



# Does morality explain opportunism in marketing channel negotiations? The moderating role of trust

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## Abstract

**Purpose** – Retailers are increasingly forced to enter negotiations with new suppliers and have less time to develop trusting relationships prior to awarding sourcing contract. Such supplier negotiations are often guided by self-interest-seeking behavior. However, not all exchange partners behave opportunistically when given the opportunity and little is known about how and when opportunism actually occurs. This research seeks to develop a multidimensional perspective of exchange partners' Machiavellianism that reveals different types of opportunistic motivations in exchange relationships and to extend knowledge of socialization as a safeguard by investigating the efficacy of signaling trustworthiness as a means of reducing the risk of opportunistic behavior in exchanges with partners with different moral standards about opportunism.

**Design/methodology/approach** – The data consist of a sample of 259 purchasing professionals who are members of the Institute of Supply Chain Management and report on their negotiation behavior. Moderated regression analysis is used to analyze the research model.

**Findings** – The results show that opportunistic behavior originates from a multidimensional set of moral convictions held by an exchange partner. Interestingly, signaling a trusting relationship only reduces opportunistic behavior that is due to deceit, but is not effective against cynicism or flattery.

**Originality/value** – To date, retail managers have addressed potential partner opportunism by designing contractual agreements or by implementing structural and social safeguards. Little is known about how these approaches address partner-specific causes of opportunism. The study demonstrates the extent to which trust, a popular socialization mechanism in retailing, moderates the degree to which an exchange partner's moral conviction leads to opportunism.

**Keywords** Behaviour, Trust, Standards, Negotiating

**Paper type** Research paper

## Introduction

Ethics become increasingly important as retailers engage in more complex supply networks that are characterized by geographical and cultural distance to international suppliers, an increasing number of potential suppliers and reduced product life-cycles (Pretious and Love, 2006). One result of these changes is that negotiations with new suppliers occur more frequently. Retailers may also have less time to fully develop close relationships prior to awarding sourcing contracts. Therefore, although retailers



know something about the supplier's characteristics and abilities, knowledge about the supplier's ability to fulfill the supply agreement is likely to be neither perfect nor complete. From the retailer's point of view, managing opportunism therefore becomes a topic of increased interest (Abratt *et al.*, 1999).

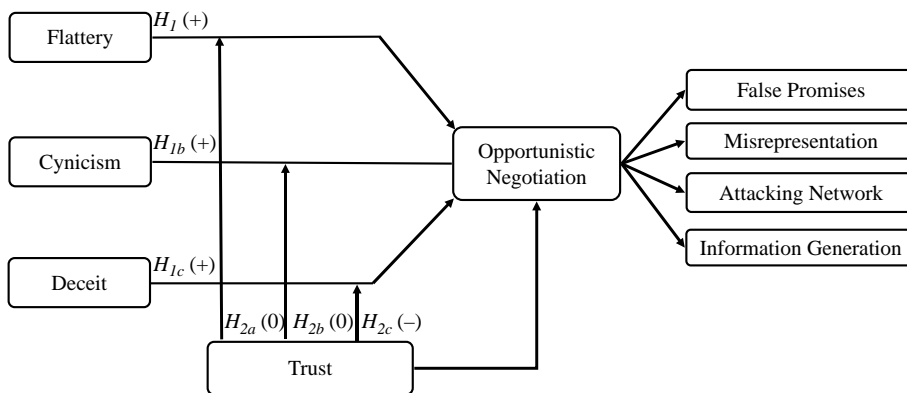
Opportunism "... refers to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse" (Williamson, 1985, p. 47). Much scholarly attention has been directed at designing agreements between exchange partners under conditions of uncertainty to avoid opportunism (Bergen *et al.*, 1992) and implementing alternative governance mechanisms to mitigate opportunism (Brown *et al.*, 2000). However, marketing scholars have only recently focused on the nature of opportunism itself (Wathne and Heide, 2000) and little is known about how and when exchange partners behave opportunistically when given the opportunity.

Based on frameworks of ethical decision making in marketing (Ferrell *et al.*, 1989; Hunt and Vitell, 1986, 1993; Ferrell and Gresham, 1985; Trevino, 1986) we suggest that an exchange partner's set of moral standards determines opportunistic behavior in the channel relationship. Further, retail managers often create exchange environments that may influence the role of moral standards for opportunistic behavior. A trusting atmosphere, for example, has been shown to reduce the risk of opportunistic behavior in an exchange dyad (Wathne and Heide, 2000). Little, however, is known from an empirical or theoretical perspective about the effectiveness of trust for curbing opportunistic behavior that emerges from different moral standards. In other words, does the level of trust in an exchange dyad influence the way an exchange partner reasons about amoral behavior?

In this study, we:

- empirically test the impact of different moral standards on opportunistic behavior; and
- examine the moderating role of trust on the link between channel members' moral standards and subsequent opportunistic behavior.

We posit that building a trusting relationship limits the impact of some moral standards on opportunistic behavior, but not others (Figure 1).



**Figure 1.** Morality in marketing channel negotiation practices: the moderating effect of trust

### **Opportunism in retailing and marketing channels**

Agency Theory (Akerloff, 1970) views opportunism as a consequence of opportunity. Underlying this central assumption is the notion that exchange partners are motivated by self-interest. The goal of maximizing profits (or utility) may lead to opportunistic behavior in occasions that allow the extraction of unilateral gains at the expense of another (e.g. by misrepresenting information). In spite of provision of incentives and monitoring, agency theory anticipates that opportunism may prevail because of adverse selection or moral hazard. Several studies show support for this premise (Bergen *et al.*, 1992). However, researchers have argued that opportunism might be more the exception than the rule (John, 1984) and, more recently, Wathne and Heide (2000) posit that opportunism is “neither ubiquitous nor is it very unusual.”

Research on moral characteristics of marketers (Ferrell and Weaver, 1978; Hunt and Chonko, 1984; Goolsby and Hunt, 1992) and its importance for marketing channels (Pelton *et al.*, 1999) and retailing (Abratt *et al.*, 1999 for a review) indicates that the key to this varying occurrence of opportunism in marketing channel relationships may lie in an exchange partner’s standards for moral behavior. Moral standards refer to “the means by which we judge our actions and those of our neighbors” (Hosmer, 1987) and need to be distinguished from overt opportunistic behavior. Moral standards are a good descriptor of moral decision making, because most people when faced with a situation in which some party is going to be hurt or harmed in some way while another party is to be benefited, turn first to their moral standards of behavior (Hosmer, 1994).

#### *Opportunistic negotiation*

Many behaviors that occur in retail settings may be viewed as opportunistic depending on the circumstances in which they occur (Wathne and Heide, 2000). In order to avoid situational confounds, we focus on:

- behaviors that exchange partners would always view as opportunistic; and
- that may occur in a variety of exchange dyads.

In particular, we focus on the use of opportunistic negotiation tactics. Negotiation describes a “a process of potentially opportunistic interaction by which two or more parties, with some apparent conflict, seek to do better through jointly decided action than they could have otherwise” (Lax and Sebenius, 1986).

In negotiations with exchange partners, retailers are faced with mixed partner motives based on their interdependence (Kelley and Thibaut, 1978). Partners are likely to have cooperative incentives to increase joint outcomes as well as competitive incentives to work against the other party to increase individual outcomes (Schelling, 1960). Given the high value placed on honesty in retailing (Abratt *et al.*, 1999), the incentive and opportunity for opportunistic negotiation creates serious moral tension for channel members (Ferrell and Gresham, 1985). During negotiation situations, exchange parties may therefore refer to their moral standards to determine appropriate behavior while being under pressure to deviate (Pretious and Love, 2006).

### **Ethical determinants of opportunistic negotiation**

One moral standard that has been introduced in marketing to describe amoral and potentially opportunistic behaviors of marketing managers is Machiavellianism (Hunt and Chonko, 1984). Machiavellianism is described as the degree to which exchange

partners “have a cool detachment, which makes them less emotionally involved with other people, with sensitive issues, or with saving face in embarrassing situations” (Robinson and Shaver, 1995, p. 592). Exchange partners that follow Machiavellian ideas to evaluate their actions are likely to find it appropriate to use any means to accomplish organizational goals including manipulation, persuasion, and deceit.

Interpretations of Machiavelli’s works have resulted in Machiavellian becoming a negative, amoral standard for decision making. Reducing the link between moral standards and opportunistic negotiation to a single “Machiavellian motive,” however, may oversimplify the underlying principles of opportunistic motivation. Suppose, for example, that a negotiation party misrepresents its qualities. This opportunistic behavior may be motivated by the party’s goal to be perceived as attractive exchange partner and unduly prolong negotiations. It may also be a reaction to the party’s suspicion that the opponent misrepresents its qualities. Or, it may even be intended to deliberately exploit the other party in the exchange. Thus, in order to accommodate the complex nature of exchange parties’ opportunistic motivations linking Machiavellian moral standards to opportunistic negotiation practices we decompose the general Machiavellian moral standard and consider its specific underlying beliefs. Building on the work of Christie and Geis (1970) as well as Hunter *et al.*’s (1982) decomposition of the Machiavellianism construct, we consider three central Machiavellian beliefs: cynicism, deceit, and flattery. Although these components of the Machiavellian construct may not be the only moral standards employed by opportunistic exchange partners, they represent an initial multidimensional approach for characterizing the moral conviction of negotiation partners.

### *Flattery*

Negotiation situations frequently offer the opportunity to exchange feedback about behavior and the perceived characteristics of exchange partners. Such feedback may exert a significant effect on the exchange partner’s motivation and behavior in the negotiation situation and, thus, affect outcomes of subsequent negotiations. Opportunistic parties may take advantage of the feedback process by employing ingratiation tactics in order to manipulate judgments and evaluations about the issue at hand (Kim *et al.*, 2003). Ingratiation, or flattery, refers to impression management on behalf of an exchange partner and can be defined as “a class of strategic behaviors illicitly designed to influence a particular other person, concerning the attractiveness of one’s personal qualities” (Jones and Wortman, 1973, p. 3).

Many studies have documented that the target of ingratiation tends to develop favorable impressions of the ingratiator (Gordon, 1996) and may enhance cooperativeness of the target (Forgas, 1995). Ingratiation tactics have also been found to strengthen the target’s position because they tend to corroborate existing beliefs (Jones, 1964) and the target fails to make situational corrections considering ulterior motives of the flatterer (Fein, 1996). As a result, ingratiation tactics in negotiation settings may decrease target competitiveness and aggressiveness (Kim *et al.*, 2003). Taken together, these two effects of flattery may create a negotiation environment that is conducive to opportunistic negotiation tactics. Increased partner-related cooperativeness based on positive affect may make a negotiation partner more vulnerable and issue-related competitiveness of the exchange partner

reduces inhibition to engage in unethical behavior (Rubin *et al.*, 1994). Therefore, we believe that:

$H_{1a}$ . The higher an exchange partner's ingratiating moral beliefs, the more the exchange partner will make use of opportunistic negotiation tactics.

### *Cynicism*

Negotiations occur in the context of the immediate exchange dyad as well as the larger business community in which both partners operate. Members of this community are expected to follow the laws of the exchange, respect authority, and perform duties so that the order of the exchange is maintained. In negotiation situations, however, parties may not share the same level of concern about maintaining such order. In fact, exchange partners may believe their counterpart is likely to break the law and violate established rules of exchange (Lewicki *et al.*, 1998; Sitkin and Roth, 1993). Such cynic exchange partners not only question the veracity of other channel members but also impugn motive (Adorno *et al.*, 1950). Cynicism refers to the moral belief that "other people are untrustworthy, self-serving, and malevolent" (Hunter *et al.*, 1982).

A channel member who believes that its counterpart is likely to take advantage of a negotiation situation is likely to resist and take actions to improve its condition (Provan and Skinner, 1989). In buyer-seller negotiations where exchange parties bargain for the resolution of some conflict of interest, such actions may well take the form of opportunistic negotiation tactics. Empirically, cynicism was found to be positively associated with amoral behaviors such as cheating (Salter *et al.*, 2001). Following this empirical precedent we expect that:

$H_{1b}$ . The higher an exchange partner's cynic moral beliefs, the more the exchange partner will make use of opportunistic negotiation tactics.

### *Deceit*

Deception can be defined as "any deliberate act or omission by one party taken with the intention of creating or adding support to a false belief in another party" (Cramton and Dees, 1993). Many studies on the effect of Machiavellianism on ethical decision making have conceptualized Machiavellianism in terms of advocating deceit as a strategy for dealing with others. Hunt and Chonko (1984), for example, describe a Machiavellian exchange partner as one who employs aggressive, manipulative, exploiting, and devious moves in order to further self-interest. It can be easily argued that exchange partners that adhere to deceitful moral standards are more likely to take advantage of a negotiation situation to further their self-interest at the expense of the negotiation partner than those exchange partners advocating honesty and partner rights. Therefore, we believe that:

$H_{1c}$ . The higher an exchange partner's deceitful moral beliefs, the more the exchange partner will make use of opportunistic negotiation tactics.

### **Trust for mitigating opportunism**

Research in marketing channels has identified a number of strategies to mitigate opportunism (Wathne and Heide, 2000). However, the relationship between moral reasoning and relational beliefs in the context of marketing channels remains a largely unexplored area of research (Pelton *et al.*, 1999). In the context of agency theory,

Singh and Sirdeshmukh (2000) point out the partner's trustworthiness as an important, omitted independent variable. Trust in the exchange partner refers to the degree to which a channel partner is perceived to be reliable (Morgan and Hunt, 1994).

Previous research has emphasized how trust in the exchange partner can directly limit opportunism (Ganesan, 1994; Anderson and Weitz, 1989; Smith and Barclay, 1997). Our current focus is quite different, however, in that we study how the perception of a partner's trustworthiness shapes the impact of moral standards on opportunistic behavior. How does the perception of a trustworthy partner influence ethical decision making in regards to the three moral standards of flattery, cynicism and deceit?

### *Flattery*

As described above, the positive affect created by flattery may open the door for opportunistic behavior because of a decrease in competitiveness and a more favorable impression of the ingratiator. An exchange partner who is perceived as trustworthy may not, however, be more trusting. Only an increased level of trust in the ingratiator could make flattery more effective. However, it is conceivable that a trustworthy exchange partner entertains a favorable impression of the ingratiator prior to its influence attempt (Ganesan, 1994). In fact, the trusted exchange partner may even act benevolent towards the ingratiator (Lee *et al.*, 2004). Both render the use of flattery unnecessary or even ineffective.

In addition, if flattery was used toward a trustworthy and benevolent partner, it may be perceived as a confirmation of its position. Here, the trustworthy exchange partner would have little reason to change its attitude towards the ingratiator. We therefore expect that the level of a partner's trustworthiness has no bearing on the use of opportunistic negotiation tactics by ingratiating exchange partners:

*H<sub>2a</sub>*. The degree to which a firm sees its exchange partner as trustworthy does not have an influence on the positive effect of ingratiating moral beliefs upon the use of opportunistic negotiation tactics.

### *Cynicism*

Cynic exchange partners see selfishness and guile at the base of human nature. They agree that people will tell a lie if they can gain by it, that people pretend to care about one another more than they really do, and that people may claim to be honest and moral but act otherwise when important outcomes are at stake. Since they often consider their view as realistic, their mistrustful nature prevents an effective trusting relationship with other exchange partners.

Further, cynicism is characterized by a general dislike for and distrust of others. It reflects a general attitude toward exchange partners (Wrightsmann, 1992). The belief that a specific exchange partner is trustworthy is not likely to change a cynic attitude (Ajzen and Fishbein, 1977), because the focal exchange partner may not be important enough to evoke inconsistency in the attitude structure and generate an attitude change (Andersson and Bateman, 1997). Therefore, it is important to recognize that although another exchange partner may be perceived as trustworthy, cynic exchange partners are not likely to abandon their general cynic attitude in favor of more cooperative, less-opportunistic negotiation tactics. Thus, we expect that:

$H_{2b}$ . The degree to which a firm sees its exchange partner as trustworthy does not have an influence on the positive effect of cynic moral beliefs upon the use of opportunistic negotiation tactics.

### *Deceit*

Exchange partners who consider partner rights that a business community should uphold, basically believe that a good business community is best conceived as a social contract into which firms freely enter to work toward the benefit of all. Exchange partners are likely to adhere to this moral standard and refrain from deceitful negotiations if basic rights are protected and unfair rules can be changed through acceptable procedures. In negotiation situations protection, such as enforceable contracts, is difficult to obtain and its enforcement may be limited to behaviors emerging after the conclusion of the negotiation process. Trustworthy partners, however, are likely to honor statements about future actions made during the negotiation process because they base decisions on long-term outcomes of exchange (Ganesan, 1994). The perception of a trustworthy exchange partner may serve as a substitute for contracts in the negotiation process and may support the belief that partner rights are maintained (Lui and Ngo, 2004). Therefore, the perception of a trustworthy partner decreases decision making uncertainty and increases cooperative behavior (Morgan and Hunt, 1994). It follows that exchange partners who engage in negotiations with a trustworthy partner are more likely to refrain from deceit. Therefore, we believe that:

$H_{2c}$ . The more a firm sees its exchange partner as trustworthy, the weaker the positive effect of a deceitful moral-standard upon the use of opportunistic negotiation practices.

## **Method**

### *Research design*

An ideal survey sample for research on moral standards of marketing channel managers would be a random sample of the universe of all marketing channel managers. Unfortunately, no such sample exists for buyer-seller relationships, let alone for marketing channel managers. To test our hypotheses and the general model in Figure 1, we obtained a random sample of 3,200 purchasing professionals involved in marketing channel negotiations from the Institute of Supply Chain Management.

In contrast to previous research, we chose a variety of exchange dyads and not a single supplier or industry as a reference point to enhance the generalizability of the study results to a wide variety of contexts (Brinberg and McGrath, 1983). One might argue that a sample from such a heterogeneous population may increase the chances of extraneous sources of variation. We argue that the diverse nature of our sample is useful because the results will provide a full range of measurement and is likely to capture many types, not just specific kinds of respondents in the sampling context. Focusing on a homogenous set of respondents would likely limit the range of ethical perspectives represented in the sample and introduce response bias.

Self-administered electronic questionnaires were mailed to individuals knowledgeable about the exchange relationship (Phillips, 1981). We asked our respondents to focus on specific, ongoing buyer-seller relationships because they are likely to form characteristics of relational as opposed to discrete exchanges. Respondents were asked for their

perception of their firm's dealings with a major business partner with respect to the relevant dimensions of this study. We used a major business partner as a frame of reference, because we believed that the recall of these partners would yield better accuracy.

An initial e-mail sent with a hyperlink to the electronic survey confirmed the respondent's involvement with buyer-seller negotiations, stressed the importance of the research, and offered an incentive (an executive summary of the results) for participating. All respondents were informed about the purpose of the research and given basic procedural instructions. To maximize response, we use the internet survey methods suggested by Dillman (2000).

In response to the initial e-mail, 879 e-mail messages were returned as undeliverable and 187 respondents replied indicating that they were no longer in a position in which they conducted buyer-seller negotiations. One week after the initial mailing we mailed follow-up emails to encourage response. A total of 259 individuals completed the questionnaire, a response rate of 12.1 percent. A typical concern with electronic surveys is non-response bias. We conducted the procedures suggested by Armstrong and Overton (1977) to compare early and late respondents. No significant differences in the variable means between early and late responders were detected suggesting that non-response bias does not appear to be a problem in our sample.

#### *Sample characteristics*

Every attempt was made to have a broad distribution across the organizational and individual demographic categories of gender, education and type of economic activity of participating organizations and their respective managers. The sampling method provided a sample that varies greatly in respondent characteristics. Respondents had an average of 26 years of experience in the industry and an average tenure of nine years in their current position. The respondents were well educated with 94 percent stating they had a college or graduate degree. More than half (58 percent) were employed by companies with 1,000 or more employees (38 percent were from companies with 1,000-9,999 employees with an additional 20 percent from companies with 10,000 or more employees). The respondents' organizations represented a variety of economic sectors with the largest representation from manufacturing (33 percent), educational/training services (11 percent), financial services/banking/insurance (8 percent), medical/healthcare/biomedical (7 percent), consulting (7 percent), and retail/wholesale distribution (6 percent). Additionally all respondents have substantial supervisory responsibility.

#### *Measurement*

The analysis required measures for five constructs domains: opportunistic negotiation strategy, cynicism, deceit, flattery, and trust. Since empirical precedent existed for our measures, we reviewed the relevant academic and practitioner literature to guide our questionnaire development. Following standard psychometric scale development procedures, we selected questionnaire items that represent the conceptual domain of our constructs (Churchill, 1979). We then pretested the items with four professors who are knowledgeable of and conduct research on buyer-supplier exchange relationships. By debriefing these pretest informants we were able to further refine our questionnaire.

*Opportunistic negotiation.* Based on works on ethics in negotiation, Lewicki (1983), Lewicki and Robinson (1998) and Robinson *et al.* (2000) conceptualize how negotiators



view unethical tactics in terms of five dominant tactics representing a hierarchy of ethical versus unethical behavior in negotiation. These are traditional competitive bargaining, attacking an opponent's network, false promises, misrepresentation/lying, and misuse of information. Given our focus on unethical negotiation, it is important to incorporate a typical level of sensitivity to ethical obligation that distinguishes appropriate self-interest seeking representing tough but fair negotiation from guileful self-interest seeking representing opportunism into the conceptualization of opportunistic negotiation. Robinson *et al.* (2000) report that traditional competitive bargaining can be viewed as appropriate ethical behavior (Elahee and Brooks, 2004). In order to capture the degree to which exchange partners overstep the boundaries of their moral standards, we therefore conceptualize opportunistic negotiation tactics in terms of the remaining four facets.

Following Robinson *et al.* (2000), we operationalize opportunistic negotiation strategies as a second order factor composed of four first-order negotiation strategies: false promises, misrepresentation, attacking opponent's network, and inappropriate information generation. We used the self-reported inappropriate negotiation strategies scale developed by Robinson *et al.* (2000) to assess these negotiation tactics. These measures, scored on a five-point scale from "not at all appropriate" to "very appropriate," capture the degree to which the firm views unethical negotiation tactics as appropriate in a negotiation situation with a specific negotiation partner.

*Moral standards.* In contrast to objective ethical principles, moral standards are thought of as subjective priorities (Hosmer, 1994) and preferences (Hofstede, 1984) held by the decision maker. To operationalize the component beliefs of cynicism, deceit, and flattery that represent Machiavelli's philosophy we use ten scale items based on the well established Mach IV Likert scale. Following Hunter *et al.*'s (1982) decomposition of the Mach IV scale into distinct sets of beliefs, we employ those ten Mach IV scales that tap the degree to which the respondent advocates "... deceit as a strategy for dealing with others; flattery, which is similarly advocated; and cynicism, the belief that other people are untrustworthy, self-serving, and malevolent" (Hunter *et al.*, 1982, p. 1294).

*Trust.* Following Dwyer and Oh (1987) we operationalize trust in the exchange partner using a four-item reflective scale. Despite the availability of other trust measures, we found Dwyer and Oh's (1987) adaptation of Sullivan and Peterson's (1982) scale amenable to the heterogeneous research context. Further, the reverse-scored items in this operationalization of trust allow for a more stringent test of discriminant validity. Scored on a five-point scale from "strongly agree" to "strongly disagree," the measure captures four elements of sincerity, caution, suspicion, and expectations of cooperation.

*Control variables.* We included the level of education, job tenure, and industry experience as control variables in our study because they have been found to influence moral behavior in marketing managers. However, no specific hypotheses were developed for these variables.

*Characteristics of measures.* To test the validity of the higher order constructs and to assess the unidimensionality of the pool of items, we used confirmatory factor analysis. We evaluated and refined each measure using the criteria proposed by Bagozzi and Yi (1988). Overall, the measurement model confirmed the proposed factor structure ( $\chi^2(296) = 390.5, p = 0.00$ ; TLI = 0.94; CFI = 0.95; RMSEA = 0.04;  $p(\text{close}) = 1.00$ ) and the refined construct measures exhibited adequate composite reliabilities

(Nunnally and Bernstein, 1994). We used exploratory factor analysis to test for common method bias (Podsakoff and Organ, 1986). As expected, we found that the first factor only explained 25 percent of the overall variance and all scale items loaded on factors representing respective higher order constructs suggesting that a single method factor does not account for the majority of the covariance among measures in this study (Podsakoff *et al.*, 2003). The specific scale items for each measure are presented in the Appendix. Table I shows the means, standard deviations, intercorrelations, and number of scale items for each construct used to test the hypotheses. The variable means are all below 3 ( $M = 2.08$ ). The standard deviations for the variables range from 0.66 to 1.19 ( $M = 0.85$ ), indicating a substantial amount of variance in the responses.

### Analysis

The conceptual model shown in Figure 1 specifying the influence of moral standards on the use of opportunistic influence strategies in buyer-seller relationships was cast in the following regression equation:

$$\begin{aligned} \text{OPP} = & \beta_0 + \text{(Constant)} \\ & \beta_1\text{FL} + \text{(H}_{1a}\text{)} \\ & \beta_2\text{CN} + \text{(H}_{1b}\text{)} \\ & \beta_3\text{DC} + \text{(H}_{1c}\text{)} \\ & \beta_4\text{TR} + \\ & \beta_5(\text{FL} \times \text{TR}) + \text{(H}_{2a}\text{)} \\ & \beta_6(\text{CN} \times \text{TR}) + \text{(H}_{2b}\text{)} \\ & \beta_7(\text{DC} \times \text{TR}) + \text{(H}_{2c}\text{)} \\ & \beta_{8a}\text{Education} + \beta_{8b}\text{Tenure} + \beta_{8c}\text{Experience} + e. \text{(Controls)} \end{aligned}$$

Variable	OPP	DC	CN	FL	TR	EDU	TNR	EXP
OPP	1.00							
DC	<i>0.39<sup>a</sup></i>	1.00						
CN	<i>0.33</i>	<i>0.23</i>	1.00					
FL	<i>0.28</i>	0.06	<i>0.26</i>	1.00				
TR	<i>-0.20</i>	<i>-0.17</i>	<i>-0.14</i>	<i>-0.13</i>	1.00			
EDU	0.12	-0.05	0.00	0.06	-0.04	1.00		
TNR	-0.08	-0.03	0.03	0.07	0.02	<i>-0.20</i>	1.00	
EXP	<i>-0.17</i>	<i>-0.14</i>	-0.05	-0.04	0.00	0.00	<i>0.43</i>	1.00
Mean	1.80	1.97	2.24	2.33	2.97	4.46	8.83	26.31
SD	0.86	0.66	0.66	0.77	0.67	0.61	7.71	8.89
No. of Items	13	4	4	4	2			

**Notes:** OPP, opportunistic negotiation; DC, deceit; CN, cynicism; FL, flattery; TR, trust; EDU, education; TNR, tenure; EXP, experience. <sup>a</sup>Italicized correlations are significant at the 0.01 level (two-tailed); italicized correlations are significant at the 0.05 level (two-tailed)

**Table I.**  
Correlation matrix,  
means and standard  
deviations

This equation contains several interaction terms that reflect the simultaneous effect of Machiavellianism and trust on opportunistic negotiation practices. We therefore estimated the equation using moderated regression analysis (Jaccard *et al.*, 1990). In order to avoid potential model misspecification due to multicollinearity, each scale was mean centered prior to calculating interaction terms (Aiken and West, 1991). All Variance Inflation Factors were well below ten.

**Results**

Table II reports the parameter estimates of the ordinary least squares, moderated regression analysis used to test the hypotheses. The estimated equation explains 32 percent of the variance in partner opportunism (adjusted  $R^2 = 0.29$ ;  $F = 11.09$ ;  $p = 0.000$ ).

*Testing the hypotheses*

The results in Table II support our main proposition that exchange partner’s moral standards are an important factor in predicting opportunistic behavior in marketing channel negotiations. Our results show that exchange partners who believe in flattery ( $H_{1a}$ :  $\beta_1 = 0.22$ ;  $t = 3.88$ ) and cynicism ( $H_{1b}$ :  $\beta_2 = 0.19$ ;  $t = 3.26$ ) use opportunistic negotiation tactics more than those who do not. Further, our results support our hypothesis that ( $H_{1c}$ :  $\beta_3 = 0.32$ ;  $t = 5.61$ ) deceitful exchange partners employ opportunistic negotiation tactics more intensively. Taken together, these findings

Hypotheses	Independent variables	Un-std.	Regression coefficients					
			Std.	t-value	Un-std.	Std.	t-value	
Constant		1.21		3.12	1.16		3.06	
<i>Control variables</i>								
	EDU	<i>0.17</i>	<i>0.12</i>	2.13	<i>0.17</i>	<i>0.12</i>	2.14	
	TNR	-0.01	-0.05	-0.75	-0.01	-0.05	-0.74	
	EXP	-0.01	-0.05	-0.75	0.00	-0.03	-0.50	
<i>Main effects</i>								
$H_{1a}$	FL	<i>0.16</i>	<i>0.19</i>	3.31	<i>0.19</i>	<i>0.22</i>	3.88	✓
$H_{1b}$	CN	<i>0.17</i>	<i>0.19</i>	3.30	<i>0.16</i>	<i>0.19</i>	3.26	✓
$H_{1c}$	DC	<i>0.28</i>	<i>0.32</i>	5.62	<i>0.27</i>	<i>0.32</i>	5.61	✓
	TR	-0.07	-0.09	-1.51	-0.05	-0.06	-1.08	
<i>Interaction effects</i>								
$H_{2a}$	FL × TR				0.00	-0.01	-0.08	✓
$H_{2b}$	CN × TR				0.05	0.06	1.03	✓
$H_{2c}$	DC × TR				-0.15	-0.21	-3.78	✓
<i>Fit indices</i>								
	$R^2$	0.28			0.32			
	Adj. $R^2 =$	0.25			0.29			
	F	13.08			11.09			
	Sig.	0.00			0.00			

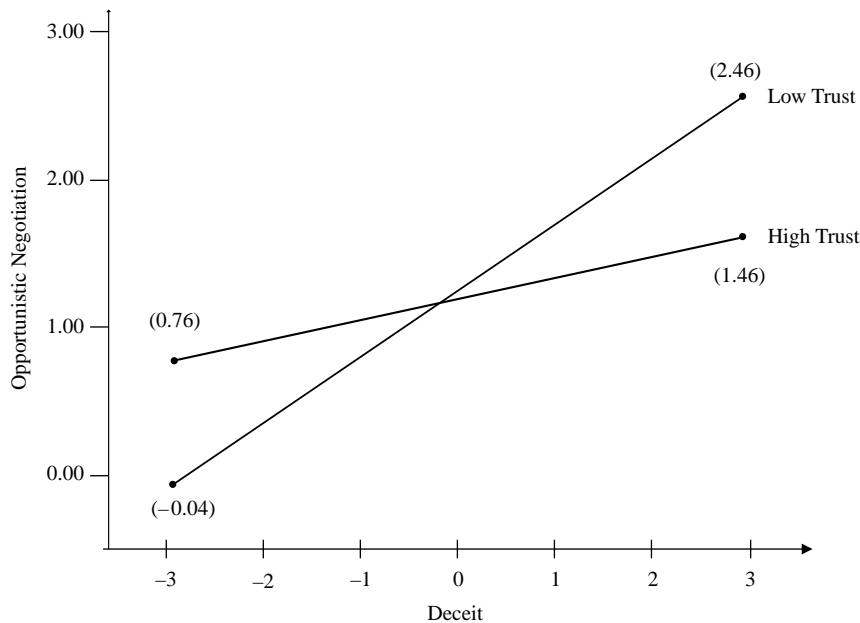
**Table II.** Moderated regression results

**Notes:** Dependent variable is opportunistic negotiation (OPP). <sup>a</sup>Italicized coefficients are significant at the  $p < 0.01$  level, ✓, hypothesis supported

support the nomological validity of all three moral standards as predictors of opportunistic negotiation.

The remaining hypotheses that were concerned with the effect of the perception of a trustworthy exchange partner on the link between moral standards and opportunistic negotiation were supported. In  $H_{2a}$ , we hypothesize that an ingratiating exchange partner uses opportunistic negotiation tactics no matter if the other party is perceived as trustworthy. The results of Table II support this hypothesis. We find a non-significant interaction effect between flattery and trust ( $\beta_{2a} = 0.06$ ;  $t = 1.03$ ). Similarly, trust was not found to reduce the effect of cynicism on opportunistic negotiation practices ( $\beta_{2b} = -0.01$ ;  $t = -0.08$ ), supporting  $H_{2b}$ . Taken together, these findings suggest that the perception of a trustworthy exchange partner has no impact on the use of opportunistic negotiation strategies by cynic or ingratiating negotiation partners.

The essence of  $H_{2c}$  is that signaling a trusting exchange atmosphere will have a negative influence on the use of opportunistic negotiation tactics by deceitful exchange partners. As hypothesized, our results show a significant interaction term ( $\beta_{2c} = -0.21$ ;  $t = 3.78$ ). Probing this interaction term by plotting the interaction (Figure 2) shows that if deceitful exchange partners interact with a trustworthy counterpart they are less likely to exploit this situation by using opportunistic negotiation tactics. However, if the exchange environment is not perceived as trusting, deceitful exchange partners employ opportunistic negotiation tactics more often. Overall, this analysis suggests that deceitful exchange partners do not deliberately employ opportunistic negotiation tactics, but rather make calculated use of these tactics in exchanges with less trusted negotiation partners.



**Figure 2.** The moderating effect of trust for the effect of deceit on opportunistic negotiation practices

## Discussion

The overall objective of this research was twofold. First, we set out to identify moral underpinnings that determine how and when exchange partners engage in opportunism. Second, we were interested in the role of trust in limiting the degree to which these moral antecedents lead to opportunistic behavior. Our findings have implications for both managers and researchers.

### *Managerial implications*

Abratt *et al.* (1999) document variation in ethical beliefs of retail salespeople, managers, and executives. Building on this research, we show that an exchange partner's moral conviction about the exchange greatly influences how and when opportunistic behaviors occur. In particular, opportunistic behavior may emerge from flattery, cynic outlooks on the exchange partner, or from deceitful parties who advocate opportunism as means to further self-interest. Taken together, these findings suggest that an exchange partner's perception of the moral context of the exchange leads to different processes for opportunistic behavior. This is an important finding given that socio-demographic, tenure, or education variables have been found to not be good discriminators of ethical behavior.

Retail managers not only attempt to curb opportunism in their own ranks (Pretious and Love, 2006) but often resort to socialization as a safeguard against partner opportunism. However, increasing complexity in the supply network may not allow for socialization mechanisms, such as trust, to fully develop. Here, retailers may only be able to provide a signal of trustworthiness in supplier negotiations to indicate an intention of a collaborative exchange and to reduce a partner's potential opportunistic negotiation behavior. Our study provides evidence that being perceived as trustworthy suppresses opportunistic behavior for some causes of opportunism, but fails to reduce opportunistic behavior for others. Specifically, being a trusted exchange partner appears to protect against opportunism due to deceit, but not against opportunism due to flattery or cynicism. This finding is important for retail managers who are faced with designing combinations of structural, contractual, and social safeguards against partner opportunism.

### *Research implications*

This research extends the nascent literature on origins of opportunism in retailing (Abratt, Bendixen, and Drop) and marketing channels (Wathne and Heide, 2000). We extend the traditional view of opportunism as general problem in an exchange relationship by suggesting that heterogeneous, partner-specific reasons exist for how and when opportunistic behavior occurs. This research provides a first step toward identifying those partner-specific processes that cause opportunistic behavior in exchange relationships. Specifically, we find that an exchange partner's moral convictions are an important determinant of opportunistic behavior in the exchange. Based on Hunter *et al.*'s (1982) decomposition of Christie and Geis' (1970) Machiavellianism construct, we find evidence that an exchange partner's moral conviction can be viewed in terms of least three distinct moral standards. Flattery, cynicism, and deceit each contributed to opportunistic behavior in the exchange. This finding is important because it not only calls the common assumption of opportunism inherent in many theories of channel governance into question (Williamson, 1979;

Bergen *et al.*, 1992), but also provides the basis for refining these theories based on a more fine-grained perspective on opportunism.

To date, theoretical frameworks of channel governance have not considered partner-specific origins of opportunism (Rindfleisch and Heide, 1997; Brown *et al.*, 2000). Our study demonstrates that the extent to which trust – a popular safeguarding mechanism in marketing channels – moderates the degree to which managers are opportunistic depends on the moral conviction of the exchange partner. We find that signaling trustworthiness reduces the risk of opportunism for deceitful partners, but appears to be ineffective against flattery and cynicism. But, what are effective control mechanisms for opportunism that emanates from flattery and cynicism? For example, firms frequently employ multiple socialization mechanisms such as influence strategies, rewarding acceptable behaviors and sanctioning undesirable ones, or relational norms to set boundaries for exchange behaviors. Little research has been devoted to testing these notions in the context of exchange partner's specific moral convictions.

Our research on how and when opportunistic behavior occurs in marketing channels and the role of trust in these processes is an early effort. Numerous avenues exist for researchers who wish to add to this research. Hence, we encourage others to extend our research and believe that such research will be of value to both academics and marketing managers.

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#### **Appendix. Scale items and reliabilities**

*Opportunistic negotiation strategy (AVE = 0.51)*

*False promises facet ( $\rho = 0.82$ ):*

- (1) Promise that good things will happen to your opponent if he/she gives you what you want, even if you know that you cannot (or will not) deliver these things when the other's cooperation is obtained.
- (2) In return for concessions from your opponent now, offer to make future concessions which you know you will not follow through on.
- (3) Guarantee that your constituency will uphold the settlement reached, although you know that they will likely violate the agreement later.

*Misrepresentation facet ( $\rho = 0.76$ ):*

- (1) Intentionally misrepresent information to your opponent in order to strengthen your arguments or position.

- (2) Intentionally misrepresent the nature of negotiations to your constituency in order to protect delicate discussions that have occurred.
- (3) Deny validity of information, which your opponent has, that weakens your negotiation position, even though that information is true and valid.
- (4) Intentionally misrepresent the progress of negotiations to your constituency in order to make your own position appear stronger.

*Attacking opponent's network facet ( $\rho = 0.74$ ):*

- (1) Attempt to get your opponent fired from his/her position so that a new person will take his/her place.
- (2) Threaten to make your opponent look weak or foolish in front of a boss or others whom he/she is accountable, even if you know that you will not actually carry out the threat.
- (3) Talk directly to the people who your opponent reports to, or is accountable to, and tell them things that will undermine their confidence in your opponent as a negotiator.

*Inappropriate information generation facet ( $\rho = 0.72$ ):*

- (1) Gain information about an opponents negotiating position by paying your friends, associates, and contacts to get this information for you.
- (2) Gain information about an opponent's negotiating position by cultivating his/her friendship through expensive gifts, entertaining or "personal favors."
- (3) Gain information about an opponent's negotiating position by trying to recruit or hire one of your opponent's teammates (on the condition that the teammate brings confidential information with him/her).

*Machiavelli's beliefs (formative indicators)*

*Cynicism:*

- (1) Anyone who completely trusts others is asking for big trouble.
- (2) It is safest to assume that all people have a vicious streak and it will come out only when given the chance.
- (3) The biggest difference between criminals and others is that the criminals are stupid enough to get caught.
- (4) Never tell anyone the real reason you did something unless it is useful to do so.

*Deceit:*

- (1) There is no excuse for lying to someone else<sup>R</sup>.
- (2) Honesty is the best policy in all cases<sup>R</sup>.
- (3) When you ask someone to do something for you, it is best to give the real reasons for wanting it rather than giving reasons which carry more weight<sup>R</sup>.
- (4) All in all, it is better to be humble and honest than important and dishonest<sup>R</sup>.

*Flattery:*

- (1) The best way to handle people is to tell them what they want to hear.
- (2) It is wise to flatter important people.

*Trust* ( $\rho = 0.60$ ,  $AVE = 0.54$ )

- (1) I can count on my negotiating partner to be sincere.
- (2) I will have to be cautious in my dealing with my negotiation counterpart<sup>R</sup>.
- (3) I will be suspicious of my negotiation counterpart's recommendations<sup>R</sup>.
- (4) My negotiation counterpart and I will work together as equal partners when it comes to building a business for our respective firms.

*Control variables*

*Education:*

What is the highest level of education you have completed? (1 – less than high school; 2 – high school diploma; 3 – some college; 4 – college degree; 5 – graduate degree).

*Tenure:*

Number of years you have worked in your current position: (in years).

*Experience:*

Number of years you have worked in business: (in years).

*Note:* R – reversed scaled item.

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