

## VULNERABILITY TO POST CONTRACTURAL OPPORTUNISM IN SUPPLY CHAIN CO-OPERATIVE EXCHANGE

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*This paper discusses the findings of an exploratory study investigating vulnerability to post contractual opportunism in supply chain partnerships. Based on in-depth interviews with senior purchasing and sales managers of thirty three UK based companies engaged in “partnering” [see Appendix 1a] both up and downstream, within and across different industrial sectors, the findings identify the influence of market culture as instrumental in mitigating vulnerability to opportunism in some UK sectors.*

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### INTRODUCTION

In an increasingly global environment characterised by greater interdependency and integration of businesses within and across industry and country divides, developing and sustaining co-operative “partnership” relationships (Williamson 1991), “partnerships” (DTI/CBI 1992), and strategic alliances/networks (Grant 1998; Hines et al. 1998) can be a challenging task. As greater integration and resulting interdependency has arisen between “partnering” firms, so has their vulnerability to and scope for opportunism (Das and Raman 2002; John 1984)- *self-interest seeking at the expense of others*. The potential for opportunism arises in the main from “grey areas” or the incompleteness of the relational contracts (Wathne and Heide 2000), where terms, requirements and duties are generally left implicit, with the expectation that neither party abuse the opportunities that such vagueness and openness creates.

Self interest seeking or opportunism can be both covert and subtle (Kreps 1990), but equally blatant (Wathne and Heide 2000), and can occur under any circumstances along the supply chain (Masten 1988). It has been noted however, that certain conditions facilitate opportunism, including *lock in investments*, *partner dependency* (Barney 1996; Williamson

1993), *loopholes in contracts* (Rubin 1990; Hadfields 1990), *difficulties of terminating long term distribution contracts easily or cheaply* (Anderson and Weitz 1992), *information asymmetry* (Wathne and Heide 2000), *performance ambiguity* (Parkhe et al. 1995; Heide and Miner 1992), and a poor prospect of an extended future relationship (Axelrod 1984). The assumption around the vulnerability to and emergence of opportunism in these studies is based on the characteristics of the dyad, often portrayed as independent from its immediate market and cultural setting. Whether and to what extent supply chain partners are vulnerable to opportunism resulting from “facilitating conditions” alone within dyads, remains unconvincing, and is highlighted by critics such as Hill (1990), Etzioni (1988), Ghoshal and Moran (1996), who reject the over-reliance on the assumption of opportunism emerging in “partnerships”. They argue more needs to be known about how the cultural context within which supply chain transactions are embedded can influence vulnerability to the risk of opportunism arising. Indeed, it is surprising how little attention has been paid to the cultural context within which transactions are embedded has for the development and emergence of opportunism in exchange.

This study examines the unique attributes of some market groups that may explain why supply chain partnerships are more vulnerable to opportunism in some industries in the UK and not in others and is especially important in the light of increased supply chain integration

and relational contracting among players both within and across markets/industries in the UK. With this in mind the research seeks to identify the importance of key facilitators (as identified in predominant literature) influencing partnership opportunism across a diversity of market sectors. Also the research asks whether market, and sub-market differences can influence opportunistic behaviour and why? The results have implications for controlling opportunism across different market backgrounds.

The paper is organised as follows: In section 2, the relevant literature on factors influencing opportunism is discussed and a conceptual framework on the facilitators to opportunism in supply chain exchange relationships is presented. Section 3 presents the methodology. Findings are interpreted in section 4 and finally conclusions are presented in section 5.

### LITERATURE REVIEW

Many social scientists investigating relational exchange have been and still are being influenced by Williamson's brand (1985,1996), of TCE (Anderson and Weitz 1992; Heide and John 1992; Lee and Cavusgil 2006), and the use of models such as the Prisoners Dilemma (Parkhe et al. 1993; Heide and Miner 1992). From Williamson's perspective, the inherence of opportunism in human nature, means the opportunistic process will be triggered in a buyer supplier dyad whenever an opportunity becomes feasible and profitable- whether during relationship initiation (ex ante) or over the course of the relationship (ex post). This has led to the suggestion that opportunism be interpreted as either (attitude) a fixed trait unaffected by context, or both behaviour and attitude functioning as a single construct, each affected by context in the same way (Goshal and Moran 1996). Opportunism from this perspective becomes a conscious decision, hard wired onto individuals, with opportunists for the most part, showing little or no concern with the impact of their behaviour on others, and with little thought to the norms and culture of

market, groups, or wider moral judgements (Douglas 1990; Romar 2004).

Another prominent contender to understanding opportunism in exchange relationships has its roots in Game Theory. By adopting models such as the Prisoners Dilemma(PD), researchers have similarly assumed a degree of straight-jacketed behaviour on the individual within the buyer seller dyad, suggesting opportunism will be triggered in response to actions with an economic incentive to cheat (Axelrod and Keohane 1986; Oye 1986; Coase 1988; Deeds and Hill 1998; Nooteboom 1996; Chiles and McMackin 1996). Significantly, the model shows by extending the future in a PD type dyadic structure, the incentive to behave opportunistically is eroded. When supported by a show of good faith through a high degree of non-recoverable investment (credible commitment) into the alliance structure, the attraction of defection diminishes (Teece 1986; Williamson 1985). Limitations to this model include the requirement by managers to commit to specific strategies, regardless of the social or market context they operate in. In reality managers operate in diverse social and dynamic settings, and do take into consideration their unique social/market culture in decision-making (Abolafia 1996). Further the PD model treats the players symmetrically and thus assumes a great deal about a player's behaviour (idealized behaviour). The assumption is that "rational" behaviour on the part of both players is driving the outcome. This is clearly not always the case in reality.

Much of the existing work rooted in TCE and Game Theory, implicitly treats opportunism as a firm level phenomenon, taking no account of intervening variables, which may be crucial in understanding the developmental path of opportunism in channel relations and which may differ across sectors. As such these frameworks neglect the wider cultural effects that exist within market groupings. This seems odd considering both economic behaviour and in particular opportunistic behaviour has been demonstrated to be largely constrained by social relationships or institutions with shared

beliefs, norms and mores (Etzioni 1988; Ghoshal and Moran 1996; Granovetter 1985; Hill 1990). Others in the field have noted unique characteristics of different communities/groups able to inhibit opportunistic behaviours. For example, Sable and Zeitlin (1985), emphasise the ethos of the industrial community to create a groupings of artisans, across and within generations that protected the economy against the consequences of short term calculations of advantage (1985; 184). Abolafia's (1996), research on bond traders on Wall Street, and Brickley, Smith and Zimmerman (1996) New York diamond trade, dominated by Hasidic Jews, demonstrate the impact of cultural norms operating within closely-knit communities on the emergence of opportunism. All these studies imply the existence of some sort of broad or specific community effect on behaviour.

Because managing opportunism in exchange can represent both a significant managerial challenge and cost to a supply chain partnership (Parkhe et al.1993, 95; Williamson 1986; Ghoshal and Moran 1996), it is important to recognise all the influences that lie behind supply chain vulnerability to opportunism – whether the lack of norms of obligation, or some social convention existing within some group/community. Failing to do so, means the knowledge of strategies for managing potential opportunism remains incomplete. Typically overlooked by dominant literatures such as Transactions Cost Economics and Game Theory models, this study offers insights that can enrich the understanding of alliance vulnerability to opportunistic behaviour post contractually.

### METHODOLOGICAL BACKGROUND

The aim of this study is to examine the vulnerability to partner opportunism in supply chain partnerships across sectors. The issues under consideration include:

Identifying the importance of factors/conditions/circumstances (as identified in the literature) facilitating

the emergence of opportunism in supply chain partnerships across a diverse but small sample.

Understanding whether specific sectoral/market diversity plays any part in facilitating/inhibiting opportunism to emerge and why.

To help visualise the research idea, and provide a basis for testing its validity, a framework is proposed which focuses on key factors facilitating the emergence of opportunism described in the literature review – the importance of extending the future, the impact of opportunities (and incentives) to behave opportunistically, and the impact of group cultural effects on behaviour. While this theoretic input provided a needed focus to the study (Miles and Huberman 1994), there was an expectation that as the study progressed the conceptual framework would evolve.

In designing the study, a method that fell somewhere between the extremes of survey and case study was selected giving an advantage of comparative analysis, multiple variable work, quantitative richness, and research replications as well as increasing external validity (Voss et al. 2002).

### SELECTING CASES

Thirty-three supply chain “partnerships” across a wide range of sectors were chosen for study. In most cases, the primary economic transaction was the transfer of a product, however some alliances involved service provision, including:

- Volume materials, foodstuffs, and relatively low value products (e.g., chilled foodstuffs, electronic/electrical components, medical products).
- Assembled products and components (e.g., specialist equipment, components, fuel pump equipment).
- Services requiring high information exchange (e.g., property management services, commercial property insurance).

- Equipment that required information and training for effective use, e.g., transport technology).
- Other services (e.g., industrial cleaning, warehousing services, storage and haulage, travel agency/fleet services, personal car services, printing services).
- Made to order items over standard items (e.g., construction components, automotive components).

Number of employees in each division under investigation ranged between 15 and 1000.

The annual spend of each buyer ranged between £750,000 and £10 M (1998).

The profile of the sample respondents (see Appendix 1b), represents a wide range of markets and sectors. Six “partnerships” were operating across sectors (e.g., between a broadcaster and electronics company), the rest were established between different tiers of their own sector (e.g., a supermarket and its first tier suppliers). It is hard to say if this sample is representative, but the diversity is appropriate for the study (Eishenhardt 1989).

Interviews were piloted at Henley Management College, UK. An availability sample was collected from a variety of sources including CBI/DTI partnership workshops, business directories (e.g., Business Directory top 100 firms in the South East of England), trade association membership lists, and trade journal advertisements. The South East was selected on the basis of a high response to the CBI/DTI Partnership Sourcing Initiative (via workshop attendance). An objective in selecting companies was to obtain buyer-supplier “partnerships” exhibiting the Prisoners Dilemma type structure (see Appendix 1c). Extending the sample to include other areas of the country would have made the study unmanageable given the resources to conduct the study. More than ninety firms based in the South East (including London) were selected to participate in the study, of which initially thirty-three clearly met all the selection criteria.

## Data Collection

A multi-stage semi-structured interview process was agreed with senior purchasing and sales managers involved in a nominated “partnership” dyad. Respondents were encouraged to compare their chosen partnership relationship(s) with typical inter-firm relationships where appropriate. Interviews were conducted with one side of the partnership dyad only, to prevent passing messages via the interviewer.

A list of open questions based in part on the proposed conceptual framework was composed to guide the interviews, and was introduced to the subjects in advance. Initial questions focused on factual information, (background information identifying characteristics of the company/ industry and general characteristics such as products, alliance partners). A follow up section consisted of more in-depth questions regarding their partnership relationship characteristics and behaviours, examples of instances and suspicions of opportunism occurring, and scaled questions on the presence of opportunism within their immediate dyad/market group. The terms “group/ market /sub market” referred to a collective of any size.

Field interviews were conducted by the author over a period of one year. Approximately ninety hours of in-depth interviews were conducted, and a further fifty minutes per respondent was spent in the follow-up and initial acquaintance sessions. Interviews and analysis ran in tandem with one another, where both of these processes were used to inform one another, allowing the analysis to be modified and refined, and tentative hypotheses to be made about the motivation underlying behaviour and attitudes of participants (Miles and Huberman 1994; Strauss and Corbin 1990).

## Analytical Procedures

A multistage data analysis procedure was used for this study. Initially, fieldwork was coded using an iterative three stage coding procedure where data was summarised according to

descriptive, interpretive and later explanatory codes (Strauss and Corbin 1990), across an initial batch of fifteen cases. A number of themes across cases revealed the salient issues relating to a buyer's vulnerability to opportunism in "partnership relationships" were transactional dependency, supplier uncertainty, a supplier's perception of "partnership commitment" and duration, and the level of opportunistic presence within the wider surrounding group (the market, sub-market, industry). Themes were coded as present if mentioned repeatedly or with strong effect during interviews.

All participants were asked to estimate the outcome variable – opportunism. This required respondents to list reasons, comment on the gravity, frequency and duration, and intensity of opportunism and answer scaled questions, which similar studies have also employed (e.g., Provan and Skinner 1989) in relation to opportunistic consequences on their relationship/wider effects within the industry. Responses could be based on actual occurrences and their expectations of opportunism within the market group. Counting the number of times an indicator (gravity, intensity, frequency of intensity of opportunism) occurred, allowed an estimate of the relative presence of and vulnerability to opportunism within the market/sub market. Cases could then be ordered from high to low. Four main groups ranging from high opportunistic presence to low opportunistic presence emerged. The cutting point between groups were determined when large differences in the indicators were absent. In addition, associated text was used in judging the strength of opportunistic presence within each group.

Case ordered effects matrices (Miles and Huberman 1999), see Table One, were used to understand the effects of a particularly salient variable seen as an antecedent or a probable cause for opportunism. Table One shows the range of effects on both on the supplier and the partnership, that result from varying levels of buyer commitment. It can be noted that mostly,

effects produce an attitudinal rather than a behavioural response.

Emerging constructs around what was termed "market culture" appeared throughout the analysis process, and were used to validate and confirm important earlier findings on the importance and significance of market culture as an influence on opportunism. A strong predictor of the effect of market culture on opportunism (via sanctions, difficulty in market recovery, importance of reputation) had to be present in the majority of low presence cases and absent in most of the high presence cases to be included. Early propositions about the relationship between opportunism and buyer/supplier dependency, commitment, performance ambiguity and information asymmetry were developed and cross checked in the second stage of analysis across all cases. Their separate and combined effects were assessed. These propositions were tested against the next wave of data collection, modified and refined. Eighteen new cases were added, and the evolving hypotheses and conclusions around commitment and opportunism, and between opportunism and buyer dependency were tested against these new cases.

The final step in the analysis resulted in examining the connectedness between commitment, opportunism and market culture. This is displayed in the predictor outcome matrix (see analysis process in Appendix 2a).

A causal model (Figure One) was built through the associations noted in the displays. Noting the variables that appear to have a direct impact on the outcome variable and a plausible direct connection was checked through the participants' explanations of causal linkages, and consideration of available research and theory on the areas. Data sets used included multi-site cases using write-ups, field notes, tape recordings, and matrices.

Despite the broad range of products and activities under study, a number of general

results were apparent. These are discussed in the next section.

## RESULTS

This section summarizes the main results of this study: the importance of factors such as an extended future, credible commitments, opportunities and incentives, and the wider market culture in facilitating the emergence of opportunism and hence increasing the vulnerability to it in “partnerships” post contractually.

### A Perception of an Extended Future – The Role of Buyer Commitment

As discussed in previous sections, the hypotheses that extending the future inhibits opportunism is widely accepted (Parkhe 1993; Axelrod 1984). The research revealed that partially underpinning a supplier’s tendency to opportunism, was a perception of whether they believed the partnership was durable (long term) and the buyer was committed. In this sample, a supplier’s perception of trading continuity (durability) or an extended future depended on

- whether the buyer was able to make some credible demonstration of “partnership commitment”.
- and to a lesser extent the level of direct competition in the marketplace or the degree of transactional dependency by a buyer (determined by the proportion of a buyer’s business to any one supplier).

Indeed, high on the list of multi-sourced suppliers’ anxieties, was uncertainty about securing a reliable market (and a continuous projected income stream) for a given product or service. In the main, suppliers admitted to having less confidence in “establishing longer term ties with a buyer”, and were typically “more anxious about the future” where alternative supply sources existed, and where a buyer’s transactional dependency wasn’t high, (coupled with low entry barriers). In contrast, where few suitable supply alternatives existed (six cases), and where a supplier was seen to

have “a critical impact on a buyer’s operations and with whom a very significant proportion of the purchasing budget was spent (B8)”, the buyer’s “commitment” to the “partnership was notably higher, and uncertainty about the durability of the relationship in this “strategic” group was purported to be much reduced. Indeed, the biggest effects of commitment on the individual were in “strategic” partnerships. For these cases, partnership building and strengthening, as well reducing ambiguity, uncertainty and anxiety were substantial (see Table One).

Furthermore, suppliers perceived that credible buyer commitment had to be backed up by assurances of continuity and future interaction. Commitments were seen as credible mainly when the buyer could demonstrate “specific actions” (S15). This could consist of both tangible and intangible inputs into the relationship akin to Williamson’s “economic hostages”. Making such investments represents an acknowledgement of buyer seller interdependence as well as a gesture of desired alliance continuity (Sriram and Mummalaneni 1990; Schelling 1960; Williamson 1983). Some examples of credible commitment, included a buyer’s assistance in times of financial hardship, “financial investments to the partnership”, long term formalized agreements, and repeat orders. A credible commitment demonstrated a buyer’s desire to be “wedded” to the supplier, and contributed to building a perception of expected continuity and future interaction with that buyer. A contract too exhibited a buyer’s commitment to the relationship, as was suggested ... “a contract indicates the partnership will be a long term commitment, its a starting point and it does anchor the relationship” (B28); “binds that customer to a particular supplier for x many years” (B11); “excludes the competition” (B19); “a contract allows our suppliers to get more comfort that we can’t pull away as easily as they perceive we could do”(B13).

Conversely, a buyer’s reluctance to make investments signalled that the relationship was not as highly valued as one where investments

**TABLE ONE**  
**Summary of Commitment Effects in High and Low Cases**

<b>High Commitment Cases</b>	<b>Low Commitment Cases</b>
<p><b>On the Supplier</b>                      Reducing anxiety                      Increasing understanding                      Feeling supported                      Reducing resentment, frustration                      Reducing anxiety, reassuring</p> <p>Solving short run problems                      Reducing frustration, resentment                      Reducing resistance                      Feeling valued</p>	<p><b>On the Supplier</b>                      Scepticism in buyers motives for partnering                      Increasing resentment                      Increasing anxiety, uncertainty                      Frustration                      Enhanced perception of non-durability of relationship                      Less confident about the future</p>
<p><b>On the Partnership</b>                      Reducing isolation, aiding linkage                      Increasing cohesiveness, trust                      Increasing collaboration                      More innovative climate                      Improved problem solving                      Increasing morale                      Co-ordination, improved organization                      Partnership strengthening                      Greater openness                      Greater confidence in continuity of relationship</p>	<p><b>On the Partnership</b>                      Short-term 'feel'                      Potential for non trusting                      Partnership durability in doubt</p> <p>Partnership undervalued</p>

were committed, and placed partnership durability in doubt.

Of the twenty-eight multi-sourced relationships, six exhibited both low levels of buyer dependency, with high levels of buyer commitment (see Table Two). In five cases (B29, B15, B12, B19, S17) suppliers had rolling contracts and were re-selected on technical/ service excellence and manufacturing capability. In one case (B13), the buyer found it necessary to install non-recoverable equipment at the supplier's factory.

In some multi sourced partnerships, the differences in "investment" or low buyer commitment between these and more typical

inter-firm relationships they had with buyers, brought to light feelings of anxiety, scepticism about the durability of the relationship and the buyer's motives, and in a few cases resentment of these partnership structures. This was especially the case where the supplier perceived full commitment partnership could be economically rewarding both now and in the future. The effect of low commitment on the individual (supplier) was to undermine their confidence in the future. Four respondents from this group, viewed partnering ventures as retaining "traditional" attitudes and behaviour, suggesting "partnering" was little more than "a fashion", "a vogue", a "buzz word" S30, B16, S9 with companies attracted to the potential benefits, entering into "partnerships" without

adequate preparation, understanding and lacking the mindset and culture to want to see the vision. (S30). These findings suggest attitudinal, and procedural barriers to change were still present Macbeth (1994). The analogy of marriages and adulterous relationships to bring home the message of potential buyer fickleness and “untrue alliances” (automotive supplier) was often used.

The conclusion is that specific investments contribute towards the suppliers’ perception of alliance continuity and durability. The willingness of the buyer to “put his money where his mouth is” did indeed seem to convince the supplier of a credible intention to cement the partnership relationship. The differences in degree of “**assurance or commitment to continued future interaction**” between “strategic” suppliers and “*limited*” suppliers not only appeared to alter the supplier’s belief in the “credibility of the partnership”, but may explain differences in the motivations among the sample of suppliers’ to exercise restraint in the face of opportunities and incentives to cheat. As Macbeth (1994) suggests, the relatively shorter term, lower commitment nature of “tactical partnerships” provides **greater incentives for opportunism**, because the future/partnership is perceived to be neither long term nor continuous. Indeed, the perception of being in a “limited relationship” and the buyer’s apparent retained ability to switch suppliers relatively easily, imposes “anxiety” and “high levels of uncertainty about the future”. The effects of low commitment are strongest on the individual and affect mainly attitude. It seems plausible to suggest that under these conditions, there is less to lose by behaving opportunistically and potential short-term gains to be had. It is only when the shadow of the future is long (as in the case of most strategic partnerships), that the costs of opportunism become significant (the potential cost of a loss of future profits, as well as the potential cost of immediate termination), not to mention the cost of reputation (Hill 1990).

The recurring emphasis across cases on the effects of credible commitments is consistent

with the view that credible commitments plays a role in enhancing the perception of a continued future and a durable partnership (Heide and Miner 1992), and can have a profound effect on attitudinal orientation (Elgovan and Shapiro 1998), however there is only very modest support for the idea of an inverse relationship between opportunistic behaviour and an extended future as suggested by theory. Demonstrable credible commitment and dependency (established as elements of an extended future) appeared only marginally higher in the medium/low opportunistically present groups, and lower in high presence relationships (excluding strategic partnerships). (See Table Two).

### **Effects of Incentives and Opportunities on the Emergence of Opportunism**

While the finding suggesting low commitment partnerships can generate a range of attitudinal feelings within suppliers, was not entirely unexpected (Elgovan and Shapiro 1998), the link between these feelings and opportunistic behaviour was unclear. Responses revealed that while a supplier’s anxiety over continued interaction (extendedness of a relationship) with a particular buyer can be linked to the development of an ambivalent or negative attitude towards that relationship, it didn’t necessarily result in acts of opportunism. Rather, it has been argued that intervening situational factors such as the threat of reduced profits, insolvency arising from competitive pressures (Hardy and Magrath 1998), uncertainty of performance by the partner/ and exposure to opportunities arising from the potential misuse of proprietary information among partners, may provide some incentive for opportunistic action, or at least make it generally more difficult to sustain co-operative outcomes (Axlerod 1984; Bendor 1987; Molander 1985; Budden et al. 1996). If these factors are sufficiently strong/severe, the natural tendency may be to think short term/ or in survival mode, making it difficult for companies to do anything other than to look after their own interests. As one supplier



**TABLE TWO**  
**Case Ordered Causal Matrix**

ANTECEDENTS OF OPPORTUNISM						
	Shadow of the Future		Incentives/Opportunities			
RESPONDENTS' PERCEPTION OF OPPORTUNISM WITHIN MARKET	Buyer Dependency on supplier (15-25% of purchasing budget spend on supplier product/services)	25% or more of supplier's turnover is tied to one customer	Credible commitments	Performance Ambiguity	Information Asymmetry	
<b>HIGH PRESENCE OF OPPORTUNISM</b>						
S1 M	Low	No	Low	Low/Med	Low/Med	
B1 M	Low	Yes	Low	Med	Low/Med	
<b>B16 M</b>	Low	No	Low	High	Low	
B14 M	Low	Yes	Low	High	Low	
<b>B29 M</b>	Low	Yes	High	Med	Med	
B6 M	Low	No	Low	Low/Med	Low/Med	
<b>B7 M S</b>	Low	No	Low	Med	Low/Med	
S9 M	Low	No	Low	Low/Med	Med	
B24 M	Low	No	Low	Low/Med	Med	
<b>B30 M</b>	Low	No	Low	High	Low	
S31 M	Low	No	Low	Low/Med	Low/Med	
<b>MODERATE/HIGH PRESENCE OF OPPORTUNISM</b>						
B13 M	Low	Yes	High	Low/Med	Med	
B5 M	Low	No	Low	Low/Med	Med	
B4 M	Low	No	Low	Low	Low/Med	
S21S	High	Yes	High	Low	High	
B21 M S	Low	Yes	High	Low	Med	
S30 M	Low	Yes	Low	Low	High	
<b>MODERATE PRESENCE OF OPPORTUNISM</b>						
<b>B19 M</b>	Low	Yes	High	High	Low	
B11 M	Low	Yes	Low	Low	Med	
B15 M	Low	No	High	Low	Med	
S15 M	Low	No	Low	Low	Med	
S17 M	Low	Yes	High	Low/Med	High	
<b>B18 M S</b>	Low	No	Low	Low	High	
B25 S	High	Yes	High	Med	Med	
B8 S	High	Yes	High	Low	Med	
S23S	High	Yes	High	Low/Med	Med/High	
<b>LOW PRESENCE OF OPPORTUNISM</b>						
<b>B28 M</b>	Low	No	Low	Med	Med	
S22 M	Low	No	Low	Med	Med/High	
S20 M	Low	No	Low	Med	Low/Med	
S3 S	High	Yes	High	Low	Low	
B12 M	Low	Yes	High	High	High	
S26 M	Low	No	Low	High	High	
<b>S27 M</b>	Low	No	Low	High	High	

S indicates a strategic relationship  
M indicates multi-sourcing/multisourced  
Cross Industry relationships are emboldened

explained “tough and worsening economic conditions, and increasingly squeezed margins, together with the buyers reluctance to commit fully, forced us to make decisions which others may find ethically problematic as a matter of survival” (S1). However in contrast to formal analysis suggesting a direct link between incentives, opportunities and situational factors and the emergence of opportunism (Hardy and Magrath 1989), these factors were rarely cited as (and when mapped against the four main groups were shown not to be) a direct cause of opportunism in the sample, despite their presence across sectors. Indeed, the fairly even distribution and level of severity of exposure to “facilitating factors” across cases do not appear to directly contribute to the emergence of opportunism across the sample. The data revealed incentives and opportunities to cheat varied according to the nature of the sector and trade (See Table Two, columns four and five). Service partnerships had higher levels of performance ambiguity; suppliers servicing more than one buyer / or where they were exposed to greater levels of “information openness”, had greater opportunities to hide information from partners/ share confidential information with other customers.

In order to assess the consequences (in terms of time required to regain market position) following detection (if appropriate), respondents were asked to scale the gains and losses (both short term and long term; both within the partnership and sector) from behaving opportunistically should an “opportunity” present itself. Responses showed that while all groups in the main shared similar economic gains from opportunism if undetected, the consequences from being caught red handed appeared harsher in the low presence groups. See Table Three below. These differences between groups prompted further investigation.

**The Role of Sector/Market in Shaping Behaviour**

An initial set of questions estimating the presence of opportunism within market sectors/sub-markets, together with the emergent data on the influence of the market in shaping behaviour, allowed me to draw associations between the degree of tolerance to opportunism within that group/market, and the specific characteristics of that group. The characteristics of market “groups” were defined by

**TABLE THREE**  
**The Consequences of Detecting Severe or Persistent Opportunism in a Supplier**

<p><b>On the Partnership (both high and low presence cases)</b>                  Tightened contracts                  Increasing surveillance                  Restricted divulgence of information                  Severe penalties                  Others were more inclined to live with the risk</p> <p>Breakdown of trust,                  Loss of co-operation                  Holding back on commitments                  Ultimately replacement of the partner if opportunism is persistent.                  Cost of losing potential revenue, etc. to the competition</p> <p><b>On the Market (predominately low presence cases)</b>                  Reputational damage                  Impact future business opportunities                  Difficulties in recovering position in market or                  Switching to another buyer until a satisfactory relationship could be established                  Ostracism</p>
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respondents in terms of group rules/market pressures on behaviours, market group expectations, informal sanctions (penalties), ethical codes, information mediums, personal relationships, and importance of reputation.

A matrix showing the most commonly cited supporting conditions/characteristics of group market culture (information networks, personal relationships, group sanctions, recovery/switch position) and identified by previous research (Heide and Miner 1992), were mapped against the high to low opportunism groups to determine the relationship between varying levels of opportunism within markets and market/group characteristics. See Table Four.

A group culture score was calculated for each case, (see Appendix 2b) showing the effectiveness of “supporting factors” underpinning informal rules and normative pressures operating within group collectives (group/market culture). Generally, respondents in the high “opportunistically present” group exhibited a low group culture score or low tolerance to opportunism and less pressure from the market group on behaviour, and vice versa, suggesting the relationships between the emergence of opportunism and market/group “culture” is inverse. This result isn’t clean however. The cultural score seems to be high (scored six) in three high to moderate presence cases and low (scored three) in one low presence case. One explanation in the automotive sector (B21, S21, S30), maybe that the presence of strong informational networks across the automotive sector generally, coupled with the development of personal relationships/friendships amongst players, especially downstream allowed monitoring and communicating information on supplier actions far easier downstream, in an industry which was described as traditionally opportunistic by respondents. In contrast, a low group culture score (three) for B28, a cross industry partnership between an entertainment company and a printing service provider, may be explained by the difficulty in monitoring/communicating market behaviour by ineffective cross market information flow. It

is plausible to assume that across sectors, networks of information and personal relationships will not be as well developed as those operating within the same sector. This pattern is repeated to varying degrees across all six cross sector alliances (B28, B16, B7, S9, B19, B18), showing low group culture scores.

Strategic partnerships scored highly with highly developed supporting factors- prior histories, personal relationships, effective means of communicating behaviour and sanctions.

### **Effectiveness of Communicating Market/Group Information - Monitoring Behaviour**

Personal reputations, prior histories and individual friendships were important sources of behavioural information across market groups. The importance of a prior (and informative) trading history additionally appeared to strengthen partnering and appeared repeatedly in interviews ... “There is no question about the contribution that a prior history together has in contributing towards co-operation- why, because we know the people, we know what their capabilities are, and we have a track record of problems, rejects, and late deliveries” (B25).

Partnerships were often initiated by players with a previous trading history, and the development of personal relationships which reduced vulnerability to partner opportunism. As one supplier suggested “the better you know your partner the less likely they are to be opportunistic. I think that works on a number of levels. The better you know their business, the less they can be opportunistic. The better you know the people the more emotional they are about you, and therefore they feel they can be opportunistic” (S20).

While information networks (contacts, friendships, published materials) were generally partially effective in receiving/communicating behavioural information and monitoring behaviour across all groups, effective personal relationships were significantly stronger (nearly 50 percent of sample) in the moderate/low

**TABLE FOUR**  
**Predictor Outcome Matrix**

CONDITIONS SUPPORTING GROUP/MARKET BEHAVIOUR					
RESPONDENTS' PERCEPTION OF OPPORTUNISTIC PRESENCE IN THEIR MARKET	Informal Group Sanctions in suppliers market	Information Networks- communicating behaviour in market/sector	Personal Relationships	Market Consequences of being detected: difficulty in supplier recovering position in market/switching to an alternative buyer over 3 month period (scaled)	Group Culture Score
<b>HIGH PRESENCE OF OPPORTUNISM</b>					
S1M	0	xx	0	Low (1)	3
B1M	0	xx	x	Low(1)	4
<b>B16 M</b>	<b>0</b>	<b>x</b>	<b>0</b>	<b>Low(1)</b>	<b>2</b>
<b>B7 M S</b>	<b>0</b>	<b>x</b>	<b>0</b>	<b>Low(1)</b>	<b>2</b>
<b>S9 M</b>	<b>0</b>	<b>x</b>	<b>0</b>	<b>Low(1)</b>	<b>2</b>
B24 M	0	xx	0	Low(1)	3
B29M	0	x	0	Low(1)	2
B6 M	0	xx	x	Low(1)	4
B14 M	x	x	0	Low(1)	3
B30M	0	x	0	Low(1)	2
S31M	0	xx	x	Low(1)	4
<b>MODERATE /HIGH PRESENCE OF OPPORTUNISM</b>					
B13 M	x	x	0	Low/Med (2)	4
B5 M	0	x	0	Low/Med (2)	3
B4 M	0	x	0	Low(1)	2
S21S	x	xx	x	Low/Med (2)	6
B21M S	x	xx	x	Low/Med (2)	6
S30 M	x	x	x	Med (3)	6
<b>MODERATE PESENCE OF OPPORTUNISM</b>					
<b>B19M</b>	<b>0</b>	<b>x</b>	<b>0</b>	<b>Low(1)</b>	<b>2</b>
<b>B18M S</b>	<b>0</b>	<b>x</b>	<b>x</b>	<b>Low(1)</b>	<b>3</b>
B15 M	0	xx	0	Low/Med (2)	4
S15M	0	xx	0	Low/Med (2)	4
S17 M	x	xx	0	Med/High (4)	7
B11M	x	xx	x	Med/High (4)	8
B25 S	x	xx	xx	Med (3)	8
B8 S	x	xx	xx	Med/High (4)	9
S23S	x	xx	x	Med (3)	7
<b>LOW PRESENCE OF OPPORTUNISM</b>					
<b>B28 M</b>	<b>0</b>	<b>x</b>	<b>x</b>	<b>Low(1)</b>	<b>3</b>
S22 M	xx	xx	x	Med (3)	8
B12M	xx	xx	x	Med/High (4)	9
S20M	xx	xx	xx	High (5)	11
<b>S3 S</b>	<b>xxx</b>	<b>xx</b>	<b>x</b>	<b>Med/High (4)</b>	<b>10</b>
S26 M	xxx	xx	xx	High (5)	12
S27M	xx	xx	xxx	High(5)	12

The presence of supporting conditions were computed in the following way:

xxx indicates effective supporting conditions are effective and equates to 3 points

xx indicates partially effective supporting conditions and equates to 2 points

x indicates mostly ineffective supporting conditions and equates to 1 point

0 indicates non effective supporting conditions and equates to 0 points

?= missing data

Low=1; Low/Med=2; Med=3; Med/High =4 ; High=5

Shaded Cases indicate Strategic Relationships

M indicates multi-sourcing buyers/multisourced suppliers

Cross industry Partnerships are emboldened

presence group and in particular played an important information and trading medium within the market ... “networks, people, contacts are very powerful in this market” (S27),.... “Instructions are awarded on who you know, reputation etc” (S26), “we have good relationships with people across this sector, so there are good channels for information”(S22). In contrast the high and high/moderate presence groups, reported ineffective or non-existent personal relationships, and weaker social linkages. The emotional detachment or lack of favourable feeling for the entity between players within these markets may explain the ease to behave opportunistically (Ghoshal and Moran 1996).

Noticeably, in those sub markets/ sectors or markets where opportunism wasn't purported to be widespread, there was evidence of “older” partnership relationships [>20 years] (S20, S26). In some cases, multi-sourced suppliers (or limited partnerships) with contracts of finite duration considered their relationship “evergreen” and expected to renew their contract upon expiration (S22, S20, S27). In these cases, opportunism was diminished by the “predictability and reliability of the partner and integrity of people”, and observed market norms of equity and reciprocity. Implicit obligations of fairness and honesty within the market group provided a conducive frame for partnership development.

In contrast, in the high/moderate groups, older partnerships were absent. One argument offered for the varying levels of “partnership” across markets is that, until recently, opportunistically tolerant players may have actively avoided co-operative involvement with others.

### Sanctions

While “effective” market sanctions were present in only two cases, sanctions were reported to be a common characteristic of low and moderate presence groups (69 percent), and were in the main, non-existent or of limited effectiveness in high and high/moderate groups. This result, together with respondents' views,

was used in judging whether the sanction was decisive in affecting opportunism. The relationship depicted between the presence of opportunism and the effectiveness of sanctions, is highlighted by existing literatures (Provan 1993; Heide and Miner 1992). Additionally, the consequences of being identified as a persistent opportunist and the resultant difficulty in regaining market position following market/partnership penalties, was low in the high opportunistic presence group and high in the low presence group (scaled and open questions used to determine this). This suggests the consequences of detection, are longer term and more costly to some market players.

### High Social Tolerance to Opportunism

The market group “culture” appeared to set a context of expectations around behaviour. In the high and med/high tolerance groups in particular, participants repeatedly referred to the expectation that opportunistic would occur from time to time, as B5 suggested “you can never really get away from it”. Respondents from the high presence group (predominately grocery sector, commercial cleaning, haulage/warehousing, and sub markets within the construction sector, electronic components), described a market culture that was interpreted by the researcher as tolerating a high degree of opportunism within the sector, enabled by “a culture of intimidation, coercion and opportunistic abuse by powerful players”. Frequently cited examples of supplier opportunism were retaliatory in nature (grocery, construction), and validated as an appropriate form of action in cases where survival appeared threatened, where suppliers were repeatedly exposed to unreasonable concessions by a dominant buyer, or where a supplier felt the need to repair financial inequities and injustices (warehousing, grocery, construction). Even the suspicion or anticipation of guileful self-interest seeking behaviour could also trigger opportunistic tactics for self protection (B14, B5, B4, B30).

As one grocery supplier explained...“the supplier will justifiably recover any *losses* on

an initial contract by seeking every opportunity. If you're screwing the other guy, they will cut corners somewhere. If you screw them into the floor to the point at which they go under its a lose-lose situation. If you let the other guy make a dollar, he will invest, he will upgrade his facilities, he will train his staff, if you force him to cut corners, he won't service his lorries as frequently, they break down so you don't get deliveries on time, he will take out a supervisor, so your quality goes down, he'll get rid of an accounts clerk so none of your paperwork matches up, at the end of the day, he has to make a living, and if you force them into a situation where by they have to cut corners- if you are not making the target profit you are going to find ways of doing it- you can either do that through a correct selling price, or you can cut your costs, if you cut your costs, something is going to suffer... ." (S1). Suppliers often described the grocery market as one "run by criminals" where "people say one thing and do another", where "you couldn't rely on anyone", and where opportunistic behaviour "was commonplace". Powerful multiples were often depicted as bullies (reputation)- "as being predictably unreliable and often opportunistic<sup>2</sup>. These views are shared by others depicting a market when opportunism has become increasingly common and expected in the UK grocery sector (Hardy and Magrath 1989; Whitehead 1986). Furthermore, powerful buyers were able to exploit weaker parties regularly without being subjected to sanctions.

In commercial cleaning, a buyer's vulnerability to supplier opportunism would be facilitated by opportunities such as "poor industry regulation", and the "low probability of the opportunist being caught" (building construction sub-market), but driven by "institutional greed and perceived financial injustices." The "difficulties in monitoring quality by inspection" (B16), "and a lack of an effective method of measuring performance"(B30, B16), meant "cheating often went undetected and punishment avoided". It was a sector described as "rife with opportunists and cheats<sup>2</sup>, with a reputation for "attracting thieves and vagabonds by

tradition, an industry whereby anybody can set up a company". ... "many smaller players in the market often hiring cheap, unskilled labour, and dipping in and out [of the market] under a new name"(B16).

Within this market group, opportunism, appeared to be institutionalised, generated by greed, rather than responding to buyer bullying. The difficulties in monitoring performance, meant one contractor couldn't easily be compared to another, market sanctions against opportunistic acts were absent and if caught, suppliers would be punished with termination of contract. Frequent company name changes amongst smaller players in particular added to the confusion on contractor reputation. An absence of keeping commitments, honouring promises, and standing behind one's products/promised services appeared to be weak, and seems to have played little part in damaging a reputation of players or personal friendships or both in these markets (Macauley 1963).

### Low Tolerance Examples

While facilitating conditions (e.g., performance ambiguity, low buyer commitment and power abuse), appeared to be operating across many markets, and may contribute to evolving opportunistic attitudes and behaviours in some sectors/markets, this same set of facilitating conditions prompted a different outcome in other markets / sub markets. For example, the highly competitive property services sector, also suffered from poor industry monitoring, "had ethical codes [which were] not specific enough to remove opportunism, and while opportunism did occur, the penalties were high" (S26). In spite of these vulnerabilities to facilitating conditions, actual instances and suspicions of opportunism occurring were purportedly low in comparison. Why was this market group more constrained than others facing similar conditions? In the low presence group, many respondents viewed themselves in the main as part of a group or community. The furniture manufacturer referred to the social context of the sub market group, describing

themselves as “part of a community in which players had established credibility, business integrity and a positive reputation”.

A positive reputation and integrity of business practices were attributes of these market players, and characteristics of the collective. “Reputations count for a lot in this market and word travels fast”(B12). In some printing sub markets and furniture manufacture, repeated comments about the importance of maintaining and exhibiting integrity towards contacts, building networks (S20, S26, S27, S22) and the consequences of loss of reputation amongst players (S26, S27, S20), localised group pressures (S3, B12), ostracism from the group (S3) emerged from the data as constraining behaviour deemed inappropriate.

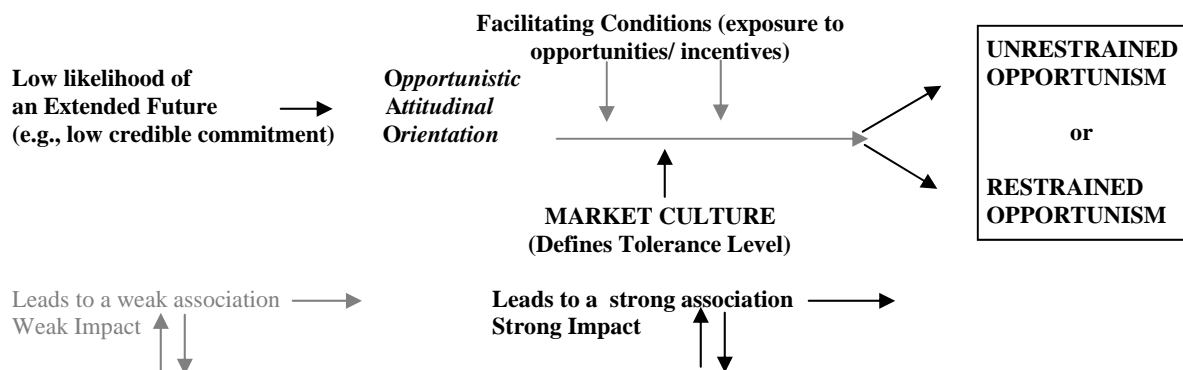
Additionally, powerful industry networks ensured information on market behaviour was quickly and effectively disseminated across the group/network. “Pockets of players acted like small communities where you would repeatedly interact with agents, fund managers and property investors”(S26).

Where such norms and structures (information networks /sanctions) were effective, the level and cited vulnerability to opportunism appeared to be reduced, even in the presence of facilitating conditions. Norms of keeping commitments, clearly impose obligations (and

expectations) on players within markets/groups operating those norms, and by ignoring those obligations, the group can inflict damage on business reputations and personal friendships. “Personal relationships, knowing the people and their capabilities (personal reputation) are crucial” (S20). A counter argument may be that opportunism is low in some sectors because supplier evaluation and screening selection mechanisms are employed robustly (B25).

The conclusion (albeit tentative) from these findings suggests the appearance or relative absence of opportunism within and across sectors appears to be strongly linked to variations in sector/market and sub market “culture” characteristics, and the level of tolerance towards opportunism defined by market/group members and expectation of it. The findings reveal market members define and enforce boundaries of “unacceptable” behaviour using unofficial rules and sanctions, unwritten penalties, standards of conduct, and concerns for reputation, which become embedded and transmitted via informal social and market networks. These differences create variations in-group member tolerance and vulnerability towards opportunism occurring not just between industrial sectors or markets, but also within sub-markets. A revised conceptual map shows relationships involve a causal network of conditions and effects on the outcome variable-opportunism, exhibited below.

**FIGURE ONE**  
**Model of the Emergence of Opportunism in Exchange Dyad**



In the next section, the study combines these results, and examines them against the revised framework.

## DISCUSSION AND CONCLUSION

One objective of this paper was to examine the importance of key facilitators as identified by Transactions Cost Theory and Game Theory in influencing partnership opportunism across a diversity of market sectors. In other words, do facilitating influences to opportunism, e.g., an indefinite future, opportunities/incentives and situational factors influence partnership opportunism equally across markets, and does specific market/ sub market characteristics play any role in the emergence of opportunism?

**On the importance of a future-** Specifically it was found that while long time horizons can negate the propensity for opportunistic behaviour, a supplier's assessment of the expectation of continued contractual/relational interaction, does indeed play a role in shaping attitudes. The account posed by prominent theories (Coase 1988); Axelrod (1984); Deeds and Hill (1998); Nooteboom (1996); Chiles and McMackin (1996); Parkhe et al. (1993), fails to account for changes to attitudinal orientation. Specifically, the findings show that in the main when an extended future is not bolstered by hostages (Williamson 1985) used to effect credible commitments, the effects are to increase multi-sourced supplier's anxieties and apprehensions about the durability and likely duration of a partnership. Without this commitment, a supplier appeared to view the durability and credibility of the partnership more sceptically. The more sceptical/unsatisfactory the suppliers assessment of the current partnership durability, the more (s)he feels there is to lose by a defection, promoting a potentially negative and even short-term opportunistic attitude underpinned by uncertainty and scepticism rather than outright opportunistic behaviour. The power of demonstrable and credible commitment appeared to be key in generating attitudinal orientation. This is not new and has been examined in the marketing / psychology

literatures (Elgovan and Shapiro 1998). However, while a sceptical even opportunistic attitude may be generated from a perception of being in a "limited partnership", situational factors such as financial crises (**incentives**) may prompt the supplier to consider opportunism as a solution, and recognition of ineffectual penalties for behaving opportunistically (**opportunities**) will trigger an assessment of the situation (Hardy and Magrath 1989). Interestingly the emergence of opportunism occurring at this stage, appeared to depend on the extent to which opportunism is tolerated by market members, and the degree of tolerance within the group is reflected in the severity of the market consequences and other group/market characteristics. A strong result revealed opportunism to be particularly severe and widespread in those sub markets/markets where it had become socially tolerated and implicitly sanctioned by existing members within the market- a position which corresponds with ineffectual or non existent sanctions, poor personal relationships, and a high opportunistic presence within that sector. The converse was also found to be significant – opportunism was less common amongst socially intolerant market groups.

Where opportunism does occur, it appears to be used as a strategy used to fit a player's situations and solve their problems, rather than strait jacketed on to opportunistically tolerant market members. These problems can range from ensuring firm survival, rectify a perception of inequity, greed, satisfying shareholder pressure etc. The strategy may or may not be used, but is less likely to be used and least expected in those markets that operate opportunistically intolerant cultures. The research highlights the complexity of opportunism as a socially derived strategic tool embedded in a specific cultural grouping or market and in this respect parallels literature in social constructionist perspective. The results inferred that different market cultures, and their sub market-cultures, define levels of tolerance to opportunism differently. What is deemed to be acceptable (behaviour) is established within each market community. Group



norms/pressures and sanctions seem to create the baseline for behaviour- change your behaviour against this baseline and the individual player finds him/herself facing economic loss. Although moral obligation was present in many of the low presence groups, the strength of the economic sanction/reward from conforming to group behaviour was also present. It seems the best strategy for an individual player depends on what the group/population are doing. In this respect the findings reveal an evolutionary perspective at play, and a strong economic dimension existing within a social context. More importantly, these findings suggest major departures from assumptions that individuals to an exchange will behave opportunistically to the extent that such behaviour is *feasible and profitable* (Williamson (1975), and contrastingly argues opportunism emerges in response to market group pressures, rather than being dependent solely on the characteristics of the dyad. As such TCE and the PD models fail to appreciate the extent to which “partnership exchange” is embedded (whether economically/ morally obligated or both) in its immediate group context and culture, and have over generalized the assumption of opportunism in exchange relationships. A contribution can be viewed as an attempt to convert the crude assumptions of opportunism by these theories, into one that takes the market cultural dimension into consideration.

A reasonably decisive relationship between market culture characteristics and opportunistic presence was exhibited by the findings. A contribution to the literature, therefore, is to raise the importance of the unique cultural environment of the “group” that the player is located in to induce certain behaviours, and to show that in some market/sub market cultures, players will be more vulnerable to opportunism than others. By embracing the unique attributes and characteristics of the market or sub-market group culture that imposes degrees of constraint on behaviours such as opportunism, the paper builds on the more general theory surrounding the role of embeddedness within the social construction perspective. Given this, it is

logical to think that managing opportunism in each group or across groups/markets should differ. The research suggests opportunism can be better understood, and more effectively controlled, if the social and cultural rules and characteristics of market groups are understood and implies that structures designed to inhibit opportunism across firms will need to incorporate a cultural dimension to be effective.

It should be noted that the adopted research design has limits for generalisation. Specifically the emergence of opportunism in exchange was examined among thirty-three partnerships based in the South East of England, United Kingdom. The value of the study lies in its capacity to provide insights through rich detail and generate hypothesis for further testing.

#### FUTURE RESEARCH

The findings presented have more general implications for the sustainability of “co-operative partnerships” in some markets. Indeed can “partnerships” between group members and across sectors ever be stable and mostly free from opportunistic abuse in those markets where high levels of tolerance as defined by its members are considered acceptable? The sample size in this research limited the ability to discern this. In the light of these results, and given the continuing rise in “partnership structures”, and outsourcing, within and across industry sectors, and the lack of research comparing “market culture” systematically across industrial sectors or geographical areas of a country, an extension is timely and important. A large sample study investigating the effects of market specific culture on the behaviour of players within “partnerships”, is currently underway.

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**APPENDIX ONE**

1a A buyer seller "partnership" is defined as a mutual ongoing relationship between a buyer and a key supplier(s) involving a commitment over an extended period and a sharing of the risks and rewards of the relationship.

**1b The Sample : Profile of Participating Organizations**

	Respondent	Partner
S1m	Chilled food producer	Supermarket
B1m	Chilled food producer	food products supplier
B16 m	Transport Infrastructure provider	Cleaning Contractors (suppliers)
S30 m	Automotive Technology development	Buyer in automotive industry
B14 m	Confectionery manufacturer	Storage/Haulage/Warehousing suppliers
S21s	Automotive component manufacturer	Auto assembler
B13 m	Confectionery manufacturer	Processed ingredients
E21m s	Automotive component manufacturer	Component supplier
E29 m	Building construction equipt manufacturer	Component(plate-flashing) Supplier
B19m	IT producer	Suppliers of Travel/Fleet services
B5 m	Pharmaceuticals manufacturer	Volume supplier compounds
B4 m	Medical/scientific instruments manuf	Component suppliers
B6 m	Electronics component manuf/assembly	Component suppliers
B7 m s	Concrete manufacturer	Equipment suppliers
S9 m	Building contractors	Local council, Authority/Bank
B11m	Industrial gases production	Specialized Equipment
B15 m	Medical equip manufacturer	Materials suppliers
S15m	Medical equip manufacturer	Medical equip distributor
S17 m	Chemical products manufacturer	Purchaser of specialized chemical products
B18m s	Media Broadcasting agent	Engineering component supplier
E28 m	Entertainment group	Packaging/Printing company
S22 m	Printing services	Magazines-building/financial/retail
S23s	Engineering/Construction (Plants)	Industrial manufacturers
B24 m	Electronic/machine assembly components	Machine components
B25 s	Production engineering	Specialist equip component supplier
B8 s	Beverage manufacturer	Tea-bag tissue manufacturer
S20m	Glass manufacturer	Glass Partitioning company
S3 s	Furniture manufacturer	Furniture retailer
B12m	Technology rental company	Communications Testing/ Measuring Equipment
S26 m	Property Management Services	Property Fund management
S27m	Property Management Services	Investment Bank
E30m	Public Transport Operator	Cleaning Contractors (suppliers)
S31m	Food producer	Supermarket

S= Suppliers, B= Buyers/customers, m= multi-sourced, s= single sourced  
 The number following the Capital letter refers to the company name and remains confidential.

1c. The payoff structure for the respondent firm was measured by a four cell matrix, with mutual co-operation serving as the anchor (MC=£1.00) The other three behavioural combinations (MD; UD>UC; UC>UD) were estimated by each respondent in relation to the anchor. [Here MD relates to both parties behaving opportunistically; UD refers to one side of the dyad behaving opportunistically, (while the other co-operates); MC refers to mutual co-operation and UC refers to one side of the dyad co-operating, (while the other defects)].

## APPENDIX TWO

**2a.** The process involved :

- 1 Translating pattern codes into variables, that could be scaled from high to low
- 2 Rating the variables (group sanctions; personal relationships, information networks, market consequences) - how much if it is in the case. Respondents were asked to comment on the strength /effectiveness of the variable. The associated text in table 4 was used in scaling the variables. Working case by case, I was able to form a judgement of the degree to which each of the predictors was in place. Patterns and contrasts between high and low presence groups emerged
3. Testing the relationships between variables by drawing a line between variables that co-vary, which appear consistently in the cases.
4. If two variables co-vary but seem to have only a tepid influence on each other, another variable was sought to join the two (tactic finding intervening variables). Associated text was used in judging whether the variables were facilitators or barriers to social tolerance of opportunism. The process also involved checking out rival explanations ie was "market culture" influencing opportunism or was opportunism influencing market culture. Both explanations seemed plausible in the high/moderate presence group, but less plausible in the low group with less convincing and supporting evidence. Opportunism was still present in the low presence group, but sanctions....

In ensuring internal validity, the following strategies were employed.

- Increasing the number of cases from 15 to 30. In order to strengthen the validity of the findings, a further 15 new cases were added to the study.
- Peer examination - a doctoral student served as peer examiner regarding the categories and conclusions reached from the interview transcripts. Conclusions were revised in the light of convincing disconfirmation.
- Checking multiple sources of data such as field notes, supplementary documents, and examining non- contrasting data from a number of angles, as well as getting the respondents to read a summary of the findings and corroborate for accuracy.
- The variable relating to "dependence based power" was shown to have a direct association to opportunism. Indeed, in all but 2 high/mod opportunistically present cases, the buyer wielded power/ authority over the supplier in a buyer dominant industry/market. In commercial cleaning sector and medical /scientific equipment market this was not confirmed. This explanation was less compelling than the one proposed in the discussion.

**2b** Answers could be scaled as either effective, partially effective, mostly ineffective or non existent

**Informal Group Sanction:** Are you aware of deterrents /sanctions such as market ostracism, or unwritten penalties within your market? How effective would you consider them to be?

**Mediums of communicating market behaviour:** What information mediums /networks exist within your sector that are able to disseminate information on market player behaviours? How effective are they in communicating this information?

Answers could be scaled as low, low/med, med, med/high, high

**Market consequences of being detected-months to recover/switch to another buyer :**

Suppose you were caught behaving opportunistically, list the consequences. How much time (months) would it take to recover/ switch in a satisfactory trading relationship with another buyer/obtain further lucrative instructions/contracts?