Opportunistic behavior in buyer-seller relationships: Theoretical foundation; antecedents and consequences

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Abstract: Opportunism a behavior can be found in any relational exchange in many forms. In this respect, opportunistic behavior has been recognized one of the historical factors that have tremendous effects on the relationship development between buyer and seller. A conceptual framework of the research's main variables is presented, the antecedents which are dependence, formalization, relational norms and uncertainty; followed by the consequences of opportunism which are performance and satisfaction. The aim of this research is to explain the theoretical background of each antecedent and consequence of opportunism as a concept and how these variables are related to such behavior.

[Yousra Eid Mohamed Abd El Rahman. **Opportunistic behavior in buyer-seller relationships: Theoretical foundation; antecedents and consequences.** *J Am Sci* 2015;11(1):116-129]. (ISSN: 1545-1003). http://www.jofamericanscience.org. 15

Keywords: Opportunistic behavior; buyer-seller; relationships; Theoretical foundation; antecedent

1. Introduction

Recent theoretical development in the marketing literature aimed at conceptualizing or operationalizing the concept of relationship marketing have acknowledged the relationship marketing practices which resulted in many different proposed determinants **(Heide and John,1990)** and consequences **(Morgan and Hunt, 1994; Noordewier and et al.,** 1990).

Believing in the role relationship marketing can play in marketing channels, researchers have given much attention to studying successful relationship marketing practices that provide enhanced procurement efficiencies for buyers (Kalwani and Narayandas, 1995; Noordewier et al., 1990) and improve selling efficiencies for suppliers(Jackson, 1985). Despite these benefits, it has been observed that the relationship between buyers and sellers fail at a high rate because their inability to detect opportunism by either parties. (Harrigan, 1988; Parkhe, 1993).

Reviewing the literature, opportunism is a multi-disciplinary concept it has been studied in many fields of marketing literature, such as strategic management (e.g., Inkpen and Beamish 1997), marketing (Grayson and Ambler 1999, Moorman et al. 1992), psychology (Ephross and Vassill 1993), and transaction costs analysis in new institutional economics (e.g., Klein 1996, Williamson 1996).

Despite the theoretical importance of opportunism for explaining interorganizational relations, a modest understanding of the opportunism construct has been perceived (Maitland, et al., 1985; Achrol and Gundlach, 1999; Anderson, 1988; John, 1984; Brownet al.,-2000).

Reviewing the literature, only few empirical studies have been conducted to measure opportunism. In this respect, only few studies have identified the antecedents of opportunism in marketing channels (Anderson, 1988; Gundlach, et al., 1995; John, 1984, Provan and Skinner, 1989) and consequences (Gassenheimer and et al., 1996; Morgan and Hunt, 1994; Parkhe, 1993) of opportunism. More research should be conducted to increase our understanding of the opportunism construct in marketing channels.

Research Objectives

- Examining the antecedents and consequences of opportunistic behavior between the producer (supplier) and distributor (buyer).
- Investigating the influence of opportunism on performance and satisfaction.
- Examining the extent to which the retail sector in Egypt can be subject to opportunistic behavior, by studying opportunistic behavior by distributors.

2. Importance of the proposed research

2.1. Academic importance

Many studies have examined opportunism as a theoretical mechanism (Fein and Anderson 1996, Stump and Heide 1996 are examples), however, only few studies have studied and tested opportunism empirically.

Opportunism as a behavior that can be found in any relational exchange, is not carefully studied in the Arab World. More research needs to be conducted in this area to test the viability of the concept of opportunism, accordingly, various marketing actors will be aware of the occurrence of such behavior and can develop policies to reduce and limit opportunism. The researcher aims at contributing to the limited number of opportunistic behavior studies.

By studying the antecedents and consequences of opportunism, in this process the researcher seeks to examine whether they have strengthen, weaken or do not affect opportunism in retailing sector. This way, the extent to which each variable affect opportunism will be discussed and examined thoroughly. Therefore, the researcher can contribute to the argument of whether dependence, formalization, uncertainty or relational norms have the largest effects on opportunistic behavior in retailing context.

2.2. Practical importance

According to transaction cost economics, it has been suggested that firms engage in opportunistic behavior when it is feasible and profitable and this behavior will affect value creation and wealth distribution (Ghosh and John 2005).

Furthermore, many researchers have devoted much attention to opportunism as a phenomenon, they have viewed opportunism as "dark side" of interorganizational relationships (Grayson and Ambler 1999, Ping 1993). In addition, through time there will be a tendency for such behavior to emerge and to threat ongoing business exchanges by destabilizing or even destroying the relationship from within. However, detecting such behavior is not an easy task. Therefore, this research put an emphasis on the role of opportunism can play in interorganizational exchange, it tests how antecedents such as dependence, formalization, relational norms and uncertainty, and consequences of such behavior such as performance and satisfaction can influence opportunism (Ghosh, M., & John, G., 1999).

This research provides guidelines for managers to help them to determine the causes of opportunism in marketing channels that may limit the success of relationships with its marketing actors (suppliers, distributors, etc). This way, managers could use the results of this study if they are planning to deal with opportunistic behavior that may occur throughout relationships, and design and implement useful strategies for containing it, as well as the conditions under which it is likely to occur in order to reduce this behavior at minimum level.

3. Literature review

In this section, a conceptual framework of the research's main variables will be presented; namely opportunism, the antecedents which are dependence, formalization, relational norms and uncertainty and consequences of opportunism which are performance and satisfaction. The researcher discusses the theoretical background of each antecedent and consequence and how these variables are related to opportunism supported by empirical evidence. Finally, the proposed research model will be presented followed by the research hypotheses.

Theoretical foundation of opportunistic behavior

3.1. The concept of opportunism

Opportunistic behavior is perceived to be one of the concepts of the Relationship marketing theory. Relationship marketing perspectives and definitions have focused on the cooperative and collaborative relationship between the firm and its customers, and other marketing actors. Dwyer, et al.,(1987) described such cooperative relationships as being interdependent and long-term oriented rather than being short-term transactions.

Building successful long term relationships through time has been emphasized because it is believed that marketing actors will not engage in opportunistic behavior if they have a long-term orientation and that such relationships will be based on mutual gains and cooperation (Ganesan 1994).

Many researchers have argued that long term relationships have a history. The history of a partner's behavior have the ability to affect inter-firm relationships (Anderson and Narus, 1990, Bucklin and Sengupta, 1993; Morgan and Hunt, 1994). These factors encompass opportunistic behavior, past relationships benefits, and the build-up termination costs.

In this respect, opportunistic behavior has been recognized one of the historical factors that have tremendous effects on the relationship development and maintenance process (Morgan and Hunt, 1994). Therefore, by considering the historical factors explanation, relationship marketing based strategy will force marketers to manage effectively interactions with all relationship partners, and, consequently, through time, opportunistic behaviors will reach the minimum level and benefits will be fairly distributed and termination costs will be monitored.

When studying the concept of opportunism, there exist two main theories of firm governance from which opportunism emerges, transaction cost economics (TCE) theory and social exchange theory (SET).

Transaction cost economics (TCE) theory focused on the study of economic organizations by using the transaction as a major unit of analysis (Williamson, 1981).

Transaction costs refers to the costs of running the system and include such ex ante costs as developing, drafting negotiating contracts and such ex post costs as monitoring and enforcing agreements (Coase, 1937).

There are two principal assumptions of TCE which are opportunism and bounded rationality. The first assumption is that some humans are naturally interested to behave opportunistically. The second assumption is the concept of bounded rationality, it refers to there are limits to human knowledge so that humans can not know all the facts, consequently, humans will not take rational decisions. (Williamson, 1975). Other scholars have identified the limitations of human decision making to include such as overconfidence, competitive blind spots, and improper valuation of gains and losses (e.g., Kahneman and Tversky 1979; Zajac and Bazerman 1991, Ghosh, M., & John, G. 2005)

As a result, contracts that are developed between buyers and sellers are usually incomplete and cannot specify every contingency (Provan et al., 1989). Thus, opportunities for renegotiations will emerge, at that point, one party may be less powerful or of greater dependence on the other, thus, the party with inferior power will be subject to the other party's opportunistic action.

Another view of TCA results in examining the firm as a governance structure. According to Coase's (1937) early work to understand why some transactions occur within a firm and others occur between firms, he further explained that a firm can choose between these two alternative options of governance structures based on their transaction costs. In addition to his previous propositions, Coase argued that under certain conditions, the costs of buying goods and services in a market may exceed the costs of organizing the exchange within a firm. Thus, when these transactions costs are high enough to exceed the cost of performing the activity within the firm boundaries, the firm will insource the activity rather than purchase it in the market.

In the same context, Williamson (1975a, 1985b, 1996c) extended the conceptualization of transaction costs by suggesting that transaction costs include direct costs of managing relationships and opportunity costs of making inferior governance decisions.

Another theory of exchange refers to social exchange theory, social exchange theory (SET) has been used as a basis for explaining the relationship marketing theory and buyer–seller relationships (e.g., Dwyer, et al., 1987a; Kingshott, 2006; Yadong Luo, 2002; Morgan et al., 1994; Wilson, 1995).

Social exchange theory (SET) suggests that there is alternative and more efficient form of governance the relationship, this theory rejects the assumption of universal opportunism. Parties to relational exchange tend to rely more on trust, commitment, cooperation, satisfaction, and other relational norms than strictly on written contracts (Heide et al., 1992).

According to this theory, an exchange can be viewed as a social behavior that may result in both economic and social outcomes. The exchange member compare theses outcomes to other exchange alternatives. Although, economic outcomes mainly represented by money are important, social outcomes such as emotional satisfaction, spiritual values, pursuit of personal advantage, and sharing humanitarian ideals are as important as economic outcomes. Blau (1968) argued that among the most important benefits involved in social exchange are social approval and respect. (John, George and Barton Weitz, 1988).

Indeed, an exchange relationship resulting in positive outcomes can increase trust and commitment and, over time, norms will develop that govern the relationship (Lambe, et al., 2001).

Scholars observed that the presence of these relational norms within a buyer–seller relationship reduces opportunism (Achrol et al., 1999; Brown, et al., 2000; Gundlach and et al., 1995; Joshi and et al., 1999; K Lai, 2005).

Williamson (1975a) was the first to define opportunistic behavior, Opportunism is defined as "*self-interest seeking with guile*". In more general terms, opportunism refers to "*incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse*" (Williamson 1985b).

The previous conceptualization has been described as "blatant" or "strong form" opportunism (Masten 1988). Situations of shirking or evasion of obligations in the ongoing relationship can be described as strong form opportunism.

Other researchers suggested that the origin of opportunistic behavior is the element of deceit involved in relationship with partners, which entails a violation of implicit or explicit promises about one's appropriate or required role behavior, arising from willful deception or conflicting goals of franchise, alliance, cooperative, or constellation members (Macneilm, 1982; John, 1984; Shepherd, 1991; Larson, 1992; Larson and Starr, 1993; Tjosvold and Weicker, 1993).

Riordan & Williamson (1985) have shown considerable interest in the opportunistic behavior concept, they believed that opportunistic behavior is feasible and it increases when there is an opportunity for realizing expected benefits from such behavior, determined primarily by the a transaction specific asset, and is reduced when safeguards are present such as controls, monitoring, and so on, which increase the costs to the individual associated with such behavior.

According to Brown *et al.* (2000), the partners can engage in opportunism even before actual formation of a relationship (Ex-ante opportunism), or they may behave opportunistically after the relationship has been launched (Ex-post opportunism). Ex-post opportunistic behaviors include withholding or distorting information to _mislead, distort, obfuscate, or otherwise confuse' (Willamson, 1985b; Ghoshal and Moran, 1996). It leads to the moral hazards like shirking and free-riding.

Opportunism can be found in a buyer- supplier relationship when either firm realize its own gains separately (Conner and Prahalad, 1996), as a result, each parties' needs are frequently not matched (Jap and Anderson, 2003; Jones, Hesterly, and Borgatti, 1997). Because each party retains its own organizational identity, each party will try to fulfill its competitive aims by engaging in opportunistic actions.

Opportunism may exist in many forms. According to previous studies, Wathne et al., 2000; Arino, 2001 have identified opportunism's forms, in terms of whether this behavior may be active which means when an exchange member do something that harms the other member, as in the case of contract breaching and violation of promotion agreements or passive which means not doing something that would otherwise help the other exchange member, as in the case of quality shirking and misrepresentation or exaggeration of capability and whether the circumstance is new or existing. They classify acts of opportunism as either evasion, refusal to adapt, violation, or forced renegotiation.

Yadong Luo (2006) classified opportunism as either strong (contract violation) or weak (violation of a relational norm but not a contract). Muris (1981) also defines ‘‘subtle opportunism as behavior that is inherently difficult to detect, and that is easily masked as legitimate conduct.

Various researchers have investigated the effects of opportunistic behavior on relationship quality. Wathne & Heide, 2000 have found that opportunism can increase costs or decrease revenue for the affected party, furthermore, they argued that a firm's opportunism especially shirking can reduce the quality of the market offering.

Others scholars have examined that opportunistic behavior decreases trust, commitment, cooperation, satisfaction and performance of the injured exchange member (Joshi & Stump, 1999; Kwon & Suh, 2005; Lee, 1998; Morgan & Hunt, 1994, Parkhe 1993). In addition, Johnson, Cullen, Sakano, and Takenouchi (1996) found that the threat of opportunism continues even after the relationship matures in most cooperative relationships.

It can be proactive and/or reactive. It may involve violation of contractual norms (the stronger form opportunism) or violation of relational norms (the weaker form opportunism).

4. Forms of opportunism:

This figure shows that opportunism can be classified into two forms which are active and passive opportunism, these forms can be manifested under existing and new circumstances respectively.

Scholars such as Kaufmann's (1988), Ghosh and John's (1999) argued that a relationship can be analyzed from the two perspectives of (1) creating joint value (i.e., total gains) and (2) claiming a share of it (i.e., wealth distribution). In principle, any form of opportunistic behavior has the potential to both restrict value creation and cause redistribution.

Under existing circumstances,(Cell1) passive opportunism takes the form of shirking, or evasion of obligations. Klein 1981; Muris 1981 examined passive opportunism within franchising context, they viewed when a franchisee fails to comply with a franchisor's quality standard. From the franchisee's stand point, quality shirking produces an immediate benefit in the form of a cost saving. In the long term, to the extent that the shirking creates customer dissatisfaction, the revenues of both the franchisor and other franchisees (i.e., other parts of the system) may also be adversely affected (). As such, opportunistic evasion may influence both wealth distribution and creation.

Passive opportunism under new circumstances takes the form of inflexibility, or refusal to adapt (Cell 2). In this case, the direct (i.e., out-of-pocket) cost effect of the opportunistic behavior is likely to be minimal. However, it is possible that the opportunistic party will experience a revenue gain in the short term.

In Williamson's (1991) terminology, there may be "lawful gains to be had by insistence on literal enforcement." In the long term, to the extent that one party's inflexibility prevents the relationship from being modified to reflect new circumstances, there may be a different revenue effect in the form of forgone revenues from appropriate adaptation. For example, to the extent that Coca-Cola was unable to restructure its bottler agreements under new market conditions, the system may have found itself at a competitive disadvantage. Thus, overall wealth creation may be impeded, which hurts all of the parties to the exchange.

Active opportunism under existing circumstances (violation, Cell 3) means that one party is engaging in behaviors that were explicitly or implicitly prohibited.

The previous example of distributor violation of customer or territory restrictions falls into this category. This form of opportunism may increase the victim's direct costs. For example, a manufacturer that is concerned about opportunistic violations of distribution restrictions may need to invest in systematic and costly monitoring efforts.

From a revenue standpoint, the opportunistic party's gains from territory violation come at the expense of other distributors, whose revenue streams are reduced. In addition, these distributors' service provision may be subject to free-riding as a result of the violation (Dutta, et al., 1999). Ultimately, the manufacturer's revenues may suffer as well, to the extent that other distributors reduce their support of the focal brand.

Cell 4 (forced renegotiation) shows active opportunism under new circumstances. In this situation, one party uses the new circumstances to extract concessions from the other, as in the case of the relationships between Coca- Cola and its bottlers. The most apparent outcome of this form of opportunism is a redistribution of wealth in the magnitude of the concessions in question. However, there are also cost and revenue effects that are more subtle in nature. The process of extracting concessions may impose direct haggling and bargaining costs on the other party (Ghosh and John 1999).

According to Williamson (1991a,), strategic behavior under such circumstances gives rise to "bargaining which is itself costly."Furthermore, to the extent that appropriate changes in strategy are not made, perhaps as a result of concerns about immediate haggling costs, a revenue effect in the form of blocked wealth gains is also possible. As such, opportunism may give rise to opportunity costs (Masten 1993; Williamson 1996).

As noted by Williamson (1991 a), "The main costs, however, are that transactions are maladapted to the environment."In the long run, a failure to adapt may limit both parties' potential gains. In summary, the different forms of opportunism are capable of producing different outcomes. Ultimately, both wealth creation and distribution may be affected. However, the mechanisms through which these outcomes are produced may differ radically.

However, that the relationship between asset specificity and opportunism is contingent on the structure of specific asset investments in the exchange relationship (Gundlach, et al., 1995). Manufacturers that have invested specific assets in a supplier need only take full responsibility for relationship continuance when their specific investments in the supplier exceed those made by the supplier. From the manufacturer's perspective, despite having invested specific assets, if the specific asset investments made by a supplier are greater, the manufacturer can "hold-up" the supplia* and opportunistically expropriate the rent stream.

5.Antecedents of opportunism:

5.1. Dependence:

Emerson (1962) defines this concept as follows: "*dependence of an agent A to an agent B is directly proportional to B, and inversely proportional to the possibility of A to reach these objectives without B*". He also added that dependence can be viewed as the inverse of power, because if a company B is highly dependent on A then certainly company A has power over B. Other scholars also defined a firm's dependence on a partner is as the firm's need to maintain a relationship with the partner to achieve its goals (Beier and Stern 1969; Frazier 1983a).

Researchers have approached the concept of dependence from different points of view. The first one is called the “sales and profit” approach. It has been recognized that a party is more dependent on its exchange partner when a greater percentage of an exchange party’s sales volume comes from its partner. Furthermore, they argued that a firm is considered more dependent on a supplier when the outcomes obtained from a relationship are important or highly valued, when that supplier provides a larger percentage of its business, or the exchange itself is important. Therefore, the importance of exchange can be viewed as a reason for dependence (El-Ansary and Stern 1972; Dwyer et al., 1987; Dickson 2004; Etgar 1976; Pfeffer and Salancik 1978).

Second, other researchers perceive the concept of dependence as a role performance or a comparison of outcome levels obtained from a relationship (Aulakh, P.S., Kotabe, M., Sahay, A., 1996; Frazier 1983a). Frazier (1983b) argued that the role performance refers to how well a firm carries out its role in a channel relationship with another firm, which implies that when the level of a source firm’s role performance is perceived as being high, the target should be highly motivated to maintain the exchange relationship. Thus, firms that deal with the best supplier are more dependent on that supplier because the outcomes associated with that supplier are higher than those available with lower performing suppliers.

Third, other researchers suggested that dependence arises when another party has particular control over important resources, and when a greater percentage of business is done with particular partner, thus, there is a concentration of exchange with a particular partner in other words, other alternative supplying parties do not exist (e.g, Dickson 2004 El-Ansary and Stem 1972; Etgar 1976; Pfeffer and Salancik 1978).

Fourth, the firm's inability to replace a partner indicate the firm's dependence on its partner (Heide and John 1988). In other words, when there is a difficulty involved in replacing an exchange partner, with fewer potential sources of exchange alternatives as a result, dependence will increase. Therefore, replaceability of a firm's existing partner is often used as a measure of the firm's dependence in many empirical studies (Brown, Lusch, and Muehling 1983; Buchanan 1992; Frazier and Rody 1991; Heide 1994; Heide and John 1988; Phillips 1981).

Dependence is further explained by the existence of specific investments. Williamson (1981) views asset specificity as the most important determinant as to whether opportunism will occur, he characterizes specific asset investments as durable investments that are undertaken in support of particular transactions. Transaction specific asset (TSA), is defined as “*a* *nontransferable investment whose utility is unique to a specific buyer– supplier relationship"*. TSAs may include site specificity, physical asset specificity, and human asset specificity (Williamson, 1981a, 1985b).

Using these arguments, Anderson (1988) and Rokkan et al. (2003) investigated the role of transaction specific assets in driving opportunism; however, they confirmed that the strength of the relationship is determined by two factors such as the norms of solidarity and the expected duration of the relationships. These findings suggested that in relationships characterized by a strong norm of solidarity, specific investments actually decrease the receiver's opportunism. Furthermore, from a buyer's perspective, the effect of TSAs on opportunism became negative as the expectation of the relationships' continuance into the future strengthened. Therefore, opportunism is reduced with expectations of long-term relationships.

In the same respect, Joshi and Arnold (1997) examined the impact of buyer dependence on buyer opportunism under varying levels of relational norms. Their results indicated that dependence is positively related to opportunism under conditions of low relational norms. Conversely, dependence decreases opportunism when high relational norms occur.

Other researchers found a negative relationship between dependence and opportunism, Joshi and Stump, 1999 have found a that manufacturer's dependence on a supplier is negatively related to that manufacturer's opportunism against the supplier. Similarly, Provan and Skinner (1989) examined the relationships between suppliers and dealers, their work was based on previous studies examining supplier-dealer relations e.g. of (Gosh AK, Joseph WB, Gardner, 1997), They suggest that high levels of dependence may indicate a relationship that is highly cooperative, and in turn opportunism will be minimized. In contrast, a low level of dependence on a supplier may lead to high levels of opportunism among dealers.

5.2. Formalization:

Formalization is defined as the degree to which rules and fixed procedures govern channel dyad activities. (John and Reve, 1982).

Many researchers (John, 1984; Provan & Skinner, 1989) have suggested that the concept of formalization can be operationalized as the formalization of operating procedures. Other researchers (John, 1984, Achrol & Gundlach, 1999; Gilliland & Manning 2002) argued that formalization exists in the form of centralization of authority and controls. Others scholars observed that formalization is associated with the use of formal contracts (Cavusgil, et al., 2004; Dahlstrom & Nygaard, 1999; Deeds & Hill, 1999). Thus, formalization involves efforts to administer and control the activities, processes, outputs, and obligations of exchange members (Gilliland & Manning, 2002).

There exist conflicting findings on the influence of formal contracts on opportunism either positively or negatively. John (1984) found that increased bureaucratic structuring (e.g., controls) actually increases opportunism. Provan and Skinner (1989) and Dahlstrom and Boyle (1994) attained similar results with a positive relationship between forms of formalization and opportunism.

Ghoshal and Moran (1996) argue that formal contracts may make the partner believe that it is distrusted and perceived as unlikely to behave responsibly. This may encourage the controlled party to engage in opportunistic behavior, either by passively withholding efforts or by actively seeking revenge. Scholars also found that formal control increases opportunism in situations where the exchange parties disagree with governing regulations. (Gilliland and Manning, 2002). Also, Cavusgil et al. (2004) found mixed results in an international setting.

In all previous studies, the use of rational control were found to affect the feelings of both the controller and the controlee differently, On the controller's level Strickland (1958) described the notion of "*the dilemma of the supervisor*" as the situation when the use of surveillance, monitoring, and authority led to management's distrust of employees and perception of an increased need for more surveillance and control (Kipnis, 1972; Kruglanski, 1970), as a result negative feelings will arise. Furthermore, according to John (1984) explicit contracts that detail appropriate behavior tend to aggravate opportunism.

On the controlees' level, Enzle and Anderson (1993) have provided strong empirical evidence, for example, the controlee's personal autonomy and his or her intrinsic motivation are threatened, this is mainly due to the use of surveillance and controlling, as a result it has been indicated that controlee will feel distrusted. Therefore, as suggested by Dyer and Singh (1998) that contracts are less effective than relational exchange because they fail to anticipate all forms of cheating.

In contrast, opportunism could be reduced through formalization, Dahlstrom and Nygaard (1999) suggested formalization suppresses opportunism, when formal contracts are used to explain both parties' roles and responsibilities, and when these roles and responsibilities are associated with a common purpose, in another study by Reve, (1986) and Dwyer & Oh, (1987), findings indicated that formalization can restrain opportunism by limiting behavioral discretion of the exchange partner, many transaction difficulties were more likely be removed between exchange partners and enhances relationship quality (i.e., satisfaction, trust, and minimal opportunism).

5.3. Uncertainty

Although substantial amount of research has identified the environmental uncertainty construct (Achrol et al., 1983; Paswan et al., 1998), yet until now, there is no consensus on definition or measurement of the concept.

Aldrich (1979) and Child (1997) have identified that uncertainty has two dimensions which are market dynamism and task ambiguity. They argued that external uncertainty is due to market dynamism which make it difficult to predict future circumstances, where as task ambiguity is a result of internal uncertainty which result in a difficult assessment of performance (Alchian and Demsetz 1972). Market dynamism occurs as a result of rapidly changing technology, frequent price changes, or variability in product availability, task ambiguity is defined as the difficulty of obtaining or understanding information regarding a supplier (producer) tasks or functions and ambiguity the evaluation of a supplier's product or service offerings (Anderson 1985; Williamson 1985b). Consistent with this view, Ouchi (1980) studied the effect of ambiguity as a dimension of uncertainty on hierarchies he noted that that ambiguity reduces the ability of hierarchies to constrain opportunism which will lead in turn to a limited ability to monitor and control behavior.

Environmental uncertainty in general refers to ''*unanticipated changes in circumstances surrounding an exchange*'' (Noordewier, et al., 1990). Environmental uncertainty further requires increasing costs such as monitoring and enforcement costs. Each party must spend more time and resources to monitor the other party and determine if it is violating the contract or shirking its obligations (Gulati *et al*., 1994). When such costs increase beyond the party can tolerate, the desire for opportunism will increase (Hill, 1990).

Considering a particular study done by Sako and helper, (1998) uncertainty were identified to include two types either behavioral or environmental uncertainty. Behavioral uncertainty was related to a difficulty in assessing the performance of contractual parties and their adherence to contractual dimensions (Williamson 1985b, John and Weitz 1988, Rindfleisch and Heide 1997, Carson et al.;2006).

Researchers have examined the effect of behavioral uncertainty on opportunism, they found that behavioral uncertainty that is produced by the inability to assure contractual compliance increases the likelihood of opportunism (Anderson, 1988; Heide, 1994). Moreover, behavioral uncertainty in a buyer (distributor)-supplier (producer) situations follows a transaction hazard, which involves uncertainties about partner's behaviors and the value added of the relationship and in turn create a chance of partner to engage in opportunistic behaviors with low probability of being caught (Ouchi, 1980).

Regarding the second type of uncertainty, environment or market volatility is defined as rapidly changing environment which in turn influences decision makers' predictions (Klein, 1990, Porter, 1985). In other words, rapid fluctuations in demand and supply conditions will lead to high levels of uncertainty because of the difficulties associated with making accurate predictions (Achrol and Stern, 1988).

Other attempt to conceptualize uncertainty, Achrol and Stern, (1988); Duncan, (1972); Leblebici and Salancik (1981), Lee (1998) enhances the understanding of uncertainty, they use the notion of decision making uncertainty, they decomposed it into three components which include the adequacy of available information, predictability of outcomes, and confidence about outcomes.

Uncertainty leads to information asymmetry in exchange which will imply that one party's ability to control or reduce the risk of opportunism is limited. (Aldrich 1979; Williamson 1985b, Kirmani and Rao, 2000). Many studies (Joshi & Stump, 1999; Lee, 1998; Sako & Helper, 1998; Schilling & Steensma, 2002; Skarmeas et al., 2002) found positive relationships between uncertainty and opportunism. In the same context, Kumar and Seth (1998) conducted a study in a joint venture, they argued that environmental uncertainty increases opportunism as reflected in greater costs in coordinating internal and external activities, monitoring strategic interdependence between parties, and governing structural and social exchanges within the joint venture.

Relational norms

Norms have been shown to govern individual exchange relationships between firms (Shapiro, 1987; Stinchcombe, 1986, Noordewier et al., 1990). Norms can be applied to various levels: societies, industries, firms, and groups of individuals (Heide and John, 1992).

It has been confirmed by many relational exchange theorists that the conflict of interest is an inherent characteristic of economic transactions, however the presence of relational exchange norms result in the adoption of cooperative conflict resolutions, thus a remedies for potential opportunism (Thomas 1976). Thus, the presence of relational norms in a relational exchange is an indicator for the harmony of both parties' interests which, in turn, leads to reduce the risk of opportunistic behavior (Ouchi 1980, Nohria and Ghoshal 1990). This means that relational norms may prove to specify limits on behavior of individuals or firms working cooperatively to achieve common outcomes (Cannon et al., 2000). Other researchers found that relational norms are useful in managing opportunism especially when specific investments have been made (Brown, 2000).

According to Heide and John (1992) relational norms refers to ‘‘*expectations about behavior that are at least partially shared by a group of decision makers that have been shown to govern individual exchange relationships between firms*.’’

Considering the studies on relational norms, previous researchers have identified several exchange norms, including solidarity, mutuality, role integrity, flexibility, and conflict harmonization (Blois and Ivens 2006; Kaufmann and Dant 1992; Kaufmann and Stern 1988; Macneil 1980). Other studies have focused on three types of relational norms: flexibility, solidarity and information exchange (Heide and John, 1992; Jap and Ganesan, 2000; Lusch and Brown, 1996; Flexibility refers to the extent to which partners shared expectations that they will be willing to modify the original terms of the contract to account for changes in the contractual environment, with response to specific requests of other party, Information exchange refers to the shared expectation that critical information will be exchanged accurately and freely if it may be helpful to the partner, whether or not the party is contractually obliged to do so(Joshi and Arnold, 1997). Finally, solidarity refers to the bilateral expectations that parties will act in such manner as to benefit each other to the extent that help to maintain the relationship, is more precisely explained as mutual loyalty and commitment between exchange partners. (Heide & John, 1992).

In all previous studies, relational norms were found to have a negative relationship with opportunism, the effect of relational norms as investigated by various researchers reduce opportunism. In his study, Samouel (2007) found that relational norms act as a safeguard against opportunistic behaviors especially when there is an asymmetry in the economic and relational power in business exchanges. In the same respect, other researchers argued that by time relational norms will become internalized by exchange members (Kelman, 1958), and will lead to development of moral controls that in turn discourage and reduce opportunism(Joshi and Stump, 1999; Achrol and Gundlach, 1999; Ferguson, et al., 2005; Heide and John, 1992).

6. Consequences

6.1 Performance

Performance as a concept have been studied in different fields, therefore, several researchers have identified dimensions of performance in the marketing context, among those dimensions are customer satisfaction (Rosenzweig et al., 2003; Zailani & Rajagopal, 2005 and Oghazi, 2009), and market performance (Fröhlich & Westbrook, 2001; Swink et al, 2007 and Mzoughi et al, 2008) and financial performance viewed as the most popular dimension of performance (Vickery et al, 2003; Li et al, 2006; Tracey et al, 2005; Mzoughi et al, 2008).

An early attempt of performance measurement, Heide and stump (1995) developed a scale to describe the buyer's evaluation of the given supplier relationship, based on the performance studies by Segal (1989), Smith and Prescott (1987), and a survey conducted by Purchasing (1988), in a 7-point Likert scale with two dimensions: Poor performance relative to industry norm and good performance relative to industry norm.

In a later study by. Van Bruggen et al. (2005) investigated marketing channel function performance by using customer ratings on five dimensions based on Rosenbloom (1987) study of distributor functions. They suggested that these five dimensions include location, assortment, financial, price-setting policies, (promotional) information and personnel Services. The researchers reached the conclusion that the correlation between the five dimensions was relatively high.

The researcher will focus on the firm’s *evaluation of the counterpart’s performance, Joint profit performance,* The firm’s *expectation of relationship continuity, Competitive advantages.*

Exchange outcomes: Exchange offers many benefits, including economically significant outcomes and expectations of relationship continuity. We examine four short- and long-term economic and strategic outcomes: (i) evaluations of the counterpart’s performance, (ii) the achievement of competitive advantages, (iii) joint profit performance, and (iv) expectations of relationship continuity.

The firm’s *evaluation of the counterpart’s performance* is an economically significant short-term outcome. This is an individual outcome, reflecting the view of the focal firm alone. It is a holistic representation, entailing a rough comparison of benefits against costs; a positive evaluation justifies involvement in a collaboration. The firm’s assessment of the value it derives from the relationship may be quite different from the added value generated by the dyad. This is because one firm may appropriate a disproportionate share of the jointly generated returns. For example, Kalwani and Narayandas (1995) present evidence that buyers benefit disproportionately in supply alliances.

Competitive advantages are strategic benefits gained over competing firms, such as superior access to resources, decreased supply and inventory costs, or the development of unique process technologies. Competitive advantages are long-term and accrue to the dyad, thereby enabling the firms to compete more effectively in the marketplace (Sethuraman et al. 1988). Although these advantages may eventually be reflected in joint profit, financial performance and strategic performance are not perfectly correlated.

Joint profit performance results from joint efforts in exchange. It is not merely a summation of the two firms' individually realizable profits, but instead indexes financial outcomes that result from the interdependence of effort and investments that reside within the dyad. The expectation of higher joint profits, through either lower costs or high revenues, is a major motive for long-term relationships (Joshi A. W., and Stump, 1999). However, the degree to which these expectations are met is understudied in the literature on relationships (Geyskens et al. 1999). This is particularly the case for results at the level of the dyad, rather than at the level of one player (Smith et al. 1997).

The firm's *expectation of relationship continuity* reflects the focal firm's perspective of the long-term viability of the relationship. When a firm expects that the relationship will continue into the future, it is more willing to engage in processes and make investments that will enhance the relationship into the long run (Anderson and Weitz 1989, Heide and Miner 1992).

Although confidence in the future of the relationship is not a performance outcome, it is important, for without it, the firms adopt a short time horizon, and refuse to engage in activities that do not pay off quickly and with certainty (Williamson 1993, Kumar, N., Scheer, L. and Steenkamp, J.B. (1995).

Opportunism has serious consequences for joint venture development. If opportunism in an interparty exchange is particularly high, considerable resources may be spent to control and monitor it. Opportunism also increases opportunity cost because resources spent on internal monitoring could have been deployed more productively in other pursuits. Covert behavior seeking unilateral gains is difficult to observe; fear of such behavior is detrimental to trust building and forbearance establishment. Opportunism may also present a significant obstacle to fostering confidence in partner cooperation. An opportunistic party does its own 'thing' and emphasizes its own interests, which often exacerbates interparty conflict (Beamish and Banks, 1987; Jehn and Weldon, 1997; Killing, 1983). Failure to see beyond short term self-interest inhibits the cooperative effort essential to joint venture growth. Furthermore, opportunism increases coordination difficulty and coupling uncertainty between the parties, thus adversely affecting synergy creation (Dyer, 1997; Khanna, et al., 1998; Parkhe, 1991).

Finally, opportunism may discourage the development of reciprocity and repeated commitment.

In the presence of opportunism, it is difficult to sustain a repeated economic exchange because of moral hazards (i.e., opportunistic behavior by one party after the other party has already committed) or because of uncertainty about individual and joint pay-offs when the parties act simultaneously (Hennart, 1988; Park and Russo, 1996; Parkhe, 1993).

Reciprocity is essential to generating joint payoffs for socially embedded, long-term economic exchanges (Buckley and Casson, 1988). In light of these reasons, opportunism is expected to deter joint venture performance, defined in this study as return on investment, sales growth, and overall satisfaction, which together reflect a joint venture's multidimensional (financial, market, and overall) achievement.

6.2 Satisfaction

Several studies have indicated the critical role of satisfaction in marketing relationships (Lee & Jun 2007; Massey & Dawes 2007)

It has been noted that satisfaction is perceived as an important variable in business relationships as stated by (Ganesan., 1994; Sheth and Parvatiyar 1995). They found out that satisfaction leads to an increasing cooperation between channel partners, and fewer terminations of relationships, furthermore, they argued that partners should deliver high-level satisfaction during each business transaction.

Realizing how vital satisfied partner are for a business relationship, researchers investigated the concept of satisfaction with the relationship in the development of business exchanges (Cannon and Perreault, 1999). Researchers (Geyskens, et al., 1999) explained satisfaction with relationship construct as "*a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm*", from their point of view, satisfaction should be interpreted as a positive emotional and rational state resulting from the assessment of the buyer's working relationship with the supplier based on personal experience through the different stages of the relationship.

Satisfaction with the relationship is represented by customer evaluation of past interactions with the supplier that affect future relationship development and the continuance of the relationship (Roberts, et al., 2003, Ganesan, S., 1993). Therefore, the fulfillment of achieving the parties' desired outcomes leads to satisfaction with the partnership and the improvement of relationship performance (Anderson and Narus, 1990).

With a background of relationship marketing, other researchers (Biong, 1993; Gerrit et al, (2005), Schellhase et al., 2000) have perceived that relationship satisfaction concept is extended to include variables related to supplier 's performance regarding core marketing program variables, they considered a variety of factors including product range, product quality, customer service efficiency, sales force expertise and knowledge, sales promotion effectiveness and pricing. These factors are called instrumental factors (Abdul-Muhmin, 2005).

Consistent with this view, satisfaction should be studied as a construct that should capture both economic and noneconomic psychosocial aspects (Gassenheimer et al. 1994). The proportion of economic and noneconomic items included in the satisfaction scale, however, varies considerably across studies. Conceptually, the extent to which a satisfaction scale captures the economic versus noneconomic dimension should have an impact in terms of both the antecedents that affect satisfaction as well as the consequences fostered by satisfaction.

Therefore, we distinguish between two types of satisfaction, that is, satisfaction focusing primarily on economic aspects of the relationship (which we label "economic satisfaction") and satisfaction focusing primarily on more noneconomic aspects of tbe relationship (which we label "noneconomic satisfaction").

Economic satisfaction is “defined as a *channel member's positive affective response to the economic rewards that flow from the relationship with its partner, such as sales volume and margins*.” An economically satisfied channel member considers the relationship a success with respect to goal attainment It is satisfied with the general effectiveness and productivity of the relationship with ils partner, as well as with the resulting financial outcomes.

Noneconomic satisfaction is defined as a “*channel member's positive affective response to the noneconomic, psychosocial aspects of its relationship, in that inieractions with the exchange partner are fulfilling, gratifying, and easy*” (e.g.. Mohr et al., 1996).

A channel member satisfied with the noneconomic aspects of the relationship appreciates the contacts with its partner and, on a personal level, likes working with il because il believes the partner is concerned, respectful, and willing lo exchange ideas.

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1/19/2015