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Demographic homophily, communication and trust in intra-organizational business relationships

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Abstract

Purpose – The purpose of this study is to understand how employees of an organization build and maintain successful business relationships by analyzing major antecedents of relationship quality and relationship commitment.

Design/methodology/approach – In this study, the authors develop a conceptual framework and formulate hypotheses regarding the relationships between demographic homophily, interpersonal communication, trust and dependent variables of perceived relationship quality and relationship commitment. This paper tests hypotheses presented in this study with the help of a structural equation model, based on a data sample from South Korea.

Findings – Unlike common thinking, demographic homophily does not directly increase the perceived relationship quality. The authors find a significant direct effect of interpersonal communication on relationship commitment but no effect of commitment on perceived relationship quality. Both seem to play independent roles but are positively influenced through the emergence of trust.

Research limitations/implications – By applying demographic homophily and interpersonal communication as antecedents and trust as mediator and main driver, the authors research effects on perceived intra-organizational relationship commitment and perceived relationship quality. In detail, the authors confirm the hypothesized centrality of trust in intra-organizational relationships between demographic homophily, interpersonal communication and dependent variables of perceived relationship quality and relationship commitment. Nevertheless, the authors surprisingly find neither significant evidence that demographic homophily increases the perceived quality of a relationship, nor does it lead to higher communication intensity directly, even in an environment (i.e. Korea), where it would be expected.

Practical implications – Based on the findings of this study, there are several practical implications. Understanding the interpersonal relationship characteristics in an intra-organizational setting enables managers to optimize organizational efficiency and effectiveness. Intra-organizational relationships between employees' are highly dependent on mutual trust as an indicator for relationship quality and relationship commitment. Organizations can also benefit from the understanding of the mechanisms of demographic homophily and interpersonal communication for the establishment of interpersonal trust as well.

Originality/value – Research about the effect of demographic homophily and interpersonal communication and the central role of trust in an intra-organizational approach to business relationships on perceived relationship quality and relationship commitment is scarce. The mutual testing of the effects and interaction of established constructs like demographic homophily, interpersonal communication and trust on perceived relationship quality and commitment constitutes the main contribution of this study to the literature on management and business relationships. The insights of this study about interpersonal bonding help companies to establish long-term business relationships.

Keywords Trust, Relationship quality, Business relationships, Relationship commitment, Demographic homophily, Interpersonal communication

Paper type Research paper

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The perceived quality of business relationships between the employees of an organization and its customers has been investigated in several research streams (Holmlund, 2008). Nevertheless, prior research mostly focuses on inter-organizational relationships (Akinbode and Clark, 1976; Dwyer *et al.*, 1987; Hakansson and Snehota, 1995; Narayandas and Rangan, 2004; La Rocca *et al.*, 2016) and their implications for overall firm performance (Chang and Holt, 1996; Hoppner *et al.*, 2015; Jiang *et al.*, 2016). In this regard, the relationship marketing literature has significantly contributed to the understanding of relationship bonding and the nature of interpersonal information exchange from a macro-level perspective (Welch and Welch, 1993; Paliwoda, 2011; Jiang *et al.*, 2016; Mora Cortez and Johnston, 2017). Metcalf *et al.*'s (1992) interaction model explains the central antecedents of close relationships and successful buyer-seller relationships by combining factors such as information exchange and social cooperation from an inter-organizational perspective (Metcalf *et al.*, 1992). Moreover, information exchange and social cooperation are highly dependent on mutual trust (Murphy *et al.*, 2003; Huang and Wilkinson, 2013), which supports the reduction of perceived individual risk. Overall, these antecedents influence the preferred way that employees communicate, share information and collaborate with one another (Canevello and Crocker, 2010; Song *et al.*, 2012). Nevertheless, research also suggests that successful interpersonal relationships, characterized by effective group and team structures, can be used as a predictor for overall firm outcome. In this context, Niculescu *et al.* (2013) argue that a micro-level approach to interpersonal relationships shows the potential to provide managerially relevant insights on fostering business culture, on both intra- and inter-organizational levels. Hence, we deem intra-organizational trust, relationship commitment and relationship quality important antecedents that help establish long-term business relationships with all relevant stakeholders of a company; internal and external (e.g. employees, customers, suppliers and authorities). However, the vast majority of studies from the literature on business relationships concentrate on relationship dynamics between employees in different organizations, representing an inter-organizational business-to-business (B2B) approach and thereby neglecting social dynamics between individuals within an organization (Athanasopoulou, 2009). Other scientific viewpoints – for example, research on communication theory and organizational communication (McCroskey *et al.*, 1974; Goldhaber *et al.*, 1978; Johnson and Tims, 1985) – provide insights into interpersonal communication dynamics, but often disregard the management perception of business relationships.

Taking these arguments into account, there is a distinct gap in the literature on management and business relationships regarding the main drivers of intra-organizational relationship quality and relationship commitment. In contrast to studies addressing the inter-organizational perspective, an intra-organizational approach focuses on interpersonal relationships and networks of employees within an organization as drivers for business effectiveness and efficiency (Hoppner *et al.*, 2015). In this regard, Romar (2004) states that individuals only execute and maintain interpersonal relationships properly when individual

benefits and social well-being are achievable. Hence, research on perceived relationship quality in business relations can no longer neglect interpersonal relationship dynamics in explaining organizational performance (Holmlund, 2008). Moreover, organizations continuously seek to develop strong and long-lasting relationships with business partners (Stewart *et al.*, 2012). Therefore, this study adds valuable insights into relationship marketing and organizational relationship dynamics by using a combined approach. We consider previous inter- and intra-organizational findings to generate insights for effective and efficient business relationships in general (Houman Andersen, 2001).

Regarding interpersonal factors, the presence of homophily – that is, the degree to which a communicating pair of individuals are similar to one another – plays a crucial role in business relationships with co-workers, colleagues and other professional associates or social contacts (Niven *et al.*, 2012). McCroskey *et al.* (1975) identify three dimensions of homophily: attitude, personal background and demographics. According to Kim and Altmann (2017), the demographic part of homophily in particular affects interpersonal relationship-building and social network evolution, because of the similarity of individuals' background. Studies on interpersonal attraction also show “that individuals bond with others because they believe that these partners will be trustworthy” (Jackson *et al.*, 2017, p. 216). Hence, attitudinal aspects of homophily seem to be less important and demographic homophily has been discussed as one of the main drivers of trustful relationships in social network structures (Kim, 2015). Nevertheless, it has rarely been included in the analysis of perceived relationship quality and relationship commitment. In addition, research about the effect of communication and the central role of trust in an intra-organizational approach to business relationships on perceived relationship quality and relationship commitment is also scarce (Athanasopoulou, 2009).

To sum up, the purpose of this study is the mutual testing of the effects on perceived relationship commitment and quality of established constructs like demographic homophily, interpersonal communication and trust. With our structural equation modeling approach, we contribute to discussion of the above-mentioned research gaps and add significant value to the literature on management and business relationships. In this context, Samiee and Walters (2003) and Lages *et al.* (2005) also call for further research on a combination of homophily, communication and trust in intra-organizational relationship quality and relationship commitment. In this study, we draw on current empirical data gathered among a subject pool of South Korean (hereafter Korean) respondents, because demographic homophily and its connection with other antecedents of perceived relationship quality and relationship commitment can best be studied in an environment in which it is omnipresent. A range of studies have found that demographic homophily in Korea is pronounced in several ways: in gender relations and social ties in the workplace (Rhee *et al.*, 2013), among executives of multinational corporations in terms of their educational and family background (Kim and Kim, 2008) or in preferred social contacts that are based on age (Jaeki, 2005). This is particularly true for Korea, as it has often been described as “the most Confucian country in Asia” (Holcombe, 2017, p. 6).

The remainder of the paper is organized as follows. We first discuss the relevant literature, develop our conceptual framework and formulate hypotheses regarding the relationship between demographic homophily, interpersonal communication, trust and our dependent variables of perceived relationship quality and relationship commitment. Then we explain our research methodology and sample characteristics for data obtained from a sample of Korean employees about their individual preferences in intra-organizational business relationships. Third, we evaluate the model fit of our structural equation model, following which the results and management implications are discussed. Finally, we outline the limitations and offer recommendations for further research.

Theoretical framework and hypotheses development

Demographic homophily in business relationships

The power and strength of interpersonal business relationships and/or intra-organizational ties is often explained with the support of exchange theory and homophily-heterophily theory (Lincoln and McBride, 1985). Whereas exchange theory explains individual behavior within or between organizations (Levine and White, 1961), homophily-heterophily theory addresses the fundamental principle of human communication and explains why individuals associate and bond with others (Johnson and Tims, 1985; Harrigan and Yap, 2017).

In early research, Lazarsfeld *et al.* (1948) and Lazarsfeld and Merton (1954) used personal attributes such as age, belief, individual values, educational background or social status as important factors to specify the degree of homophily in friendship-like relationships. Those relationships can arise because of similar attitudes or personal demographic backgrounds (McPherson *et al.*, 2001). The main homophily principle states that when an individual is able to interact and communicate with anyone in a free choice situation, then there is a strong tendency to choose a communication partner who is similar (McCroskey *et al.*, 1975). Therefore, the fundamental principle of homophily plays a crucial role in any kind of communication-oriented relationship and so in intra-organizational relationships, too. Since the early works, measurement of the homophily of communicating individuals has significantly improved. It has been validated by field investigators and also been picked up by sociological macro and structural theorists (Blau, 1977; Blum, 1985; McPherson *et al.*, 1992). However, current research shifts the focus from an affective-oriented view on homophily to a more status- and demographic-oriented perspective, as relative status and demographic similarity represent mechanisms for individual reactions (Yildiz, 2014; Yildiz, 2016). To summarize, we define demographic homophily in this research, following Rogers and Bhowmik (1970), as the degree to which pairs of interacting individuals are similar in terms of demographic attributes.

Demographic homophily and perceived relationship quality

Based on analysis of the different streams in the literature, demographic homophily appears to be a key factor for the initiation of successful long-term intra-organizational business

relationships and efficient team member exchange. Using the case of East Asia, Barnes *et al.* (2015) view homophily and related demographics as among the most important elements in interpersonal relations and a trigger for business transactions. Therefore, demographic homophily can increase social bonding (Mavondo and Rodrigo, 2001) and create an empathic understanding between communicating individuals. A high level of demographic homophily can lead to durable and long-lasting business relationships because of mutually perceived sympathy (Kim, 2015).

Moreover, each individual in an organization is part of a team. If an employee is directly involved in the establishment of new business alliances or contractual relationships, then the degree of demographic homophily will influence his or her decision-making process (Buckley *et al.*, 2015). In addition, homophily will create an interpersonal communication bias and influence confidence building (Currarini and Mengel, 2016). Hegde and Tumlinson (2014) argue that sociologists have observed homophily in a wide field of sociodemographic and behavioral dimensions (McPherson *et al.*, 1992) and have empirically proven its importance in interpersonal relationships (Hegde and Tumlinson, 2014). Accordingly, business relationships are dependent on the strength of homophily and interpersonal similarity, because this can lead to mutual sympathy, attraction and interaction. As a result, homophily facilitates knowledge-sharing across different units and functions of organizations (Mäkelä *et al.*, 2012). For this reason, we assume that demographic homophily has an influence on the perceived quality of business relationships. Perceived relationship quality by itself is a widely acknowledged construct that reflects the perceived strength of relationships (Hewett *et al.*, 2002; Jiang *et al.*, 2016). Literature also shows that homophily and demographic similarity drive linkages across intra-organizational boundaries (Jaina and Tyson, 2004; Makela *et al.*, 2007) as well as engaging long-term perceived relationship quality in business relations (Jiang *et al.*, 2016). Therefore, high levels of demographic homophily will increase the perceived interpersonal relationship quality (Makela *et al.*, 2007; Collet and Philippe, 2014; Barnes *et al.*, 2015). Based on this discussion, we formulate the following hypothesis:

H1. The higher the degree of demographic homophily between individuals, the higher the level of perceived relationship quality.

Demographic homophily and interpersonal communication

Prior research from social network analysis views demographic homophily as a factor to specify the cohesiveness of social groups and their communication behavior (Kamath and Cowan, 2015). Hence, demographic homophily serves as a trigger for information diffusion processes (McPherson *et al.*, 2001; Schaefer, 2012). In this context, interpersonal communication itself refers to the degree of informally exchanged information and the occurrence of regular communication processes between co-workers (Bruns and McKinnon, 1993; Kleinbaum *et al.*, 2013). Beyond that, some studies have illustrated the importance of demographic homophily for tie formation and social influence processes – that is, word-of-mouth (Yap and Harrigan, 2015). In

organization and communication theory, some scholars have argued that homophily and similar demographic aspects of individuals can facilitate the predictability of communication flow (Goldhaber *et al.*, 1978; Kleinbaum *et al.*, 2013). Hence, a high level of homophily between a pair of communicating individuals will influence their interaction rate (Thompson, 1967; Gundlach *et al.*, 2006). McCroskey *et al.* (1974) and Kleinbaum *et al.* (2013) add that homophily is both chosen and induced. This understanding can be broadened to communication between individuals. Within an organization, individuals choose communicating peers in relation to specific tasks and the formal structure of the organization. Hence, we assume that the homophily principle related to communication processes persists in an intra-organizational setting. Thus, a high degree of demographic homophily will influence communication patterns between individuals. Consequently, we formulate the following hypothesis:

- H2. The higher the degree of demographic homophily between individuals, the higher the intensity of interpersonal communication.

Demographic homophily and the emergence of trust

According to Mayer *et al.* (1995), trust can be defined as the “willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action” (Mayer *et al.*, 1995, p. 712). Moreover, Fukuyama (1995) stresses that “trust is the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of other members of that community” (Fukuyama, 1995, p. 26). In an extension to this argument and focusing on the individual level, Gambetta (2000) defines trust as “a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action, both before he can monitor such action (or independently of his capacity ever to be able to monitor it) and in a context in which it affects his own action” (Gambetta, 2000 p. 218). In all these definitions, the trustee implicitly takes the risk of being exploited by the trustor. Hence, in our combined research approach, we deem trust an important driver of relationship commitment and relationship quality, which is strongly connected with demographic homophily and interpersonal communication as its antecedents. Researchers have studied the interaction between homophily and trust in the context of communication processes within online social networks (Ziegler and Goldbeck, 2007; Goldbeck, 2009). In addition, relationship dynamics between individuals are based on demographic homophily considerations, and the impact on trustworthy relationships is mainly driven by attributes such as age and personal awareness or tenure (Doney and Cannon, 1997; van de Bunt *et al.*, 2005). In daily business, individuals preferentially communicate through trust-affected relationships (Ashnai *et al.*, 2016; Alsaad *et al.*, 2017). Hence, trust plays an important role in social relationships. Kim (2015) states that similar, and therefore, homophilous, individuals have mutual trust, while homophily can be interpreted as a cause for trust and vice versa. Therefore, we assume that a high degree of demographic homophily supports a high level of interpersonal trust. Hence, we formulate the following hypothesis:

- H3. The higher the degree of demographic homophily between individuals, the higher the level of trust.

Interpersonal communication and the emergence of trust

Given that trust appears to be a central psychological construct in business relationships, it is important to explore whether language barriers and the exchange of information – respectively, the willingness to exchange information about business tasks and even beyond sole work purposes – may influence the establishment of trust. In this context, previous research views trust as a mediating effect in terms of relationship effectiveness which supports satisfaction-loyalty links between individuals (Sarker *et al.*, 2011; Yadav *et al.*, 2018). Trust by itself is also often associated with knowledge-sharing and perceived expertise (Hansen, 2002). However, both of these psychological constructs consider a unidirectional more than a bidirectional perspective, because the amount of information flow from one individual to another within an organization can differ considerably (Lusher *et al.*, 2012). Several studies have shown that trust is contingent on the similarity of a pair of communicating individuals (Ziegler and Goldbeck, 2007; Kim, 2015). In addition, Tenzer *et al.* (2014) investigate how language barriers influence trust formation in multinational teams (MNTs). This results in several propositions on trust and trustworthiness in MNTs; for example, if the language competence of an MNT member is low, then colleagues can attribute low task competence to the colleague, which further reduces their perceived ability-based trustworthiness. Moreover, colleagues with a weak command of the shared language receive less goodwill, which in turn can lead to low levels of relationship commitment toward these individuals. All findings seem to be applicable in our intra-organizational research as well, as the ongoing internationalization of organizations facilitates the development of MNTs (Lewicki and Bunker, 1996; Colpan and Hikino, 2013). Based on this discussion, we formulate the following hypothesis:

- H4. The higher the degree of interpersonal communication, the higher the level of trust between individuals.

Formation of relationship commitment

Interpersonal communication – or, as defined earlier, the degree of informally exchanged information and the occurrence of regular communication processes between co-workers (Bruns and McKinnon, 1993; Kleinbaum *et al.*, 2013) – can be regarded as a crucial variable at the outset of a business relationship. It is currently widely accepted that the effectiveness of communication is an important factor in making a business or social relationship successful (Cann, 1998; Goodman and Dion, 2001). Trustful communication is also described as the glue that keeps relationships together (Coote *et al.*, 2003). For successful business relationships, Mohr and Spekman (1996) point out that interpersonal communication is pivotal to the vitality of the relationship. In a nutshell, once associates are willing to communicate frequently and the language barrier is low or even non-existent, then information is shared directly and business goals are clearly communicated. Therefore, the degree of commitment – an

idiosyncratic investment and adaption to the communication partners' requirements (Ganesan *et al.*, 2010) – between individuals will be enhanced by interpersonal communication. Business relationships with co-workers show similar characteristics (Holm *et al.*, 1999).

This line of argument has been supported by studies in the area of inter-organizational communication and relationship commitment in business relationships, from where we gather additional input concerning this research. Morgan and Hunt (1994) found that interpersonal communication has a positive influence on enhancing the commitment of business partnerships if valuable information is shared, such as expectations, evaluations and market knowledge (Goodman and Dion, 2001; Theron *et al.*, 2008). In all studies, the assumption that interpersonal communication has a positive impact on relationship commitment is significant. Hence, we propose the following hypothesis:

H5. The higher the degree of interpersonal communication, the higher the level of commitment in a relationship.

Developing research on trust in business relationships further, Dyer and Chu (2000) findings imply a low level of trust between buyers and suppliers in the USA, whereas in East Asia, the trust level is said to be universally high (Macduffie and Helper, 2007). In the supply chain management literature, a low degree of trust has been found to hinder interpersonal communication, information sharing and cooperation in general (Kumar, 1996). In this study, we transfer these findings to an intra-organizational setting. In other words, individuals in business relationships may not invest in relationships where trust is low – that is, they do not commit themselves to such relationships (Ashnai *et al.*, 2016). Commitment, which is defined as “the desire for continuity manifested by the willingness to invest resources into a relationship” (Gounaris, 2005, p. 127), appears to be a frequently studied and important construct in the relationship marketing literature. Mutually committed parties are said to be more willing to exchange and invest specific valuable assets in a relationship (Gundlach *et al.*, 1995), which reduces uncertainty and keeps a relationship stable over time (Gao *et al.*, 2005). Therefore, the influence of trust on commitment has been identified as a crucial driver (Morgan and Hunt, 1994; Ferro *et al.*, 2016), and the establishment of commitment is seen as a consequence of trust (Ganesan and Hess, 1997). According to Morgan and Hunt (1994, p. 24), “relationships characterized by trust are so highly valued that parties will desire to commit themselves to such relationships [...] because relationship commitment entails vulnerability, parties will seek only trustworthy partners”. It is assumed that relationship commitment based on trust stabilizes relationship durability through the predictability of a partner's actions and behaviors (Gao *et al.*, 2005). We expect that a high level of trust will positively influence the commitment of two or more individuals. Hence, we propose the following hypothesis:

H6. The higher the degree of trust between individuals, the higher the level of commitment in a relationship.

Impact of relationship commitment and trust on perceived relationship quality

As an extension of our line of argument established in the preceding section about trust and relationship quality, it can be assumed that higher commitment leads to higher perceived relationship quality. Previous research on social networks and structural bonds investigating this proposition assumes that commitment only emerges when a relationship is considered to be important, meaningful, and durable (Manxhari, 2015). In this case, involved individuals feel an obligation to make a business relationship successful and mutually beneficial (Wong and Sohal, 2002). Thus, once a commitment toward a partner has been established based on mutual trust and interpersonal communication, this should lead to an increase in perceived relationship quality. Therefore, we state the following hypothesis:

H7. The higher the degree of commitment between individuals, the higher the level of perceived relationship quality.

By generalizing the research on trust, as discussed above, it can be claimed that scholars agree that a high degree of trust among individuals in business relationships leads to better economic results (Fukuyama, 1995; Ostrom and Ahn, 2003). This is because trust improves cooperation and coordination in organizations. Accordingly to Massey *et al.* (2018), trust is vital to understand exchange relationships – for example, between employees of an organization. In this regard, frequent and direct (face-to-face) communication has a significant positive influence on the establishment of trust (Huang and Wilkinson, 2013). Overall, the interplay of trust and perceived relationship quality in business relations is currently under-researched. Nevertheless, we assume that trust plays a key role in positive relationships between individuals in business relationships and, therefore, formulate the following hypothesis:

H8. The higher the degree of trust between individuals, the higher the level of perceived relationship quality.

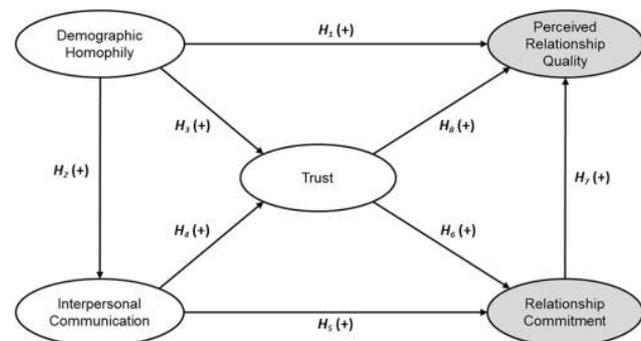
Figure 1 depicts the proposed overall research model with the corresponding hypotheses.

Research methodology

Measurement scales

In this study, we analyze demographic homophily, interpersonal communication, trust and their effects on perceived

Figure 1 Proposed research model and corresponding hypotheses



commitment and relationship quality in business relationships, based on a data sample from Korea, which we deem an optimal environment for the purpose of our study, as it is known for an affinity for demographic homophily and relational commitment in social ties and business relationships. As we touch on new ground with this research, multi-item measurement scales based on existing scales in the literature about relationship marketing and social networks have been transferred to the Korean context because no pre-tested scales were available to explore Korea-specific features. Thus, we partly applied the scale from McCroskey *et al.* (1975) to measure demographic homophily. For interpersonal communication, we used two adapted items from the scale by Li and Dant (1997). We measured our central construct, trust, with three adapted items and commitment with four adjusted items from Walter *et al.* (2003). Finally, we assessed perceived relationship quality by using four adapted items from Crosby *et al.* (1990). We administered all items using a five-point Likert scale format ranging from 1 = strongly disagree to 5 = strongly agree.

Data gathering

To prevent any language-based bias (Costa *et al.*, 2014), the original questionnaire was compiled in English and translated back and forth to the Korean language. A second translator accomplished back translation according to the back translation method (Brislin, 1986). Discrepancies between the two versions were resolved between the researchers and the second Korean translator by carefully checking and critically discussing the questionnaire's final version and a pretest with Korean-speaking individuals not taking part in the research. Finally, one of the authors gathered data in Korean public and private companies. Moreover, we collected data from a university-wide registered alumni network in the greater Seoul area. No specific industry was selected, and the questionnaire addressed participants from various management levels in public and private companies. A group of white collar participants ($n = 254$) fully completed the given online questionnaire. To clarify questions during the survey, the survey tool implemented an additional chat feature. To increase participation, the respondents were offered an incentive in the form of a Starbucks coupon at the end of the survey. All questions within the questionnaire were designed to evaluate established business relationships between employees and their co-workers.

Overall, the sample characteristics that are presented in Table I show a tendency to include young professionals of 25-34 years of age (73 per cent) and a slightly higher proportion of females (59.4 per cent). Besides gender and age, Table I presents additional respondent attributes such as education, marital status and actual employment status. The aggregated data reveal that nearly all of the respondents had earned a university degree (89.0 per cent), and over three quarters (79.5 per cent) were single. In addition, 50.0 per cent worked for private organizations, 29.1 per cent for public organizations and 20.9 per cent for others.

Reliability and validity of the scales

We checked the reliability of all the scales used for antecedents of perceived relationship quality and commitment in a business relationship by performing structural equation modeling in

Table I Sample characteristics

Variables	Characteristics	Value
Gender	Male	40.6% (103)
	Female	59.4% (151)
Age	18-24	3.9% (10)
	25-34	73.2% (186)
	35-44	13.8% (35)
	45-54	7.7% (17)
	55-64	2.4% (6)
Education	High School/Some College	11.0% (28)
	University degree	89.0% (226)
Marital status	Single	79.5% (202)
	Couple	20.5% (52)
Employment status	Private company	50.0% (127)
	Public organization	29% (74)
	Other	20.9% (53)

SPSS Amos 23. We applied a two-step approach, as recommended by Anderson and Gerbing (1988), to separate estimation and re-specification of the measurement model, with confirmatory factor analysis prior to the simultaneous estimation of the measurement and structural models. In the first step, we removed items with less than 0.5 factor loadings to improve the measurement model estimation, as recommended by Bagozzi and Yi (1988).

After the cleaning process, the model contains 16 items belonging to the antecedents – that is, demographic homophily and interpersonal communication, the mediator trust and the dependent variables: perceived relationship quality and commitment in a relationship. Table II shows the remaining items, means, standard deviations (SD) and factor loadings with averages per dimension depicted in bold letters next to each latent variable. All scale endings – exogenous and endogenous constructs – were administered using a five-point Likert scale format, ranging from 1 = strongly disagree to 5 = strongly agree. Hence, the higher the ratings on our five-point Likert scale, the higher the participant's individual consent concerning particular scale items and vice versa. In addition, Cronbach's alpha (α), the composite reliabilities (CR) of items belonging to each latent variable and average variance extracted (AVE) were calculated and displayed as measurement properties of the utilized constructs. Finally, we present path coefficients (β) and significance levels (p) on the right-hand side of Table II (significant values are highlighted in bold letters).

All of the antecedents (demographic homophily and interpersonal communication) and the mediator trust display very satisfying composite reliabilities; the values are: 0.720 for demographic homophily ($\alpha = 0.688$); 0.801 for interpersonal communication ($\alpha = 0.794$); and 0.838 for trust ($\alpha = 0.655$). The perceived relationship quality value of 0.907 ($\alpha = 0.832$) and the value of 0.884 for commitment in a business relationship ($\alpha = 0.786$) also show very satisfying composite reliabilities. We additionally measured and reported Cronbach's alpha for all five constructs and received satisfying results (refer to Cronbach's α in brackets). Moreover, all of the concept-to-domain coefficients (factor loadings) that are displayed in Table II are statistically significant, thereby

Table II Measurement properties of constructs

Factor name	Mean	SD	Factor loading	α	CR	AVE	β	p
<i>Demographic Homophily</i>	3.07	0.866						
I prefer a colleague of the same gender	2.92	0.851	0.592	0.688	0.720	0.474	0.008	0.906
I prefer colleague of the same marital status	3.02	0.795	0.884				0.017	0.827
I prefer a colleague of the same country of origin	3.28	0.953	0.539				0.225	0.009
<i>Interpersonal Communication</i>	2.62	0.933						
My colleague and I often exchange information informally and we generally try to stay in regular contact	2.42	0.876	0.872	0.794	0.801	0.670	0.274	0.001
My colleague and I exchange often information beyond what is required by our agreements	2.82	0.989	0.761				0.426	0.000
<i>Trust</i>	1.90	0.699						
I prefer a colleague that supports me actively when I have an important requirement or a difficult task to complete	1.81	0.668	0.609	0.655	0.838	0.634	0.438	0.000
I prefer a colleague that is always honest to me	1.91	0.703	0.638				0.603	0.000
I prefer a colleague that considers my welfare when making important decisions	1.99	0.725	0.558					
<i>Relationship Commitment</i>	2.12	0.768						
I will generally focus on a long-term personal relationship with my colleague	2.11	0.815	0.705					
I will generally defend my colleague, even when an outsider criticizes him/her	2.15	0.703	0.589	0.786	0.884	0.659	0.094	0.311
I want to be/remain a member of my colleague's close social network, because I genuinely enjoy the relationship with him/her	2.09	0.725	0.810					
My positive feeling toward a colleague is generally a major reason to continue working with him/her	2.13	0.829	0.692					
<i>Perceived Relationship Quality</i>	1.83	0.633						
If my colleague satisfies my expectations, it positively influences the business relationship	1.79	0.571	0.745					
I prefer a well-established and good relationship with my colleague that focuses on an effective and efficient cooperation/collaboration	1.83	0.619	0.715	0.832	0.907	0.709		
A well-established and good business relationship will generally contribute to a long term collaboration with my colleague	1.79	0.616	0.814					
A well-established and good business relationship will generally lead to fewer conflicts and makes the cooperation with my colleague easier	1.89	0.727	0.722					

Note: All items have been administered with a five-point Likert scale format going from "1 = strongly disagree" to "5 = strongly agree"

demonstrating high convergent validity for the constructs. For discriminant validity, we estimated the AVE for each latent construct. Hu and Bentler (1999) set a threshold level of 0.5 for the AVE. In this study, the values offer a mixed outcome, whereby perceived relationship quality (0.709), relationship commitment (0.659), trust (0.634) and interpersonal communication (0.670) show satisfactory results. We received a value slightly below 0.5 for our latent construct demographic homophily (0.474). Nevertheless, Malhotra et al. (2017) argue that the AVE is often too strict and that CR alone functions as a good indicator of reliability. To summarize, following the literature, we deem our sample results to be appropriate in terms of reliability and validity.

As the predictor variables were not separated from the dependent constructs in the survey, we applied techniques discussed by Podsakoff et al. (2003). First, to reduce their evaluation apprehension and the possibility of socially desirable answers, the respondents were carefully advised in the questionnaire that there are no right or wrong answers and they should answer the questions as honestly as possible. Second, we performed a common latent factor analysis by running our model with and without a common latent factor, comparing the factor loadings of each path (Podsakoff et al., 2003). Results show that the differences between the standardized factor loadings of both models, with and without a common latent factor, are all below 0.2,

indicating that common method variance is not a concern in this research (Podsakoff *et al.*, 2003).

Results

Model fit

We simultaneously tested the eight hypotheses for the assumed effects between antecedent (demographic homophily and interpersonal communication), mediator (trust) and dependent constructs (relationship commitment and perceived relationship quality) with structural equation modeling, using the maximum likelihood estimation method in SPSS Amos 23. We also applied well-known fit indicators from the literature. Figure 2 displays the modeling results with path coefficients and fit statistics.

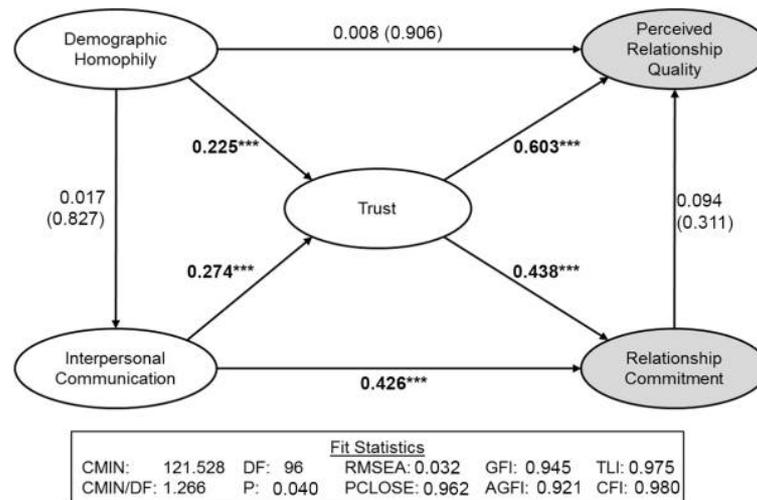
The overall fit of the structural and the applied measurement model is very satisfactory. The χ^2 -statistics of goodness-of-fit for the model yielded a value of $\chi^2 = 121.528$ with $df = 96$ and a p -value of 0.040 (Bentler and Bonett, 1980; Byrne, 2009). Several other goodness-of-fit indicators such as χ^2/df , GFI and AGFI for overall fit, as well as CFI and TLI for measurement model fit, have also been developed and simultaneously used to avoid poor model evaluation (Bentler, 1990; Jackson *et al.*, 2009). The relative chi-squared (χ^2/df), which is an index of how much the model fit is reduced by dropping one or more paths, should be less than 3.0 (Carmines and McIver, 1981). For this study, the value of $\chi^2/df = 1.266$, showing great overall model fit. For the remaining four indexes, a value above 0.9 is evidence of good model fit (Doll *et al.*, 1994; Hair *et al.*, 2009). For our model, all of the values are above 0.9 (GFI = 0.945 and AGFI = 0.921 for overall model fit; CFI = 0.980 and TLI = 0.975 for measurement model fit). RMSEA is also considered to be one of the most informative indicators of goodness-of-fit because it estimates the amount of error of approximation per degree of freedom, also taking into account sample size. The RMSEA value for our model is 0.032, which is far less than the recommended value of 0.05 to be considered a close fit of the model (Browne and Cudeck, 1992); corresponding PCLOSE = 0.980 shows statistical insignificance of RMSEA

higher than 0.05, with a threshold level of 1 (Hair *et al.*, 2009). These results suggest that the hypothesized model describes the relationship between the antecedents demographic homophily and interpersonal communication, the mediator trust and our dependent construct's relationship quality and commitment in a business relationship very well.

Hypotheses testing

Figure 2 also displays the results of hypotheses testing as path coefficients by β -weights and corresponding significances. Overall, we found a central role of trust and communication in business relationships. Nevertheless, some of our hypotheses remain insignificant, although they at least have a correct sign. In detail, hypothesis *H1*, stating that the higher the degree of demographic homophily between individuals, the higher the level of perceived relationship quality, is not significant ($\beta = 0.008$, $p \leq 0.906$). In addition, hypothesis *H2*, stating that the higher the degree of demographic homophily between individuals, the higher the intensity of interpersonal communication, is not significant ($\beta = 0.017$, $p \leq 0.827$). Hence, demographic homophily – this is counterintuitive – does not affect perceived relationship quality and interpersonal communication between individuals in business relationships. As we expected, the sign shows a positive effect, but this may happen because of the relatively low sample size of 254, which means that we do not see a significant effect. We discuss this issue in the limitations section. In contrast, hypothesis *H3*, indicating that the higher the degree of demographic homophily between individuals, the higher the level of trust, is confirmed ($\beta = 0.225$, $p \leq 0.05$). Moreover, we find highly significant support for hypothesis *H4*, stating that the higher the degree of interpersonal communication, the higher the level of trust between individuals ($\beta = 0.274$, $p \leq 0.001$), and for hypothesis *H5*, which states that the higher the degree of interpersonal communication, the higher the level of commitment in a relationship ($\beta = 0.426$, $p \leq 0.001$). Hence, we can confirm that trust in business relationships plays a central role between demographic homophily and interpersonal communication, on the one hand, and perceived relationship

Figure 2 Structural equation modeling results



quality and commitment in a relationship, on the other. In addition, we not only see a significant direct effect of communication on commitment in a relationship, but we also find support for our hypotheses *H6* and *H8*, which is even more important. In detail, hypothesis *H6*, stating that the higher the degree of trust between individuals, the higher the level of commitment in a relationship, is confirmed ($\beta = 0.438, p \leq 0.001$). Hypothesis *H8*, indicating that the higher the degree of trust between individuals, the higher the level of perceived relationship quality, is also confirmed ($\beta = 0.603, p \leq 0.001$). Finally, hypothesis *H7*, stating that the higher the degree of commitment between individuals, the higher the level of perceived relationship quality, is not significant ($\beta = 0.094, p \leq 0.311$). Hence, we do not find a direct positive effect of commitment in a relationship based on perceived relationship quality. Table III displays the overall results from testing our hypotheses.

Discussion

Theoretical implications

This research provides initial insights into antecedents of social cohesion between actors belonging to the same organization in a B2B environment. We use previous findings from inter- and intra-organizational research to develop a combined model that focuses on interpersonal relationship dynamics in an intra-organizational setting. By applying demographic homophily and interpersonal communication as antecedents and trust as the mediator and main driver, we research effects on perceived intra-organizational relationship commitment and perceived relationship quality. In detail, we confirm the hypothesized centrality of trust in intra-organizational relationships between demographic homophily, interpersonal communication and our dependent variables of perceived relationship quality and relationship commitment. On the one hand, trust simultaneously increases perceived relationship commitment and perceived relationship quality. On the other hand, trust is enhanced by demographic homophily and interpersonal communication. Hence, trust emerges as an important mediator between demographic homophily and interpersonal communication and perceived relationship commitment and perceived relationship quality.

Nevertheless, we surprisingly find neither significant evidence that demographic homophily increases the perceived quality of

a relationship; nor does it lead to higher communication intensity directly, even in an environment (i.e. Korea) where it would be expected. Hence, we assume that demographic homophily is less important for the establishment of collaborative and efficient intra-organizational business relationships (Carmon *et al.*, 2010). In contrast, interpersonal relationships within organizations in a B2B setting seem to be highly dependent on communication and interaction processes between individuals. The results in our study confirm that only through intense and continuous communication processes does the trust level and the level of relationship commitment among employees significantly increase. While trust serves as an important and central driver for shaping a reliable and socially accepted behavior between individuals (Hashim and Tan, 2015), communication creates a necessary condition for commitment (Postmes *et al.*, 2001) and trust alike. Our results provide a strong indication that trust and communication are indicators for relationship commitment because of social interaction.

Moreover, our results indicate that a higher degree of relationship commitment should not be interpreted as a cause for higher levels of perceived relationship quality. It is rather a higher level of trust in one's colleagues and co-workers that seems to be essential within an intra-organizational setting. Relationship commitment and perceived relationship quality seem to be independent constructs. This result is contrary to our assumption that the formation of relationship commitment as an idiosyncratic investment and adaption to the communication partner's requirements will increase the mutual support of employees within organizations. Therefore, it is questionable if relationship commitment, which according to Chenet *et al.* (2010) refers to a level of personal relationship satisfaction, impacts business relationships to the same degree that it influences private social relationships.

Managerial implications

Based on our findings, there are several practical implications. Understanding the interpersonal relationship characteristics in an intra-organizational setting enables managers to optimize organizational efficiency and effectiveness. Intra-organizational relationships between employees are highly dependent on mutual trust as an indicator of relationship quality and relationship commitment. Organizations can also benefit from understanding the mechanisms of demographic homophily and interpersonal communication for the establishment of

Table III Overall results of hypotheses testing

Hypotheses	Result
<i>H1</i> . The higher the degree of demographic homophily between individuals, the higher the level of perceived relationship quality	Not significant
<i>H2</i> . The higher the degree of demographic homophily between individuals, the higher the intensity of interpersonal communication	Not significant
<i>H3</i> . The higher the degree of demographic homophily between individuals, the higher the level of trust	Confirmed
<i>H4</i> . The higher the degree of interpersonal communication, the higher the level of trust between individuals	Confirmed
<i>H5</i> . The higher the degree of interpersonal communication, the higher the level of commitment in a relationship	Confirmed
<i>H6</i> . The higher the degree of trust between individuals, the higher the level of commitment in a relationship	Confirmed
<i>H7</i> . The higher the degree of commitment between individuals, the higher the level of perceived relationship quality	Not significant
<i>H8</i> . The higher the degree of trust between individuals, the higher the level of perceived relationship quality	Confirmed

interpersonal trust. With overall knowledge about trust formation in interpersonal business relationships, managers can, for example, improve teamwork effectiveness and workgroup formation by considering individual differences in terms of demographic homophily and by supporting communication processes – that is, through organizational arrangements like flat hierarchical structures or with the help of collaboration tools that support communication flows and information transparency. Organizations should also ensure that communication processes are not suspended by language barriers. Especially in internationally operating organizations, at least one official company language should be mastered by every employee to avoid a decrease in trust and commitment among diversified staff. Accordingly, companies should train employees who need support to speak the company language fluently, thus not only improving their employees' language skills but also their willingness to share relevant information with their co-workers.

Limitations and future research

As with any research, ours has some limitations. We regard our study as a starting point in intra-organizational research about the antecedents of perceived relationship quality and relationship commitment in a combined model. For this purpose, we used a sample of employees in international companies in Korea. Hence, our study might be limited to the Korean and probably the Confucian Asian context (House *et al.*, 2004) where, nevertheless, more than 20 per cent of the world's population (around 1.6 billion people) lives. We chose this subject pool because South Korea is regarded as a country where demographic homophily and close social relationships are omnipresent and highly pronounced (Lew, 2013). While we believe that our results can be extrapolated to regions other than Confucian Asia, this requires further empirical proof that future research may deliver. Moreover, future studies may explore the respective interactions from a cross-cultural lens, as this might reveal potential differences between Western and non-Western economies that may help international firms to improve their management processes. This would require a multi-national subject pool, enabling a comparison with our preliminary findings. Although previous literature indicates an unstable measurement of demographic homophily (McCroskey *et al.*, 1975), we cannot confirm this issue in our study. Nevertheless, as we used data gathered via questionnaire and not observational data – that is, from an experiment – we are only able to capture and analyze the stated and not revealed respondents' preferences. Furthermore, our measurement model shows mean values with a slight tendency toward lower agreement for four out of five latent constructs: interpersonal communication, trust, relationship commitment and relationship quality.

Our sample size seems sufficient for structural equation modeling but is still rather small ($n = 254$). Therefore, we recommend that additional data be gathered about intra-firm relationships in both a Western and a non-Western context. In this regard, future research may not only build upon our results by extending the geographical scope of our subject pool, but may also test further important factors that influence perceived relationship quality and relationship commitment in an intra-organizational setting. As an additional path for further studies,

organizational perspective to inter-organizational aspects in B2B scenarios. Our insights about relationship dynamics between employees in an organization are transferable to relationships between employees in different organizations. Even if the organizational context might differ and communication levels vary, then the fundamental principle of social relationships persists. Therefore, knowledge about the effect of trust on relationship commitment and perceived relationship quality can help organizations to improve B2B relationships in general.

As discussed at the outset of the paper, further studies should also implement our researched internal success factors – that is, our dependent factors, perceived intra-organizational relationship quality and relationship commitment – and the outside success of an organization in the marketplace, as investigated by relationship marketing for inter-organizational business relationships (Athanasopoulou, 2009). Hence, this research opens up avenues for further studies in intra-organizational business studies and a company's overall economic success.

Conclusion

Our study illustrates the centrality of trust and interpersonal communication in intra-organizational relationships. Contrary to our initial expectations, we do not see demographic homophily as leading to a higher intensity of communication and an increased perceived quality of relationships, but instead, we observe that demographic homophily and a free flow of communication lead to trust and that, in turn, increases the quality of relationships among employees and their commitment to one another. In addition, interpersonal communication directly leads to relationship commitment. Hence, we recommend that organizations allow informal communication processes between employees, which, in turn, results in higher levels of interpersonal trust, relationship commitment and perceived relationship quality, thereby supporting organizational performance.

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