Journal of Business Ethics (2010) 97:87–108
DOI 10.1007/s10551-010-0497-y © Springer 2010

The Influence of Retail Management's Use of Social Power on Corporate Ethical Values, Employee Commitment, and Performance

Arne Nygaard
Harald Biong

ABSTRACT. Recent cases in retailing reflect that ethics have a major impact on brands and performance, in turn, demonstrating that brand owners, employees, and consumers focus on ethical values. In this study, we analyze how various sources of social power affect corporate ethical values, retailer's commitment to the retail organization, and ultimately sales and service quality. Multi-source data based on a sample of 225 retailers indicated a strong link between power, ethics, and commitment and that these affected output performance.

KEY WORDS: business ethics, power, stakeholder, retailing, mystery shoppers, ethical values

Introduction

The performance of vertically organized retail systems depends critically on their ability to efficiently coordinate functions and to ensure organizational commitment to the corporate strategies among their members (Basker, 2007). For example, Wal-Mart with 1.3 million employees in the United States alone is praised for its low prices, efficiency, and brand power (Basker, 2007). On the other hand, the company also experiences strong pressure from outside stakeholder groups regarding the retailer's allegedly unethical behavior in the form of low wages and poor working conditions for employees (Palazzo and Basu, 2007). The media's devotion to social activists provides the public with access to new information regarding social attributes and methods of production (McWilliams and Siegel, 2001). This publicity increases public awareness of CSR and ethics. In this context, De Pelsmacker et al. (2005) refer to a study of Hines and Ames (2000), in which 51% of the U.K. population reported having the feeling that they were able to make a difference in a company's behavior, and 68% claimed to have bought a product or service because of a company's responsible reputation. Consumers, therefore, no longer care only about price and quality dimensions of a brand but also about the underlying processes for how prices and qualities are determined (Freeman, 1994). Accordingly Terry Leahy, CEO of Tesco, the world's fourth largest retailer in 2008 emphasized that "ethical considerations will increasingly weigh in the scales alongside economic ones" (The Economist, 2006a). If the retail management chooses to ignore the pressure from outside stakeholder groups, then this negligence may lead to sanctions in the form of disloyal dealers, customer boycott, and fewer investors, all of which, in turn, might harm the company's brand name. As a consequence, management faces the dilemma of balancing the pressure from owners to maximize profits and of taking considerations, such as business ethics, into account, making the management task more complex (Freeman, 1984).

Traditionally, central management in retail companies has established authority relations by use of sources of social power to secure desired role behaviors from retail units and to achieve compliance to the global strategy (Gaski, 1984). Unfortunately, some of these power mechanisms may reduce performance and increase rather than reduce conflicts in the retail system (Gaski, 1984; Gundlach and

The authors contributed equally to this research and are listed alphabetically.

www.manaraa.com

Cadotte, 1994). As an illustration, Sears Holdings after initial centralization in the merger between Kmart and Sears moved to a decentralized management structure to turn around its business (http://management-case-studies.blogspot.com). Similarly, Wal-Mart's attempt to impose its global Statement of Ethics on its employees in Germany ironically ended in the German Federal Court (Talaulicar, 2009). Since the retail unit manager is obliged to protect the company brand from any harm caused by unethical behavior, an unanswered question is how social power sources which are intended to enhance system efficiency also affect corporate ethics. Rather than deploying power, a fundamentally different approach to channel cooperation, therefore, is to develop strategies to eliminate or reduce goal conflicts and to create consistency around moral obligations between the retail unit and its brand owner. Consequently, retail companies might want to influence ethical values within their organizations, among their employees, management, and retail unit managers. In turn, shared values serve to enhance commitment to the organization (Hunt et al., 1989). While some scholars strongly argue that high commitment among employees leads to higher organizational performance (Hosmer, 1994), others suggest that strong organizational commitment may have detrimental effects (Hunt and Vitell, 2006; Randall, 1987; Sørensen, 2002). Randall (1987), for example, argues that strong organizational commitment can result in too much trust in past policies and procedures, and highly committed employees may even be willing to engage in illegal or unethical behavior on behalf of the organization. As a consequence, overcommitted employees may reduce the organization's creativity, flexibility, adaptability, innovation, and even hurt profits.

Control is a major responsibility of management with the purpose of standardizing employee behavior within an organization. Weaver et al. (1999a) argue that formal ethics program can be conceptualized as organizational control systems aiming at standardizing employee behavior to comply with company ethics. In contrast, our study examines how governance deployed to achieve compliance to the overall strategy in a vertically organized retailing system also affects corporate ethical values, commitment, and performance. More specifically, we focus on the effects of coercive and non-coercive social power within the retail company (French and Raven, 1959; Mitchell et al., 1997). Frooman (1999, p. 202) consistently characterizes the relationship between retailers and wholesalers in terms of power dimensions. Stakeholder theory emphasizes the firm's responsibility in developing and sustaining moral relationship characterized by power. Prior channel research on power has yielded considerable insight into its effect on performance (Buchanan, 1992; Gundlach and Cadotte, 1994). By contrast, models of ethics in marketing and retailing (e.g., Bommer et al., 1987; Dunfee et al., 1999; Fraedrich, 1993; Hunt and Vitell, 1986; Vermillion et al., 2002) have provided insights into mechanisms for promoting ethical marketing behavior, although unfortunately less insight into how ethical behavior influences marketing performance. By examining the power–ethical valuesorganizational commitment–performance link, the purpose of our study is to combine these two perspectives. Although interorganizational research is well positioned to study this phenomenon, few attempts have been made in this field of investigation.

In summary, we intend to make two main contributions to research literature. First, we examine how corporate ethical values are influenced by management control through coercive and non-coercive sources of social power. Second, we investigate how corporate ethical values affect organizational commitment among employees and subsequently performance in terms of service quality and sales. As such, our study adds to our understanding of the link between governance, ethics, and organizational performance.

The article is organized as follows: We first present the conceptual framework, including our research hypotheses. Then, we describe our research design and the empirical tests. Finally, we discuss the implications of our findings, the study's limitations, and possible topics for further research.

Corporate ethical values

According to Gundlach and Murphy (1993, p. 39), "ethics involves perceptions regarding right and wrong." Bommer et al. (1987, p. 2677) define ethical behavior "to be those behaviors the correctness of which constitutes the moral intuition in

www.manaraa.com

business and professions.'' Conversely, unethical behavior is defined as ''behavior that has a harmful effect upon others and is either illegal or morally unacceptable to the larger community'' (Brass et al., 1998, p. 15). Marketing has previously raised several controversial issues in the area of ethics, such as false advertising, pressure selling, or discriminatory pricing practices (Nantel and Weeks, 1996). In retailing companies, dysfunctional and unethical problems, such as free riding on the system's brand reputation, are major concerns (Kidwell et al., 2007). As a response to external stakeholders' negative reactions to potential unethical behavior retail companies, as well as marketing professionals and salespeople have introduced ethical codes and ethical programs (e.g., Demuijnck, 2009; Grisaffe and Jaramillo, 2007; McLaren, 2000; Preble and Hoffman, 1999; Robin and Reidenbach, 1987).

Parallel to this trend, there is vast research showing how ethical codes and programs will affect adoption of ethical values and enhance ethical decision making and behavior (Hosmer, 1994; Hunt and Vitell, 2006; Ingram et al., 2007; Weaver et al., 1999a, b). Shared ethical values will then guide retail unit managers' behavior consistent with external preferences among brand owners and consumers (Hunt et al., 1989; Stevens et al., 2005). Rather than relying on the retail unit managers' individual judgments when conflicts on strategy execution arise (Vermillion et al., 2002), cultivation of company-specific values may reduce the need for ongoing monitoring and control (Ouchi, 1979, 1980) and may improve marketing practice (Kennedy and Lawton, 1993).

Brand owners, along with customers, employees and managers, represent one of the key stakeholder groups in retailing. Brand owners can be defined as persons ''without whose support the organization (retail company) would cease to exist'' (Stanford Research Institute, 1963, Freeman, 1984, p. 31). The retail company that owns the brand is one important stakeholder for each retailer firm operating branded units in the local marketplace. Since the company brand not only signals a standard quality but also ''what we are'' and ''what we stand for'' (Berman et al., 1999, p. 493), company brand representation by the single retailer also becomes a moral relationship. The company brand owner, therefore, is interested in creating and sustaining the moral relationship (Freeman, 1984).

The perspective proposed here emphasizes that ethical values have outcome consequences (utilitarianism) supported by the claim that ''the corporation and its managers are responsible for the effects of their actions on others'' (Evan and Freeman, 2004, p. 79). The other pillar in the stakeholder perspective draws on the ''deontological'' view of moral dignity as an absolute value not affected by conditional variables (Evan and Freeman, 2004, p. 79). By looking at the organization as a team (Alchian and Demsetz, 1972), the idea is to make the members identify themselves with the brand operation and internalize the goals and values of the retail company (Ouchi, 1979; Vermillion et al., 2002).

Power and ethical values

Hiley (1987, p. 352) calls for ''a more comprehensive understanding of the mechanisms of social power in organizations if business ethics is to address adequately the relation between social power and values.'' Similarly, Kennedy and Lawton (1993, p. 789) state that ''the concept of power in interorganizational relationships has particular relevance for ethics because'' (by reference to El-Ansary and Stern, 1972) ''… the power of a channel member [is] his ability to control the decision variables in the marketing strategy of another channel member at a different level of distribution.'' Gaski (1984, p. 10) has synthesized the various definitions of power, and defines it as ''the ability to cause someone to do something s/he would not have done otherwise.'' More specifically, French and Raven (1959) have classified the sources of social power into (1) coercive power sources (B perceives that A has the ability to mediate punishments to B), (2) reward power sources (B perceives that A has the ability to reward B), (3) referent or identification sources of power (B identifies with A), (4) expert sources of power (B perceives that A has some special knowledge or expertise), and (5) legitimate power sources (B perceives that A has a legitimate right to prescribe behavior for B), (for a thorough review see Gaski, 1984). Most channel research distinguishes between coercive and non-coercive power sources (reward, referent, legitimate, expert power sources), whereas we examine the individual effects of each of the four non-coercive power sources.

المنارة للاستشارات
www.manaraa.com

Stakeholder theory proposes that the nature of relationships characterized by sources of power is associated with ethical values (Freeman, 1984; Mitchell et al., 1997). For example, Weaver et al. (1999a) note that corporate ethics programs can embody a coercive orientation with adherence to rules, monitoring employee behavior, and disciplining misconduct. Applied literally to our context, the definition of power suggests that the retail unit managers would not adapt to retail company ethical values unless external stakeholder power compelled them to do so. While it might not be possible to measure the inherent human inclination to behave ethically, appropriate role behavior in interfirm relationships can be determined and maintained by the exercise of different types of social power and influence, with differential effects on the target party's beliefs, attitudes, and behavior (John, 1984).

Unethical behavior is considered to be a violation of appropriate role behavior and might be regarded as non-cooperative behavior. Conversely, adherence to retail company ethical values might be seen as cooperative behavior from the retail units. Gaski's (1984) extensive review indicates that non-coercive sources of social power influence retail units cooperation positively, while coercive sources of social power decrease the cooperative climate and increase conflict. Similar results were obtained by Gundlach and Cadotte (1994). Moreover, Trevino (1986) in a laboratory study found that unethical decisions were related to potential punishment. Gundlach and Cadotte (1994) concluded that non-coercive power strategies were associated with cooperative relationships whereas coercive power strategies prevailed in imbalanced and conflicting relationships. Closer parallels can be found in John's (1984) seminal study of antecedents to channel opportunism. In his study, John (1984) found that coercive attributions are positively related to opportunism. Coercive attributions also showed deleterious effects on attitudinal orientation, which in turn lead to increased opportunism. Furthermore, when perceptions of increased rule enforcement and surveillance were present, they lead to an erosion of positive attitudes and consequently to more opportunism. John (1984) showed that sanctions decreased the degree of socialization and intrinsic motivation. Consequently, we suggest that this mechanism also affects ethical values. We sum up this discussion by presenting the following hypothesis.

H1: There is a negative relationship between coercive power and the retail company's ethical values.

An organization's ethics program may aim for both compliance with rules and internalization of values (Weaver et al., 1999a). In this context, the company's ethical values can be cultivated by corporate programs and ethics training guided by dedicated experts, incorporating the company's ethical values and standards, and participative exercises from employees (Stevens et al., 2005; Valentine, 2009; Weaver et al., 1999b). Although it does not examine ethics *per se*, John's (1984) study, by indicating the negative effects of non-coercive sources of power (expert, legitimate, and referent) on opportunism, also suggests potential effects of these mechanisms on ethics. As John notes (1984, p. 287) "the internalized social restraints provided by positive attitudes and perceptions must also be cultivated by the use of appropriate power types and socialization processes." By examining the effects of each of the non-coercive sources of power individually, we are able to create a more nuanced picture of mechanisms aiming at positive attitudes towards implementation of ethical values.

Reward power

Reward power means that retail unit managers perceive that retail management has the ability to provide some rewards to induce a specific behavior.[1] Marketing research has previously emphasized the strong impact of reward power on ethical decisions. In general, rewards have a positive effect on cooperation (e.g., Gaski, 1984; Gundlach and Cadotte, 1994) and also affect the "rightness" of salespeople (Hunt and Vasquez-Parraga, 1993). Consequently, cooperation means compliance with the more powerful party. However, even if retail unit managers cooperate, it might not always be beneficial from an ethical perspective (Axelrod, 1984). As Hegarty and Sims (1978) show, buyers and suppliers engage in mutually unethical behavior when this is rewarded. A similar result is shown by Tenbrunsel (1998). Conversely, if rewards promote unethical

www.manaraa.com

behavior, it can also be reasonably expected that an appropriate reward system should enhance ethical values and behavior within the retail company. This is in line with the suggestions by Gundlach and Murphy (1993) and Robin and Reidenbach (1987), and also the findings of Stevens et al. (2005) that through a system of rewards and open communication, a stakeholder can promote a culture in which retail unit managers know they will be rewarded for doing the right thing. Based on this discussion, we offer the following hypothesis:

H2: There is a positive relationship between reward power and the retail company's ethical values.

Referent power

Referent power means that retail unit managers identifies with the interests of the brand owner (Pfeffer and Salancik, 1978). Stated differently, when the retail management emphasizes ethical values, the retail units, by virtue of the referent power mechanism, identify with the same values. Valentine (2009), for example, notes how managers often function as ethical role models and can inspire employees to perform ethically through social exchanges and visions of leadership. Rather than providing extrinsic motivation for a specific behavior, referent power also has the potential to promote the intrinsic motivation to behave ethically. Empirical research illustrates how managers can stimulate ethical values by adhering to an organization's ethical code (Fritz et al., 1999; Valentine and Barnett, 2003; Weaver et al., 1999a).

H3: There is a positive relationship between referent power and the retail company's ethical values.

Expert power

Expert power means that retail unit managers perceive another channel member as having some beneficial special expertise or knowledge. As Kohli (1989) notes, channel members comply with those members having expertise because they believe that doing so will lead to a better decision, not because of formal or informal obligations to comply. According to John (1984), expert power depends on the internal mental processes, such as identification and internalization, of the target parties. As an example, each division of General Dynamics has an ''ethics program director'' who can be approached when an employee feels it is appropriate to report ethical misconduct (Robin and Reidenbach, 1987). When ethical values are promoted by programs and devoted persons, as in the example mentioned, stakeholders with expertise in ethics are perceived as trustworthy, which in turn increases their influence on retail company values. We sum up the argumentation a follows:

H4: There is a positive relationship between expert power and the retail company's ethical values.

Legitimate power

Following the framework of French and Raven (1959), legitimate power is the perception that the stakeholder has the right to prescribe a specific behavior for other members (Mitchell et al., 1997). More specifically, the retail unit managers have established an authority structure that provides the brand owner with a mandate to govern by contractual provisions, to issue instructions, and thereby to impose decisions on the retail units (Heide, 1994). Hunt and Vasquez-Parraga (1993) found that when supervisors prescribe appropriate behavior to salespeople, this is associated with ethical values. The normative structure represented by legitimate power defines ''what is right and who is responsible'' (Trevino et al., 1985, p. 612). In this respect, it is important to distinguish between the formal and informal dimensions of legitimate power. The formal dimension is based on the social agent's authority while the informal dimension is the social agent's appeal to commonly held norms and values. Wal-Mart's problems with imposing its ''Statement of Ethics'' in Germany may be explained by its negligence of German culture and rules of codermination, the informal dimension of legitimate power (Talaulicar, 2009), rather than resistance against ethical rules and principles *per se*. Considering the formal dimension of legitimate power, there is an underlying threat that noncompliance by the subordinate retail unit will entail sanctions. In this way, legitimate power can be construed as a mild form of coercive power. Brass et al. (1998) present a similar

www.manaraa.com

view when arguing that in a relationship, the lower status actor is less likely to act unethically because the more powerful actor can retaliate with force. On the other hand, John (1984) argues that the influence of legitimate power depends on internal mental processes, such as identification and internalization, of the target party which takes the informal aspects into account. More specifically, we argue that when the retail unit manager signs an agreement with the brand owner, this implies an acceptance to abide by the policy of the brand owner. Similar arguments are presented by Ferrell and Skinner (1988, p. 105) when claiming that "subordinates obey authority because it is something they respect and they often go along whether they agree with a superior or not." By signing the contract with the stakeholder, the retail unit manager has implicitly promised to adhere to the retail company's values and norms. We therefore propose that

H5: There is a positive relationship between legitimate power and the retail company's ethical values.

Retail company's ethical values and company commitment

In the empirical literature, values have been treated as one dimension of a more complex corporate culture construct. Corporate culture has been defined as assumptions, beliefs, goals, knowledge, and values that are shared by organizational members (Hunt et al., 1989). Rather than relying on explicit governance mechanisms to curb opportunistic behavior, the literature suggests the alternative of fostering a strong corporate culture (Mishra et al., 1998). The effect of culture as a governance mechanism derives from the retail unit's substitution of their individual personal goals with the overriding goals of the entire retailing company (Mishra et al., 1998). If the units internalize the values of the company, then the primary stakeholder (brand owner) will have eliminated goal incongruities and enhanced team spirit (Alchian and Demsetz, 1972; Ouchi, 1979). Similarly, both Hosmer (1994) and Jones (1995) emphasize that an ethical approach to strategic management will benefit a company by ensuring positive effort on the part of all stakeholders of the firm – owners, employees, managers, and customers. Furthermore, Hunt et al. (1989) elaborate these arguments stating that managers want committed employees and that a culture that emphasizes high ethical values will increase the marketers' commitment to the organization. The positive link between ethical values and organizational commitment among managers and employees has been examined and is well documented in several studies (e.g., Hunt et al., 1989; Morgan and Hunt, 1994; Valentine and Barnett, 2003). Also, the retail unit manager's strong tie to the retail company increases the cost of unethical behavior (Brass et al., 1998). In addition, Hosmer (1994, p. 232) emphasizes that "the application of moral reasoning creates trust, trust builds commitment; commitment ensures effort, and effort is essential for organizational success." Accordingly, we offer the following hypothesis:

H6: Ethical values within the retail company positively affect commitment to the retail company.

Organizational commitment and performance

Organizational commitment is essential within individual and organizational performance studies (Swailes, 2002), with applications to marketing (Hunt et al., 1985, 1989; Jaworski and Kohli, 1993). The literature presents many definitions of the theoretical concept (see Swailes, 2002 for an extensive review) including both employee contributions and a sense of belonging to the organization (Jaworski and Kohli, 1993). The concept also depends on the relative strength of an individual's identification with and involvement in a given organization (Steers, 1977). Our conceptualization of retailer's commitment is in accordance with Jaworski and Kohli (1993).

It is generally believed that strong retailer's commitment will be beneficial for retail unit performance. Hunt et al. (1985, p. 112) expressed this cogently: "Commitment – all organizations want it… High commitment among employees leads to lower turnover, and, thus, to higher organizational performance…. Simply stated, managers prefer loyal

المنارة للاستشارات
www.manaraa.com

and committed employees." Similarly, Hosmer (1994) argues that commitment builds effort, and effort that is cooperative, innovative, and strategically directed results in success whether measured by stock price, market share, or organizational development.

By contrast, some scholars have expressed concerns about the potentially negative effects of strong organizational commitment (Hunt and Vitell, 2006; Randall, 1987; Swailes, 2002). For example, Randall (1987) argues that high levels of organizational commitment may have negative effects both on individual and organizational performance in the form of reduced creativity and resistance to change, overzealous conformity, and ineffective use of human resources. Moreover, too much commitment can also constrain a retailer's flexibility because of adherence to past policies and procedures. Similar points of view are presented by Chonko and Hunt (1985) who state that the relationship between corporate interests and the interests of customers constituted the most frequent source of ethical conflict for marketing managers. This implies that what is good for the company may not be good for the customers. In his review, Swailes (2002) underscores previous concerns, pointing out that the strong link between commitment and individual performance (work performance) is "patchy."

When examining the effect of retailer's commitment on their performance, the empirical context has to be taken into account. As Roca-Puig et al. (2005) emphasize, service firms need to be flexible to satisfy the varied and changing demands of customers. Particularly, when environments shift, strong commitment to the organizational culture makes it more difficult for companies to adapt (Sørensen, 2002). In retailing, empirical evidence has shown that even standardized business concepts need local adaptation to succeed. The heavy burden of uniformity creates long communication processes, decision complexity, and bureaucratization to adapt (Etgar, 1977). For example, retail concepts such as those held by Wal-Mart, Lidl, Aldi, Carrefour, and even McDonald's, have been successful in their original markets but have failed when introduced in their original formats to foreign markets. They have not shown progress until they were adapted to local tastes and preferences. This poses a strategic dilemma to the retail operation. Commitment to a global strategy may be beneficial for promoting a consistent brand image but curbs adaptation to local preferences. Therefore, it loses attractiveness and entails a negative effect on revenues and sales. For example, Randall (1987) notes that too much loyalty of the wrong kind might harm profitability. Hence, we predict that

H7: Commitment to the retail company has a negative effect on retailer's performance as measured by sales.

A review of empirical studies on the link between organizational commitment and qualitative organizational performance does not present uniform support for this effect. There are studies showing no significant effect of organizational performance on qualitative measures such as service quality (Peccei et al., 2005; Woolridge and Floyd, 1990). On the other hand, there are also numerous studies showing positive effects between organizational commitment and related concepts such as organizational citizenship and employee satisfaction, and service quality in various service contexts, retailing included (Bell and Menguc 2002; Boshoff and Mels, 1995; Brown and Lam, 2008; Deery and Iverson, 2005; Pitt et al., 1995; Roca-Puig et al., 2005; Yoon and Suh, 2003). As Still (1983) argues, committed employees follow up orders and customers better than employees with less commitment. Thus, extant research mostly favors a positive link between organizational commitment and service quality, and we sum up our argumentation by offering the following hypothesis:

H8: There is a positive relationship between commitment to the retail company and service quality.

The research model is presented in Figure 1.

Research design

Sample frame and setting

The relationship between a brand owner, retail store manager, and employees and customers is well described by the stakeholder perspective. The brand

المنارة للاستشارات
www.manaraa.com

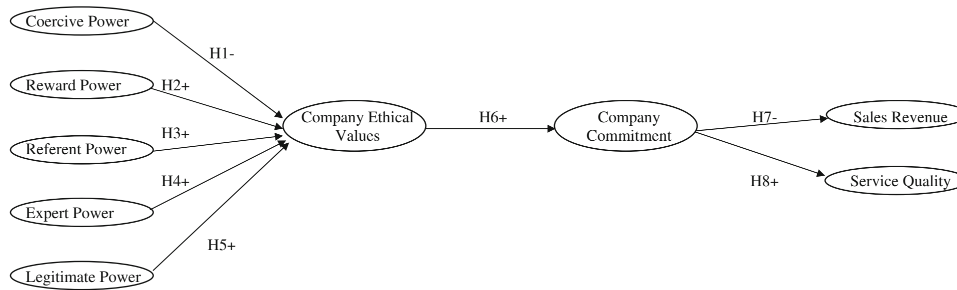

Figure 1. Research model.

owner, retail unit managers, and customers are ''primary'' stakeholders who are essential for the survival of the retail company (Freeman, 1984). Moreover, the brand representation by the retail unit is sensitive to ''what we are'' and ''what we stand for'' (Berman et al., 1999, p. 493). Brand representation makes the brand owner vulnerable to actions by each retail unit that can jeopardize the value of the entire franchisor company.

The stakeholder perspective describes the relationship between the brand-owning company and the local retail firm as depending both on power and on ethical values (Frooman, 1999; Mitchell et al., 1997). The stakeholder perspective describes how power and ethics are prevalent in vertical retail companies (Mitchell et al., 1997). Theoretical structures can best be tested under homogeneous conditions (*ceteris paribus*). Therefore, in order to test the predictions in this study, we gathered data from a retail grocery company. The retail company is part of a European grocery retail company with operations in Europe, Asia, and America.

In order to study a stakeholder model, we gathered data from different stakeholder positions such as brand owners, employees, and managers, and customers. Perceptual data described the brand owner power position and the company's ethical values. Company's commitment among employees and managers also relied on perceptual data. Customers are the third stakeholder group in the model. We measured the outcome result based on mystery customer data indicating service quality. Consequently, the sampling design reflected the analysis of the inter-connected positions of the three primary stakeholder groups in the model.

Close cooperation with the retail management provided valuable insights for the study. First, we discussed and modified the research model based on feedback from the company's management. In addition, management gave valuable feedback regarding the design and wording of the questionnaire. This improved the face validity of the study. Moreover, access to objective sales revenue accounting data and confidential mystery shopper data strengthened the causality test in the research model. It increased the content validity of the measurements and reduced the single-method variance inherent in many psychometric studies.

The retail company provided an address list for all of their 509 units. A postal survey, together with letters from the retail company managers and the researchers, was sent to all of the 509 unit managers within the retail company. A reminder resulted in a response rate of 45.2% representing 230 units. We deleted five responses due to incompleteness. Therefore, the analysis is based on 225 respondents.

The portion of stores owned internally was 33.3%, while 66.7% were franchise operated. Of the respondents, 30% reported that they have worked in the store for 9 years or more. The majority of the stores (54%) reported that they carried between 3300 and 3499 different products. Sales areas exceeding 600 square meters were reported by 52% of the respondents. An independent *t*-test for all the focal variables and the key demographic factors did not reveal any significant differences in early and late responses. Consequently, we did not find any indications of non-response bias in the data. The characteristics of the sample and the *t*-tests are reported in Figure 2.

المنارة للاستشارات
www.manaraa.com

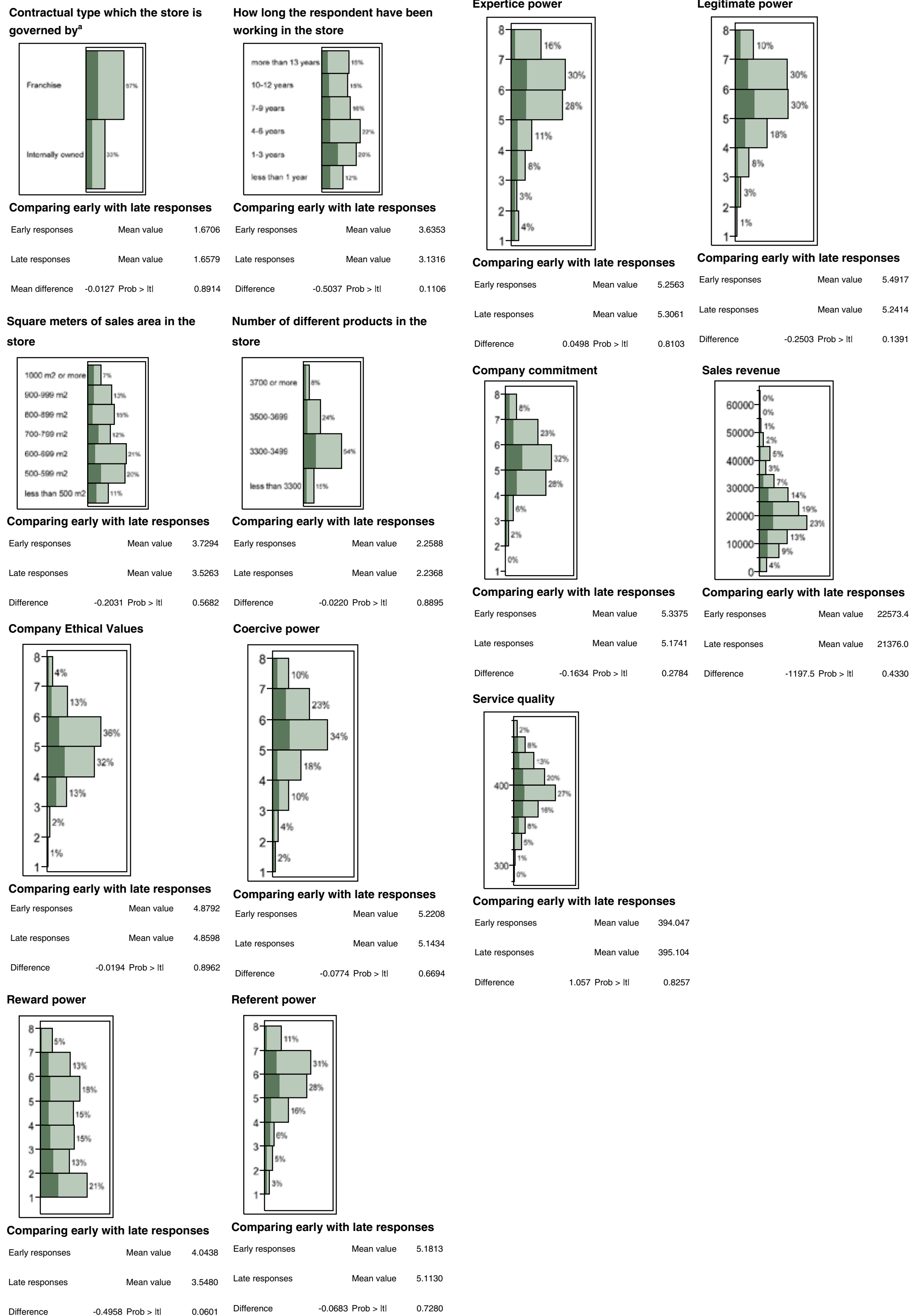

Figure 2. Characteristics of the sample and *t*-test of early and late responses. [a]Late responses are marked with dark color in the graphs.

المنارة للاستشارات
www.manaraa.com

Operationalization

Ethics
In this study, we define ethics with a focus on the underlying ethical values in a company rather than the specific ethical issues concerning products, services, or industry-specific issues (Hunt et al., 1989). In line with this focus, we included five Likert-scale items from Hunt et al. (1989). These items measure the perception of the degree to which the retail company managers engage in unethical behavior, whether management compromises on ethical values, and tolerance and remedial action if unethical behavior is identified at the personal or unit store level.

Coercive power
Coercive power rests on unit store manager's assumption that they will be penalized by the retail company's central management for noncompliance (Swasy, 1979, p. 340). Three Likert-scaled items based on Swasy (1979) measure coercive power. These items describe the degree to which the central retail management can harm, punish, or make things unpleasant for local retailers who do not act as prescribed.

Reward power
Reward power refers to the degree to which a company retail manager gives retail unit managers some kind of reward for acting in company's interests. We define reward power as central retail-manager's influence over retail-unit managers based on the ability to mediate positive outcomes and to remedy or diminish negative feedback received by the manager (Swasy, 1979, p. 340). Three Likert-scaled items originated from Swasy (1979), and they measure reward power, asking the degree to which the company's management rewards and provides benefits to the retail unit manager in return for specific behavior wanted by the retail company's management, and for following company retail managers' suggestions.

Referent power
Referent power means the power of a company retail manager to attract unit managers and make them identify with the retail company. Such power is based on the feeling of identification with the company retail managers and the desire to maintain this like-mindedness (Swasy, 1979, p. 340). In order to measure referent power, we used three Likert-scaled items, measuring the degree of similarities in opinions, values, behavior, and attitudes of unit managers toward company retail managers.

Expertise power
Expertise power measures the degree to which the unit managers need the skill or expertise of the company retail managers. As proposed by Swasy (1979), we use three Likert-scale items measuring expertise power, identifying the degree to which the local retailer trusts central management's judgment and the degree to which central managers usually know best by virtue of their expertise and experience.

Legitimate power
Finally, legitimate power occurs because of the relative position and duties of the retail manager's position. As proposed by Swasy (1979), we used three Likert-scaled items to measure legitimate power, asking the degree to which the unit manager sees it as his/her duty to comply with retail company's management, the degree to which the retail company manager has a right to influence retail unit behavior, and whether the unit retailer feels committed to do as management suggests.

Company commitment
Company commitment defines the retail unit manager's bond to the retail company. Three Likert-scaled items developed from Jaworski and Kohli (1993) measured retail commitment, assessing the bonds between the retail unit managers and their employees, in addition to the retailer's fondness for and commitment to the retail company.

Performance
Instead of the conventional ''satisfaction with performance'' or ''relative to competitor's performance index'' (Deshpandé et al., 1993), we have used accounting data on sales revenue and mystery shopper reports provided by the retail company. Often, such data are confidential, difficult, or costly to gather. However, when objective measures are accessible, they are strongly supported and recommended because of content validity (Dess and

المنارة للاستشارات
www.manaraa.com

Robinson, 1984). Thus, we have used sales revenue as a proxy for performance (Ruekert and Walker, 1990).

Sales revenue
The objective amount of sales revenue measures the annual sale for each retail unit. The central accounting department in the retail company provided us with these data.

Service quality
Service quality measures satisfaction with a variety of nine factors, hereof the degree of service, staff pleasantness, ability to navigate in the store, line at the pay desk, expertise, needs, commitment, ability to sell extra, and waiting time. Each store is visited by eight test buyers who test the nine different themes twice. Access to mystery shopper numbers provided information about service quality. The scale of mystery shoppers varies from 0 points, which is the lowest level, to 500 which is the highest level. The highest level in the data set was 480 points. In order to increase the reliability of this score, we computed the mean of four yearly mystery shopper periods.

All Likert-scaled items use the seven-point ordinal scales ranging from (1) totally disagree to (7) totally agree.

Control variable
We included market uncertainty as a control variable on organizational commitment. Market uncertainty might forestall market failure (Podolny, 1994, p. 458) and to avoid the problems posed by market uncertainty, retailers might adopt a more social-oriented behavior (Podolny, 1994). The level of perceived market uncertainty is therefore expected to affect the retailer's willingness to stay in the relationship and we included this variable as a control variable on organizational commitment. In order to measure market uncertainty, we applied three items adapted from Jaworski and Kohli (1993). The market uncertainty construct included the degree to which customers' product preferences change over time, the degree to which they look for new products, and whether new customers tend to have product-related needs that are different from those of the existing customers. The Appendix shows all the measures in the presented model.

Measurement model and validity test

We started the statistical analysis by testing the convergent and the discriminant validity of the latent constructs. We followed the two-step procedure recommended by Anderson and Gerbing (1988) using EQS 6.1 (Bentler, 2006). This procedure runs a structural model which is developed on the basis of a measurement model. We implemented all the items for the latent constructs into the measurement model. The Yuan, Lambert and Fouladi's multivariate kurtosis coefficient reported in EQS 6.1 is within the three standard deviation range (Bentler, 2006). This supports the hypothesis of multivariate normality data. Therefore, for the purpose of this project, we implement the estimation method of Maximum Likelihood within the structural equation model analytical tool EQS 6.1 (Bentler, 2006).

The overall fit statistics for the *a priori* measurement model which reported a Chi-square at 636.610 with 260 degrees of freedom (df), p-value at <0.001; Comparative Fit Index (CFI) at 0.781; Normed Fit Index (NFI) at 0.689; Incremental Fit Index (IFI) at 0.789; Standardized Root Mean-Squared Residual (SRMR) at 0.095; Goodness of Fit Index (GFI) at 0.809; and Root Mean-Square Error of Approximation (RMSEA) at 0.080 show that some items caused problems. First, one item in reward power reported a factor loading <0.45 and was deleted from the further study. Next, we ran a series of models where we defined the intercorrelation between pairs of constructs to 1.00 and tested the Chi-square difference between each pair of constructs in the research model (Fornell and Larcker, 1981). The discriminant tests identified problems with four items. There was cross loading on two items in ethical values, one item in referent power, and one item in the expert power construct. The two ethical values items that caused problems measured the retail manager's reaction if they identified unethical behavior at the personal or unit level. In order to further test these items' validity, we ran a one-factor versus two-factor confirmatory factor model test for each pair of latent constructs within the research model (Bagozzi et al., 1991). This second analysis confirmed the problems with these four items. After careful evaluation of whether deletion of these items harmed construct validity, we decided to delete all of the items. This resulted in a satisfactory

المنارة للاستشارات
www.manaraa.com

increase in overall fit-values of the measurement model with CFI at 0.950; NFI at 0.876; IFI at 0.951; SRMR at 0.069; GFI at 0.906; RMSEA at 0.050, although the analysis shows a significant Chi-square at 238.191 with 152 df (p-value <0.001).

Given that the data collection technique employed in the present study was cross-sectional self-reports, the threat of common method variance is present. In an effort to determine the extent of this problem, a confirmatory factor analysis was used to implement a Harman one-factor test (Podsakoff et al., 2003, p. 889). If the results indicate that a one-factor model fits the data well, then common method variance is a powerful force in this study. However, if a one-factor model does not fit the data, one might assume that common method variance is not a prevalent influence in this study. All 21 of the items that composed the eight variables were included in a one-factor model estimated via EQS 6.1. Results from this test indicated that a one-factor model is not the best representation of the data (CFI at 0.450; NFI at 0.417; IFI at 0.460; SRMR at 0.152; GFI at 0.647; RMSEA at 0.153) as the full measurement model (i.e., an eight-factor model) produced a better fit (CFI at 0.950; NFI at 876; IFI at 0.951; SRMR at 0.069; GFI at 0.906; RMSEA at 0.050). Further, the chi-square difference test between these two models was significant (ΔChi-square (Δdf) at 883.079 (28), p-value <0.001). Hence, common method variance seems not to be a significant factor in this study, although the analysis shows a significant Chi-square at 1121.270 with 180 df (p-value <0.001).

Composite reliability was calculated using the procedures outlined by Fornell and Larcker (1981). The formula for construct reliability is $CN_\eta = (\sum \lambda y_i)^2 / ((\sum \lambda y_i)^2 + (\sum \varepsilon_i))$ for construct η, where λy = standardized loading for scale item y_i, and ε_i = measurement error for scale item y_i. As can be seen from the formula, reliability is the squared correlation between a construct and its measures. The composite reliability in the analysis varies between 0.572 and 0.886. Nunnally (1978) recommends values above 0.70, while Fornell and Larcker (1981) recommend a minimum composite reliability of 0.60. This means that the variable company commitment is below these recommendations, with a reliability score at 0.572, while legitimate power reports a reliability score at 0.605. Average variance extracted is a more conservative measure than composite reliability (Fornell and Larcker, 1981), and was calculated using the following formula: $V_\eta = \sum \lambda y_i^2 / \left(\sum \lambda y_i^2 + \sum \varepsilon_i\right)$. Bagozzi and Yi (1988) recommend variance extracted to be above 0.50. The same two constructs reported average variance extracted below the recommended level: legitimate power at 0.338, and company commitment at 0.318. In other words, the ratio of the true scores' variance to the observed variables' variance is questionable, resulting in unsatisfactory internal consistency. The rest of the constructs reported satisfactory reliability and shared variance. A paired sample t-test did not reveal any significant differences for coercive power, reward power, or referent power between the two sample groups of franchisor or ownership managers, although ownership managers reported a slightly higher mean score on expert power and legitimate power (mean difference expert power 0.56, p-value <0.001, legitimate power 0.46, p-value <0.001). Table I reports the descriptive statistics of mean values, standard deviation, skewness and kurtosis, together with the correlation matrix, construct reliability, and variance extracted for the variables.

Structural model analysis

Following the second step in Anderson and Gerbing's (1988) procedure, we applied the measurement model into the structural model. We used EQS 6.1 (Bentler, 2006) to analyze the structural model (see Table II). We will now go through each of the hypotheses.

We tested the effect of sources of power on ethical behavior for the first set of hypotheses. In hypothesis 1, we predicted that coercive power had a negative effect on ethical values. Our statistical test supported our hypothesis H1 (H1: −0.241, p-value <0.01). In hypothesis 2, we predicted that reward power positively affected ethical value. This hypothesis was revealed to be insignificant (H2: 0.039, p-value ns), rejecting H2. In hypothesis 3, we predicted that referent power positively affected ethical values. Our statistical test supported a positive relationship between referent power and ethical values (H3: 0.505, p-value <0.001), supporting H3. Hypothesis 4 predicted that expert power would have a positive effect on ethical values. The statistical

www.manaraa.com

TABLE I

Correlation matrix and descriptive statistics

		1	2	3	4	5	6	7	8	9
1	Company ethical values									
2	Coercive power	−0.013 (0.843)								
3	Reward power	0.119 (0.075)	0.246 (0.000)							
4	Referent power	0.440 (0.000)	0.122 (0.068)	0.206 (0.002)						
5	Expert power	0.351 (0.000)	0.130 (0.052)	0.338 (0.000)	0.441 (0.000)					
6	Legitimate power	0.040 (0.547)	0.212 (0.001)	0.226 (0.001)	0.223 (0.001)	0.281 (0.000)				
7	Company commitment	0.214 (0.001)	−0.024 (0.725)	−0.024 (0.716)	0.337 (0.000)	0.078 (0.244)	−0.012 (0.859)			
8	Service quality	0.000 (0.998)	−0.124 (0.063)	−0.061 (0.360)	0.024 (0.716)	0.017 (0.798)	0.004 (0.954)	0.154 (0.021)		
9	Sales revenue	−0.084 (0.209)	0.047 (0.486)	−0.012 (0.854)	−0.124 (0.063)	−0.038 (0.574)	0.061 (0.363)	−0.194 (0.003)	−0.229 (0.001)	
	Mean value	4.89	5.17	3.72	5.14	5.29	5.33	5.23	396.73	21.801[b]
	Standard deviation	1.06	1.30	1.89	1.41	1.49	1.21	1.08	34.35	10.937[b]
	Skewness	−0.382	−0.767	0.006	−1.028	−1.063	−0.737	−0.328	−0.170	0.864
	Kurtosis	0.448	0.399	−1.184	0.815	0.634	0.206	−0.006	−0.055	1.013
	Construct reliability	0.815	0.701	0.783	0.861	0.886	0.605	0.572	–[a]	–[a]
	Explained variance	0.589	0.449	0.647	0.758	0.795	0.338	0.318	–[a]	–[a]

Level of two-tailed significance in parentheses.
[a]Single item construct.
[b]Numbers in thousands.

المنارة للاستشارات
www.manaraa.com

TABLE II

Structural equation test of antecedents and effects of ethical channel behavior

Independent variables: (psychometric data)	Dependent variables			
	Company ethical values	Company commitment	Sales revenue (accounting data)	Service quality (mystery shopper data)
Coercive power	−0.241 (−2.483)**			
Reward power	0.039 (0.445)			
Referent power	0.505 (5.046)***			
Expert power	0.390 (3.835)***			
Legitimate power	−0.000 (−0.001)			
Company ethical values		0.380 (2.696)**		
Company commitment			−0.211 (−2.365)**	0.254 (2.660)**
Control variable				
Market uncertainty		0.171 (1.571)		
R-squared	0.603	0.155	0.044	0.064

Z-score in parenthesis.
*p-value <0.05.
**p-value <0.01.
***p-value <0.001.

test (H4: 0.390, p-value <0.001) supported H4. The fifth hypothesis predicted a positive relationship between legitimate power and ethical values in the retail company. This prediction cannot be supported statistically (H5: −0.000, p-value ns), and we therefore reject H5.

We predicted that ethical value positively affects retail company commitment. This hypothesis is statistically supported in the test (H6: 0.380, p-value $<.01$), supporting H6. We then tested for two effects of retail company commitment on performance. First, we predicted that retail company commitment would have a negative effect on sales revenue. The statistical test (H7: −0.211, p-value <0.01) supports H7. Finally, we predicted that retail company commitment would have a positive effect on service quality. Our statistical test supports our prediction (H8: 0.254, p-value <0.01), supporting H8. Consequently, three out of the five power–ethics hypotheses were statistically supported. The three hypotheses that tested the effect of ethical behavior on retail company commitment and performance all received statistical support. In the final analysis, our model produced six statistically significant results out of the eight hypotheses. The control variable market uncertainty on retail company commitment did not return a significant result. The five power sources explained 60.4% of the variance in company ethics, while the explained variance in organizational commitment was 15.5%, the explained variance in sales revenue was 4.4%, and finally the explained variance in service quality was 6.4%.

The two variables which reported a low degree of reliability, i.e., legitimate power and organizational commitment, are both predictor variables. The standard error of the slopes reported values at 0.141 (standard error of the relationship between legitimate power on company ethical values), 0.044 (standard error of the relationship between organizational commitment on sales revenue), and 0.007 (standard error of the relationship between organizational commitment on service quality). The low standard errors indicate valid results. The fit statistics for the overall structural model is (Chi-square (df) at 292.517 (205); CFI at 0.952; NFI at 0.860; IFI at 0.954; SRMR at 0.070; GFI at 0.898; RMSEA at 0.044, and the confidence interval for RMSEA is between 0.032 and 0.054.

المنارة للاستشارات
www.manaraa.com

Implications of the findings

According to the stakeholder perspective, ethics and power are closely interrelated. Furthermore, the relationship between the retail company and the retailer has been characterized as a stakeholder problem (Frooman, 1999). Still, few marketing scholars have attempted to analyze this twilight zone in empirical research. Moreover, a growing number of cases illuminate the global relevance of unethical behavior in the retailing industry. Stakeholder groups such as large global pension funds now penalize other enterprises in addition to the weapon and tobacco industries. Their focus has expanded to include enterprises that harm the health of their employees, fail to respect human rights or the environment, or in any way practice unethical behavior. Retailing is no longer an exception. Issues like environmentally friendly consumption, health issues, ethical food, fair global trade, union and human rights, environment, and global warming will confront retailers with ''right'' – or – ''wrong'' types of decisions. Retail systems will, therefore, have to be aware of and deal with these ethical issues and values. Retailing has become a ballot box for ethical decisions that determine consumer choice (The Economist, 2006b). Consumers tend to vote with their supermarket shopping carts in addition to political elections. As a consequence, ethical values have become an essential strategic variable for retail companies.

Our empirical analyses indicate strong support for the stakeholder perspective of retail management. Our research supports the thesis that the brand owner's use of power affects corporate ethical values. Our findings show that ethical values are not human characteristics immune to corporate influence. Both coercive and non-coercive sources of social power affect ethical outcomes. Coercive power seems to deteriorate ethical values. Both referent power and expert power seem to have the opposite effect. The results support that stakeholders may affect each unit through interorganizational power.

Furthermore, our investigation shows that ethical values have an impact on performance through retail company commitment among managers and employees. However, retail company commitment produces the environment for increased service quality and reduced sales revenue. We speculate that high levels of commitment might stimulate ''group think'' (Janis, 1972). ''Group think'' is characterized by minimization of criticism, premature acceptance of dominant views and perspectives and exclusion of alternative information, knowledge, and ideas. Strong commitment to uniform brand strategies might, therefore, limit the critical analyses necessary to adapt to the local market and increase sales performance.

Finally, contingency theory might add explanatory power to the negative relationship between retail company commitment and sales (Burns and Stalker, 1961). Implicit control structures like organizational commitment might discourage information flows necessary for retail outlets in the process of accommodating customer preferences in the local marketplace (Etgar, 1976).

Our research has been inspired by the need for more theory-informed research on marketing ethics (Hunt and Vasquez-Parraga, 1993, p. 89). In addition, our findings are based on Hosmer (1995, p. 400) who strongly supports more empirical focus on the connection ''between the moral duty of managers and the output performance of organizations,'' and he notes that ''there would be an obvious impact upon philosophical ethics and – I would like to think upon organizational theory as well.'' Our study indicates support for this utilitarian view of marketing ethics. Our research illustrates that ethical values may have consequences for organizational performance that facilitate service quality. Based on the logic of stakeholder perspectives (Freeman, 1984), the brand owner's influence over the retail unit can be examined only through an estimate of the contribution for all stakeholders. Therefore, the justification of power to develop ethical values lead to improved commitment among the retailers operating under the brand as well as enhanced satisfaction among customers (Hunt and Vitell, 2006). The utility outcome in the model is commitment and service quality closely allied with key concepts in the utilitarian tradition, such as happiness, pleasure, and satisfaction. Although deontology may add insights into the intentions behind brand strategy or more specifically the rightness or wrongness of such intentions, our investigation suggests that stakeholder's power has ethical consequences. Thus, a consequence-based view of marketing ethics may look at how intentions might result in ethical or

المنارة للاستشارات
www.manaraa.com

unethical behavior and ultimately long-term consequences for all the stakeholders. The Hunt and Vitell model, however, emphasizes that unique sets of informal norms create deontological norms that members of an organization adhere to when making decisions in specific contexts. We still need to understand the rightness or wrongness of intentions or motives behind actions such as respect for rights, duties, or principles, as opposed to the rightness or wrongness of the consequences of those actions.

Managerial implications

Power is a strong managerial device used to influence, control, and develop ethical values. Our research indicates that ethical values in the context of retailing is not a stable given variable, but something management can affect. Our findings point out that the ''role model'' function of the retail company is essential to build ethical values among the retailers. Referent power is in fact the most important managerial tool. This finding indicates that company's management itself must step up as an exemplary ideal if they want to influence the retailers.

Also expert power is an important managerial instrument. Our findings show that knowledge produces the benefits of ethical values. Our results indicate that the retail managers trust influence in the form of expertise. Furthermore, we anticipate that this finding should encourage retail chains to invest more in knowledge.

Coercive power though, in spite of rational intentions often produces negative results. Even though the empirical finding of negative relationship between coercive power and ethics, it is consistent with previous research. Our finding, therefore, indicates that company's management should try to avoid coercive power. This study produces relevant management insight to both retail and franchise management. Both retail and franchise chains are in a position to suffer severely from unethical behavior that affects the quality of service. Our research shows that company managers can affect company commitment and service quality through non-coercive influence. Franchisors and retail companies should recognize the essentially negative influence of coercive power and the positive effects of non-coercive power sources in building ethical values as part of the overall marketing and brand strategy.

Limitations and further research

We have presented a multi-source approach that curbs potential single-method variance (Churchill, 1979). Nonetheless, the theoretical problem of corporate ethics is very much influenced by time. Unethical operation may produce short-term corporate benefits. Short-run operational motives in retailing might limit the sense of long-term social and ethical responsibilities (Dubinsky and Jolson, 1991). In the long run, however, the transparency of the global economy entails distrust among stakeholder groups (i.e., investors, employees, customers, suppliers, distributors, creditors, local institutions, and governments, etc.) and this jeopardizes performance (Barnett and Salomon, 2006). Financial and social performance may be negatively connected in the short run as is indicated in this investigation. In the long run, on the other hand, there might be a consistency between social and financial performance. Therefore, we need more longitudinal research in this area. In addition, we need to enrich analyses by the triangulation of different methods, i.e., a combination of qualitative and quantitative data. Also, our perceptional data is limited by key informant data approach while Kumar et al. (1993) argue that multiple key informants increase the reliability and validity. In addition, dyadic data analyses would have increased validity. Furthermore, future studies in this area can take advantage of data from other industries and cross-sectional data to test the generalizability of our findings.

Although Scandinavian research extends and supplements previous but sparse analyses conducted in the United States, we need additional international investigations. Globalization of retailing has implications for ethical decisions in cross-cultural contexts and makes these increasingly more relevant for all stakeholders (Robertson and Crittenden, 2003). This study has extended the scope of research on ethics outside the United States. We believe that globalization of retailing calls for more cross-cultural and international analyses. Although conventional wisdom maintains that different nations have different values and ethical beliefs, our results from

المنارة للاستشارات
www.manaraa.com

retailing in Scandinavia are very much in line with previous U.S. research. The extension of cultural distance may or may not produce conflicting evidence, and it will be exciting to see the results of future research in this area. The retail company has operations in Europe, Asia, and in America. The sample design chosen here makes it possible to keep the business environment (Achrol et al., 1983) constant so that factors that may threaten the validity, such as company marketing policy and strategy and environmental factors that differ between companies, are also kept constant. Another important factor that can be kept relatively constant within the sample that we chose here is the technological inter-relationship (payment system, data systems, interface IT systems, logistic systems, etc.) between the retail company and the retail units.

The franchise operation secures homogeneous exchange relations between the company and each retail unit. Furthermore, another important aspect is the nature of the product market. All retailers in our sample supply about the same kind of products in the market. This may curb variation from third variables in the business environment. All the retailers are small business units. They do not differ much in size compared with other real-world settings. In addition, the retailers are standardized franchised units. That means they have one dominant partner company (the franchisor/brand owner). Last, but not less important, we chose this sample strategy because each retail unit produces service quality. Consequently, the retailer is in a position to under-represent the brand by acting unethically because of their informational superiority in the relationship with the franchisor retail company. Although the test of early versus late response conducted by Armstrong and Overton (1977) did not indicate non-response bias, this is only an estimation of potential non-response bias.

Moreover, future studies in this area can take advantage of data from other industries and cross-sectional data to explore the generalizability of our findings. We believe, however, that our study has contributed to international research on business ethics and retail management, and we look forward to participating in the ongoing study in the field.

Our analysis indicates that brand owners have to orchestrate fragmental customer, employee, manager, and ownership interests. Further research needs to address the complex interaction between stakeholders and the potential outcomes. Therefore, stakeholder perspectives might add insights for brand strategy. We hope that this investigation has brought some thought-provoking aspects into this stream of research.

Note

[1] There has been some controversy on whether or not reward power is a non-coercive power source since the withholding or non-granting of rewards might be construed as punishment (Gaski, 1984; John, 1984; Kohli, 1989). If withholding of rewards is perceived as punishment, then rewards should be considered as non-coercive power. This perspective is consistent with most studies in power and channel research (e.g., Gaski, 1984; Gundlach and Cadotte, 1994).

Acknowledgments

We thank Lars Kjaerstad, Geir Myhre Jacobsen, and Roger Gronberg for technical assistance during this research. This research was supported by the Centre for Advanced Research in Retailing at BI Norwegian School of Management. The Research Fund of Norway, (the SUPTEK-program) provided funding for this study. We gratefully acknowledge the comments and suggestions from Roberta W. Berg at BI Norwegian School of Management, and two anonymous reviewers.

Appendix

Company ethical values

1. Retail managers in the company often engage in behaviors that I consider to be unethical (R).
2. In order to succeed in this store, it is often necessary to compromise one's ethics (R).
3. The retail company's management has let it be known in no uncertain terms that unethical behaviors will not be tolerated.

www.manaraa.com

Coercive power

4. The retail company's management can harm me if I refuse to follow their instructions.
5. If I do not follow the guidelines from the retail company's management, then they will punish me.
6. The retail company's management might harm those who do not follow company' policy.

Reward power

7. The retail company's management has the ability to reward me (in some manner) if I follow their ideas.
8. I follow what the retail company managers suggest only because of the good things the channel will give me for complying.

Referent power

9. In this situation as franchisee/manager, my attitude is similar to the retail company.
10. I want identify myself with the retail company.

Expert power

11. Because of the retail company's expertise, it is more likely to be right.
12. The retail company has a lot of expertise and usually knows what is best for my business.

Legitimate power

13. It is my obligation to comply with the retail company.
14. Because of the retail company's position it has the right to influence my behavior.
15. I am obligated to follow the instructions from the retail company.

Company's commitment

16. I would be happy to make personal sacrifices if it were important for the retail company's well-being.
17. It is clear that employees are strongly motivated to work at this store.
18. My employees at the retail store have little or no commitment to the retail company (R).

Sales revenue

19. Objective measure of sales revenue for each retailer, obtained from the retail company accounting department.

Service quality

20. End-users' satisfaction measured by mystery-shoppers.

References

Achrol, R. S., T. Reve and L. W. Stern: 1983, 'The Environment of Marketing Channel Dyads: A Framework for Comparative Analysis', *Journal of Marketing* **47**(Fall), 55–67.

Alchian, A. A. and H. Demsetz: 1972, 'Production, Information Costs, and Economic Organization', *American Economic Association* **62**(5), 777–795.

Anderson, J. C. and D. W. Gerbing: 1988, 'Structural Equation Modeling in Practice: A Review and Recommended Two-Step Approach', *Psychological Bulletin* **103**(3), 411–423.

Armstrong, J. S. and T. S. Overton: 1977, 'Estimating Nonresponse Bias in Mail Surveys', *Journal of Marketing Research* **14**(August), 396–402.

Axelrod, R.: 1984, *The Evolution of Cooperation* (Basic Books, New York, NY).

Bagozzi, R. P. and Y. Yi: 1988, 'On the Evaluation of Structural Equation Models', *Journal of the Academy of Marketing Science* **16**(1), 74–94.

Bagozzi, R. P., Y. Yi and L. W. Phillips: 1991, 'Assessing Construct Validity in Organizational Research', *Administrative Science Quarterly* **36**, 421–458.

Barnett, M. L. and R. M. Salomon: 2006, 'Beyond Dichotomy: the Curvilinear Relationship Between Social Responsibility and Financial Performance', *Strategic Management Journal* **27**, 1101–1122.

Basker, E.: 2007, 'The Causes and Consequences of Wal-Mart's Growth', *Journal of Economic Perspectives* **21**(3), 177–198.

المنارة للاستشارات
www.manaraa.com

Bell, S. J. and B. Menguc: 2002, 'The Employee-Organization Relationship, Organizational Citizenship Behaviors, and Superior Service Quality', *Journal of Retailing* **78**, 131–146.

Bentler, P. M.: 2006, *EQS 6 Structural Equations Program Manual* (Multivariate Software, Inc, Encino, CA).

Berman, S. L., A. C. Wicks, S. Kotha and T. M. Jones: 1999, 'Does Stakeholder Orientation Matter? The Relationship Between Stakeholder Management Models and Firm Financial Performance', *The Academy of Management Journal* **42**(5), 488–506.

Bommer, M., C. Gratto, J. Gravander and M. Tuttle: 1987, 'A Behavioral Model of Ethical and Unethical Decision Making', *Journal of Business Ethics* **7**, 265–280.

Boshoff, C. and G. Mels: 1995, 'A Causal Model to Evaluate the Relationships Among Supervision, Role Stress, Organizational Commitment, and Internal Service Quality', *European Journal of Marketing* **29**(2), 23–42.

Brass, D. J., K. D. Butterfield and B. C. Skaggs: 1998, 'Relationships and Unethical Behavior: A Social Network Perspective', *Academy of Management Review* **23**(1), 14–31.

Brown, S. P. and S. K. Lam: 2008, 'A Meta-Analysis of Relationships Linking Employee Satisfaction to Customer Responses', *Journal of Retailing* **84**(3), 243–255.

Buchanan, L.: 1992, 'Vertical Trade Relationships: The Role of Dependence and Symmetry in Attaining Organizational Goals', *Journal of Marketing Research* **29**(February), 65–75.

Burns, T. and G. M. Stalker: 1961, *The Management of Innovation* (Travistock Publications, London).

Chonko, L. B. and S. D. Hunt: 1985, 'Ethics and Marketing Management: An Empirical Examination', *Journal of Business Research* **13**, 339–359.

Churchill, G. A. J.: 1979, 'A Paradigm for Better Measures of Marketing Constructs', *Journal of Marketing Research* **15**(February), 64–73.

De Pelsmacker, P., L. Driesen and G. Rayp: 2005, 'Do Consumers Care about Ethics? Willingness to Pay for Fair-Trade Coffee', *The Journal of Consumer Affairs* **39**(2), 363–385.

Deery, S. J. and R. D. Iverson: 2005, 'Labor-Management Cooperation: Antecedents and Impact of Organizational Performance', *Industrial and Labor Relations Review* **58**(July), 588–609.

Demuijnck, G.: 2009, 'From Implicit Christian Corporate Culture to a Structured Conception for Corporate Ethical Responsibility in a Retail Company: A Case-Study in Hermeneutic Ethics', *Journal of Business Ethics* **84**, 387–404.

Deshpandé, R., J. U. Farley and F. E. Webster: 1993, 'Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms – A Quadrad Analysis', *Journal of Marketing* **57**(1), 23–37.

Dess, G. D. and R. B. Robinson: 1984, 'Measuring Organizational Performance in the Absence of Objective Measures: The Case of the Privately-Held Firm and Conglomerate Business Unit', *Strategic Management Journal* **5**(3), 265–273.

Dubinsky, A. J. and M. A. Jolson: 1991, 'A Cross-National Investigation of Industrial Salespeople's Ethical Perceptions', *Journal of International Business Studies* **22**(4), 651–670.

Dunfee, T. W., N. C. Smith and W. T. Ross Jr.: 1999, 'Social Contracts and Marketing Ethics', *Journal of Marketing* **63**(July), 14–32.

El-Ansary, A. L. and L. W. Stern: 1972, 'Power Measurement in the Distribution Channel', *Journal of Marketing Research* **9**(1), 47–52.

Etgar, M.: 1976, 'Channel Domination and Countervailing Power in Distribution Channels', *Journal of Marketing Research* **13**(August), 254–262.

Etgar, M.: 1977, 'Comments on the Nature and Scope of Marketing', *Journal of Marketing* **41**(October), 14, 16, 146.

Evan, W. and R. E. Freeman: 2004, 'A Stakeholder Theory of the Modern Corporation', in T. Beauchamp and N. Bowie (eds.), *Ethical Theory, Business*, 7th Edition (Prentice-Hall, Englewood Cliffs, NJ).

Ferrell, O. C. and S. J. Skinner: 1988, 'Ethical Behavior and Bureaucratic Structure in Marketing Research Organizations', *Journal of Marketing Research* **25**(February), 103–109.

Fornell, C. and D. F. Larcker: 1981, 'Evaluating Structural Equation Models with Unobservable Variables and Measurement Error', *Journal of Marketing Research* **18**(February), 39–50.

Fraedrich, J. P.: 1993, 'The Ethical Behavior of Managers', *Journal of Business Ethics* **12**, 207–218.

Freeman, R. E.: 1984, *Strategic Management: A Stakeholder Approach* (Pitman, London).

Freeman, R. E.: 1994, 'The Politics of Stakeholder Theory: Some Future Directions', *Business Ethics Quarterly* **4**, 409–422.

French, J. R. P. J. and B. Raven: 1959, 'The Bases of Social Power', in D. Cartwright (ed.), *Studies in Social Power* (University of Michigan Press, Ann Arbor).

Fritz, J. M. H., R. C. Arnett and M. Conkel: 1999, 'Organizational Ethical Standards and Organizational Commitment', *Journal of Business Ethics* **20**(4), 289–299.

Frooman, J.: 1999, 'Stakeholder Influence Strategies', *Academy of Management Review* **24**(2), 191–205.

Gaski, J. F.: 1984, 'The Theory of Power and Conflict in Channels of Distribution', *Journal of Marketing* **48**(Summer), 9–29.

للاستشارات المنارة
www.manaraa.com

Grisaffe, D. B. and F. Jaramillo: 2007, 'Toward Higher Levels of Ethics: Preliminary Effects of Positive Outcomes', *Journal of Personal Selling & Sales Management* **27**(4), 355–371.

Gundlach, G. T. and E. R. Cadotte: 1994, 'Exchange Interdependence and Interfirm Interaction – Research in a Simulated Channel Setting', *Journal of Marketing Research* **31**(4), 516–532.

Gundlach, G. T. and P. E. Murphy: 1993, 'Ethical and Legal Foundations of Relational Marketing Exchanges', *Journal of Marketing* **57**(October), 35–46.

Hegarty, W. H. and P. H. Sims: 1987, 'Some Determinants of Unethical Decision Behavior: An Experiment', *Journal of Applied Psychology* **63**(4), 451–457.

Heide, J. B.: 1994, 'Interorganizational Governance in Marketing Channels', *Journal of Marketing* **58**(1), 71–85.

Hiley, D. R.: 1987, 'Power and Values in Corporate Life', *Journal of Business Ethics* **6**(5), 343–353.

Hines, C. and A. Ames: 2000, *Ethical Consumerism. A Research Study Conducted for the Co-Operative Bank by MORI* (MORI, London).

Hosmer, L. T.: 1994, 'Strategic Planning as if Ethics Mattered', *Strategic Management Journal* **15**(Summer), 17–34.

Hosmer, L. T.: 1995, 'Trust: The Connecting Link Between Organizational Theory and Philosophical Ethics', *Academy of Management Review* **20**, 379–403. http://management-case-studies.blogspot.com.

Hunt, S. D., L. B. Chonko and V. R. Wood: 1985, 'Organizational Commitment and Marketing', *Journal of Marketing* **49**(1), 112–126.

Hunt, S. D. and A. Vasquez-Parraga: 1993, 'Organizational Consequences, Marketing Ethics and Salesforce Supervision', *Journal of Marketing Research* **30**(February), 78–90.

Hunt, S. D. and S. M. Vitell: 1986, 'A General Theory of Marketing Ethics', *Journal of Macromarketing* **6**(Spring), 5–15.

Hunt, S. D. and S. J. Vitell: 2006, 'The General Theory of Marketing Ethics: A Revision and Three Questions', *Journal of Macromarketing* **26**(2), 143–153.

Hunt, S. D., V. R. Wood and L. B. Chonko: 1989, 'Corporate Ethical Values and Organizational Commitment in Marketing', *Journal of Marketing* **53**(3), 79–90.

Ingram, T. N., R. W. LaForge and C. H. Schwepker Jr.: 2007, 'Salesperson Ethical Decision Making. The Impact of Sales Leadership and Sales Management Control Strategy', *Journal of Personal Selling & Sales Management* **27**(4), 301–315.

Janis, I.: 1972, *Victims of Groupthink* (Houghton-Mifflin, Boston).

Jaworski, B. J. and A. K. Kohli: 1993, 'Market Orientation – Antecedents and Consequences', *Journal of Marketing* **57**(3), 53–70.

John, G.: 1984, 'An Empirical Investigation of Some Antecedents of Opportunism in a Marketing Channel', *Journal of Marketing Research* **21**(August), 278–289.

Jones, T. M.: 1995, 'Instrumental Stakeholder Theory: A Synthesis of Ethics and Economics', *Academy of Management Review* **20**(2), 404–437.

Kennedy, E. J. and L. Lawton: 1993, 'Ethics and Service Marketing', *Journal of Business Ethics* **12**(10), 785–795.

Kidwell, R. E., A. Nygaard and R. Silkoset: 2007, 'Antecedents and Effects of Free Riding in the Franchisor–Franchisee Relationship', *Journal of Business Venturing* **22**, 522–544.

Kohli, A. K.: 1989, 'Effects of Supervisory Behavior – The Role of Individual-Differences Among Salespeople', *Journal of Marketing* **53**(4), 40–50.

Kumar, N., N. L. Stern and J. C. Anderson: 1993, 'Conducting Interorganizational Research Using Key Informants', *The Academy of Management Journal* **36**(6), 1633–1651.

McLaren, N.: 2000, 'Ethics in Selling and Sales Management: A Review of the Literature Focusing on Empirical Findings and Conceptual Foundations', *Journal of Business Ethics* **27**, 285–303.

McWilliams, A. and D. Siegel: 2001, 'Corporate Social Responsibility: A Theory of the Firm Perspective', *The Academy of Management Review* **26**(1), 117–127.

Mishra, D. P., J. B. Heide and S. G. Cort: 1998, 'Information Asymmetry and Levels of Agency Relationships', *Journal of Marketing Research* **35**(August), 277–295.

Mitchell, R. K., B. R. Agle and D. J. Wood: 1997, 'Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts', *Academy of Management Review* **22**(4), 853–886.

Morgan, R. M. and S. D. Hunt: 1994, 'The Commitment-Trust Theory of Relationship Marketing', *Journal of Marketing* **58**(July), 20–38.

Nantel, J. and W. A. Weeks: 1996, 'Marketing Ethics: Is There More to It Than the Utilitarian Approach?', *European Journal of Marketing* **30**(5), 9–15.

Nunnally, J.: 1978, *Psychometric Theory* (McGraw-Hill, New York).

Ouchi, W. G.: 1979, 'A Conceptual Framework for the Design of Organizational Control Mechanisms', *Management Science* **25**(September), 833–848.

Ouchi, W. G.: 1980, 'Markets, Bureaucracies, and Clans', *Administrative Science Quarterly* **25**(March), 129–141.

www.manaraa.com

Palazzo, G. and K. Basu: 2007, 'The Ethical Backlash of Corporate Branding', *Journal of Business Ethics* **73**(4), 333–346.

Peccei, R., H. Bewley, H. Gospel and P. Willman: 2005, 'Is It Good to Talk? Information Disclosure and Organizational Performance in the UK', *British Journal of Industrial Relations* **43**(1), 11–39.

Pfeffer, J. and G. R. Salancik: 1978, *The External Control of Organizations* (Harper & Row, New York, NY).

Pitt, L. F., S. K. Foreman and D. Bromfield: 1995, 'Organizational Commitment and Service Delivery: Evidence from an Industrial Setting in the UK', *The International Journal of Human Resource Management* **6**(February), 369–389.

Podolny, J. M.: 1994, 'Market Uncertainty and the Social Character of Economic Exchange', *Administrative Science Quarterly* **39**(3), 458–483.

Podsakoff, P. M., S. B. MacKenzie, J. Y. Lee and N. P. Podsakoff: 2003, 'Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies', *Journal of Applied Psychology* **88**(5), 879–903.

Preble, J. F. and R. C. Hoffman: 1999, 'The Nature of Ethic Codes in Franchise Associations Around the Globe', *Journal of Business Ethics* **18**, 239–253.

Randall, D. M.: 1987, 'Commitment and the Organization: The Organization Man Revisited', *The Academy of Management Review* **12**(3), 460–471.

Robertson, C. J. and W. F. Crittenden: 2003, 'Mapping Moral Philosophies: Strategic Implications for Multinational Firms', *Strategic Management Journal* **24**, 385–392.

Robin, D. P. and R. E. Reidenbach: 1987, 'Social Responsibility, Ethics, and Marketing Strategy: Closing the Gap Between Concept and Application', *Journal of Marketing* **51**(January), 44–58.

Roca-Puig, V., I. Beltrán-Martín, A. B. Escrig-Tana and J. C. Bou-Llusar: 2005, 'Strategic Flexibility as a Moderator of the Relationship Between Commitment to Employees and Performance in Service Firms', *The International Journal of Human Resource Management* **16**(November), 2075–2093.

Ruekert, R. W. and O. C. J. Walker: 1990, 'Shared Marketing Programs and the Performance of Different Business Strategies', in V. Zeithaml (ed.), *Review of Marketing* (American Marketing Association, Chicago), Vol. 4, pp. 68–123.

Sørensen, J. B.: 2002, 'The Strength of Corporate Culture and the Reliability of Firm Performance', *Administrative Science Quarterly* **47**, 70–91.

Steers, R. M.: 1977, 'Antecedents and Outcomes of Organizational Commitment', *Administrative Science Quarterly* **22**(1), 46–56.

Stevens, J. M., K. H. Steensma, D. H. Harrison and P. L. Cochran: 2005, 'Symbolic or Substanstive Document? The Influence of Ethics Codes on Financial Executives Decisions', *Strategic Management Journal* **26**, 181–195.

Still, L. V.: 1983, 'Part-Time Versus Full-Time Salespeople: Individual Attributes, Organizational Commitment, and Work Attitudes', *Journal of Retailing* **59**(Summer), 55–79.

Swailes, S.: 2002, 'Organizational Commitment: A Critique of the Construct and Measures', *International Journal of Management Reviews* **4**(2), 155–178.

Swasy, J. L.: 1979, 'Measuring the Bases of Social Power', *Advances in Consumer Research* **6**, 340–346.

Talaulicar, T.: 2009, 'Global Retailers and Their Corporate Codes of Ethics: The Case of Wal-Mart in Germany', *The Service Industries Journal* **29**(1), 47–58.

Tenbrunsel, A. E.: 1998, 'Misrepresentation and Expectations of Misrepresentation in an Ethical Dilemma: The Role of Incentives and Temptation', *Academy of Management Journal* **41**(3), 330–339.

The Economist: 2006a, 'A Picture of People Power', *The Economist*, The World.

The Economist: 2006b, 'Voting With Your Trolley', *The Economist*.

Trevino, L. K., C. D. Sutton and R. Woodman: 1985, 'Effects of Reinforcement Contingencies and Cognitive Moral Development on Ethical Decision-Making Behavior', Paper presented at the Annual Meeting of the Academy of Management.

Trevino, L. K.: 1986, 'Ethical Decision Making in Organizations: A Person-Situation Interactionist Model', *Academy of Management Review* **11**(3), 601–617.

Valentine, S.: 2009, 'Ethics Training, Ethical Context, and Sales and Marketing Professionals' Satisfaction with Supervisors and Coworkers', *Journal of Personal Selling & Sales Management* **29**(3), 227–242.

Valentine, S. and T. Barnett: 2003, 'Ethics Code Awareness, Perceived Ethical Values, and Organizational Commitment', *Journal of Personal Selling & Sales Management* **23**(4), 359–367.

Vermillion, L. J., W. M. Lassar and R. D. Winsor: 2002, 'The Hunt-Vitell General Theory of Marketing Ethics: Can It Enhance Our Understanding of Principal-Agent Relationships in Channels of Distribution?', *Journal of Business Ethics* **41**(3), 267–285.

Weaver, G. R., L. K. Trevino and P. H. Coccran: 1999a, 'Corporate Ethics Programs as Control Systems: Influence of Executive Commitment and Environmental Factors', *Academy of Management Journal* **42**(1), 41–57.

Weaver, G. R., L. K. Trevino and P. H. Coccran: 1999b, 'Integrated and Decoupled Corporate Social Performance: Management Commitments, External Pres-

المنارة للاستشارات
www.manaraa.com

sures, and Corporate Ethics Practice', *Academy of Management Journal* **42**(5), 539–552.

Woolridge, B. and S. W. Floyd: 1990, 'The Strategy Process, Middle Management Involvement, and Organizational Performance', *Strategic Management Journal* **11**, 231–241.

Yoon, M. H. and J. Suh: 2003, 'Organizational Citizenship Behaviors and Service Quality as External Effectiveness of Contact Employees', *Journal of Business Research* **56**(8), 597–611.

Arne Nygaard and Harald Biong
Department of Marketing,
BI Norwegian School of Management,
Centre for Advanced Research in Retailing,
0442 Oslo, Norway
E-mail: arne.nygaard@bi.no;
harald.biong@bi.no

المنارة للاستشارات
www.manaraa.com

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

المنارة للاستشارات

www.manaraa.com