.611 and the Parsimony-adjusted Goodness-of-fit index (PGFI) was 0.667 (the closer to one the better, though typically lower than other indexes and sensitive to model size). Additional fit indices revealed the following: the GFI = 0.91; root mean square error of approximation (RMSEA) was 0.08 and the recommended ratio is < 0.06 to 0.08.

Standardized parameters estimates are shown in Figure 1 and unstandardized estimates are shown in Table I. Figure 1 shows items which theoretically load on severity of the buyer-supplier conflict and buyer-supplier emotional outcomes. Items that predicted severity of the buyer-supplier conflict with their standardized β coefficients were: poor quality items (sep2) ($\beta = 0.339, p < 0.01$); scarcity of supplies (sep4) ($\beta = 0.426, SE = 0.130, p < 0.01$), wrong items (sep5) ($\beta = 0.753, SE = 0.205, p < 0.01$); wrong quantities (sep6) ($\beta = 0.543, SE = 0.171, p < 0.01$); specification-related problems (sep7) ($\beta = 0.629, SE = 0.170, p < 0.01$). Predictors of buyer-supplier emotional outcomes were: anger towards the supplier (emo1) ($\beta = 0.816, p < 0.01$); worried dealing with supplier (emo3) ($\beta = 0.845, SE = 0.037, p < 0.01$); feeling sad (emo4) ($\beta = 0.730, SE = 0.039, p < 0.01$); ashamed of having dealt with the supplier (emo5) ($\beta = 0.517, SE = 0.042, p < 0.01$); surprised by the supplier's action (emo9) ($\beta = 0.717, SE = 0.042, p < 0.01$); the problem left me pessimistic (emo10) ($\beta = 0.723, SE = 0.039, p < 0.01$).

Direct effects

Contrary to our original thinking and *H2*, results reveal that severity of the buyer-supplier contractual conflict was insignificantly and positively related to greater disengagement (standardized coefficient = 0.088). However, results become significant at $p < 0.10$. This means that when severity of the buyer-supplier conflict goes up by 1 standard deviation,

Observed variable	Latent construct	B	B	SE
Poor quality items delivered (sep2)	← Severity of the buyer-supplier conflict	0.339	1.000	
Scarcity of required items (sep4)	← Severity of the buyer-supplier conflict	0.426	0.855	0.130
Delivery of wrong item (sep5)	← Severity of the buyer-supplier conflict	0.753	1.568	0.205
Delivery of wrong quantities (sep6)	← Severity of the buyer-supplier conflict	0.543	1.227	0.171
Specification related problems (sep7)	← Severity of the buyer-supplier conflict	0.629	1.325	0.170
Anger towards the buyer/supplier (emo1)	← Buyer-supplier emotional outcomes	0.816	1.000	
Worried dealing with buyer/supplier (emo3)	← Buyer-supplier emotional outcomes	0.845	1.004	0.037
Feeling sad (emo4)	← Buyer-supplier emotional outcomes	0.730	0.851	0.039
Ashamed of having dealt with the supplier (emo5)	← Buyer-supplier emotional outcomes	0.517	0.619	0.042
surprised by the supplier's action that led to the problem (emo9)	← Buyer-supplier emotional outcomes	0.717	0.898	0.042
The problem left me pessimistic (emo10)	← Buyer-supplier emotional outcomes	0.723	0.850	0.039

Table I.
Standardized and unstandardized coefficients for CFA

disengagement goes up by 0.088 standard deviations. Buyer-supplier emotion was multidimensional and predictive of greater disengagement (standardized coefficient = 0.598) supporting *H1*. When buyer-supplier emotional outcomes goes up by 1 standard deviation, disengagement goes up by 0.598 standard deviations. The covariance between buyer-supplier emotional outcomes and severity of the buyer-supplier conflict was estimated to be 0.061. The covariance estimate, 0.061, has a standard error of about 0.039. The covariance estimate was 1.571 standard errors above 0 and the probability of getting a critical ratio as large as 1.571 in absolute value was 0.116. In other words, the covariance between buyer-supplier emotional outcomes and severity of the buyer-supplier conflict was not significantly different from zero at the 0.05 level (two-tailed). The estimated correlation between buyer-supplier emotional outcomes and severity of the buyer-supplier conflict was 0.073 contrally to *H2*. The direct effects of the severity of buyer-supplier conflicts and emotional outcomes of buyer-supplier emotional outcomes taken together is significant and explains 37 percent of the variance in buyer-supplier disengagement supporting *H3*.

Indirect effects

This study finds that severity of the buyer-supplier conflicts is multidimensional arising out of the specification-related components partially supporting *H2*. However, the finding also contradicts *H2* when it fails to find support for a significant relationship with buyer-supplier emotional outcomes and mediation between conflict and disengagement. This means that the relationship between severity of the buyer-supplier conflict and disengagement was not mediated. Severity of buyer-supplier conflicts had no indirect effect on disengagement via buyer-supplier emotional outcomes. This finding is contrary to the findings of scholars who have revealed that emotions arise out of conflicts between contracting parties (Bar-Tal, 2007; Petersen, 2002; Volkan, 1997). One possible explanation for our contradictory finding is explained by the suggestion that business context could be one of the factors affecting the potential construction of SME emotions (Ashmore *et al.*, 2004). Additionally, contrally to individual emotions which are quick to emerge, once triggered, SME emotions take long to surface and are formed as a consequence of experiences in particular business contexts. Clore (1994, p. 290) has argued that: "emotion involves an experience, and one cannot have an experience that is not experienced". Additionally, organizations develop a collective emotional orientation from experiences, shared norms and societal conditioning (Kitayama and Markus, 1994; Jarymowicz and Bar-Tal, 2006; Bar-Tal, 2001; Bar-Tal and Bennink, 2004; Bar-Tal *et al.*, 2007; Bar-Tal, 2007) and not necessarily from single transaction failures. This could partially be supported by the fact that, SME buyers-suppliers had multiple business partners, their average buyer-supplier relationship had existed for three years and the average firm age was about seven years. We can therefore conclude that SME buyer-supplier emotional outcomes have a direct impact on disengagement of contractual business relationships. The relationship between the above two constructs were not significantly mediated by severity of buyer-supplier conflict (Table II).

Discussion and implications

Findings reveal that, Ugandan SMEs are plagued with contractual conflicts and negative emotional outcomes which determines disengagement from their contractual obligations.

Model	β		B		SE	R^2
	Severity of buyer-supplier conflict	Buyer-supplier emotion	Severity of buyer-supplier conflict	Buyer-supplier emotion		
<i>Direct</i>						
Disengagement	0.088	0.598	0.116	0.287	0.17	0.37
Emotion	0.00	–	0.00	0.00	0.00	0.00
<i>Indirect</i>						
Disengagement	0.00	0.00	0.00	0.00	0.00	0.00
Emotion	0.00	–	0.00	0.00	0.00	0.00
<i>Total</i>						
Disengagement	0.088	0.598	0.116	0.287	0.17	0.37
Emotion	0.00	–	0.00	0.00	0.00	0.00

Table II.
Results from SEM

The breeding ground for conflict include: delivery of poor quality items, scarcity of ordered products, delivery of wrong products and quantities and specification-related problems. Emotions associated with these contractual conflicts often combine and force SMEs to seek redress from the police, local councils (LCs) and the commercial court in form of disengagement. Threatening to pull out from buyer-supplier relationship was characteristic of the buyer-supplier contractual conflicts. Disputes strongly reduce enthusiasm to buy the suppliers' products, resulting in intentions to quit the business relationship. Buyers threaten to stop buying from the supplier and start making plans to look for an alternative supplier. Conversely, affected disgruntled suppliers respond by refusing to supply until a postdated cheque is issued or a down payment is made. The above revelations explain why many buyers and suppliers quietly withdraw from business relationships. It may also offer an explanation as to why the mortality rate of SMEs in Uganda is quite high.

This study reveals that many SME buyers do not retain suppliers for a relatively long time. The average relationship duration between buyers and suppliers was estimated at three years. Such a relationship period does not enable SME's to develop a conducive atmosphere required to support exchange and promote long-term interaction. This is contrary to Roehrich *et al.* (2002) who have revealed that the atmosphere of a relationship determines the degree of stability within which exchanges occur:

This atmosphere can be described in terms of the power dependence relationship which exists between the companies, the state of conflict or co-operation and overall closeness or distance of the relationship as well as by the companies' mutual expectations (IMP Group, 2002, p. 28).

To a large extent, much of the degree of stability of a relationship depends on the existence of norms (Gundlach and Achrol, 1993). Emotionally, buyers complained to the supplier but took no action about the matter, They further expressed their outrage and displeasure about the act to the supplier. Reasons for expressing negative emotions include; fear of the unknown due to having to start new contractual relationships with new suppliers, uncertainty on the continuity of supplies by the supplier, loss of confidence in the supplier.

The findings of this study have three major implications for buyer/supplier exchange partners. Exchange partners need to pay attention to emotional motivations of acquisition,

bonding, defense and learning. Businesses need to acquire customers and grow, create security and protect businesses. Managers of SMEs should work towards avoiding business exchanges that result in regret. Any action of regret about a mistake or loss associated with product specifications, pricing, quantities, non payment is costly to SMEs and may breed bitterness among exchange partners. There is need to minimise loss of hope and confidence among buyers and suppliers. Firms should develop a deliberate policy of minimizing; bitter withdrawal due to dissatisfaction, strong displeasure from undesired business exchange events and intent to punish. All this must be done amidst the fact that emotions are motivated by the need to ensure survival by the exchange partners. That is why businesses avoid dealing with unethical business partners and minimize stockouts. Companies protect valuable resources and avoid exploitative bonds. The motivation to acquire customers and grow is a business selfish motive that triggers conflicts giving rise to emotions. From a strategic point of view, bonding with members of the business community can result in mutually supportive long-term relationship. Motivation to acquire information and learn is essential for business development.

Buyers and suppliers should be reminded that they are interdependent. This would provide a framework for identifying potential areas of conflict and opportunities for cooperation. Areas of cooperation ordinarily define rights and obligations of a buyer or seller. In collaborative and noncompetitive ventures, assembling and sharing information would greatly reduce conflict. It is necessary to promote mutual respect, trust and understanding among partnership members. They need to value collaboration, chart out clear roles and policy guidelines and encourage open and frequent communication among business partners. At the national level, there is need to change the emotional business climate created by regulatory agencies which promotes distrust, anger/fear.

Conclusion

In conclusion, the present findings attempt to confirm the existence of emotions in SME business relationships using data from a developing world context. Additionally, the study uses a multilevel investigation to prove the existence of severity of buyer-supplier contractual conflicts, emotional outcomes and disengagement behaviour arising out of the contractual disputes in Ugandan SMEs. Emotional outcomes of buyer-supplier contractual dispute are diverse and expressed in form of anger, worry, sad, shame, surprise and pessimism. The structural equation modeling reveal that emotional outcomes of buyer-supplier contractual dispute directly predict disengagement behaviour. This study, however has a number of limitations which we present below.

Limitations of the study

This study has some limitations that affect interpretation of results. First and foremost, item measures were derived from previous studies constructed in a developed world context with different cultures and environment. Such an environment has implications for validity and reliability of the measures. Second, the use of SEM entails some uncertainty, particularly with cross-sectional data that are not collected under controlled conditions.

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Appendix. Implied correlations – estimates

The correlation matrix displayed here is an estimate of the population correlation matrix of the observed variables under the hypothesis that the model is correct.

	1	2	3	4	5	6	7	8	9	10	11	12
1. Disengagement	1.00											
2. emo10	0.437	1.00										
3. emo9	0.433	0.518	1.00									
4. emo5	0.312	0.374	0.371	1.00								
5. emo4	0.441	0.528	0.524	0.377	1.00							
6. emo3	0.510	0.610	0.606	0.436	0.617	1.00						
7. emo1	0.493	0.590	0.585	0.422	0.596	0.689	1.00					
8. sep7	0.082	0.033	0.033	0.024	0.034	0.039	0.037	1.00				
9. sep6	0.071	0.029	0.028	0.020	0.029	0.033	0.032	0.341	1.00			
10. sep5	0.099	0.040	0.039	0.028	0.040	0.046	0.045	0.473	0.409	1.00		
11. sep4	0.056	0.022	0.022	0.016	0.023	0.026	0.025	0.268	0.231	0.321	1.00	
12. sep2	0.044	0.018	0.018	0.013	0.018	0.021	0.020	0.213	0.184	0.255	0.144	1.00

Notes: The table is essentially the same for the structural equation modeling (SEM); the variables were standardized to have a mean of 0 and a SD of 1; CFA, confirmatory factor analysis; $n = 792$, $M = 0$, and $SD = 1$

Table AI.
Correlations for CFA
and SEM analyses

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