

Contract ambiguity, psychological contract schema, and customer participation in supplier product innovation

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Abstract

BtoB firms often rely on customers' resources for product innovation through customer participation. To facilitate customer participation, firms frequently use contracts to safeguard a relationship. In this study, we investigate how contract ambiguity affects customer participation in supplier product innovation. Based on a field study, we demonstrate that contract ambiguity has a U-shaped relationship with customer participation in supplier product innovation. This effect is partially attributed to the different perceived psychological contract schemas under different levels of contract ambiguity. We show that the effect of contract ambiguity on customer participation depends on other mechanisms including goal congruence and process-based rewards.

Subject Areas: *Business-to-Business Marketing; Inter-organizational Collaboration; New Product Development and Launch*