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Relational norms and collaborative activities: Roles in reducing opportunism in marketing channels☆

Yin Zhou [a,b,1], Xubing Zhang [c,2], Guijun Zhuang [b,*], Nan Zhou [d,e,3]

[a] Chang'an University, School of Economics and Management, Nan Erhuan Road, PO Box 710064, Xi'an, People's Republic of China
[b] Xi'an Jiaotong University, School of Management, Xianning West Road, PO Box 710049, Xi'an, People's Republic of China
[c] Hong Kong Polytechnic University, Department of Management and Marketing, Faculty of Business, Hum Hong, Kowloon, Hong Kong
[d] City University of Hong Kong, Department of Marketing, Tat Chee Avenue, Kowloon, Hong Kong
[e] Wuhan University, School of Economics and Management, Ba Yi Road, PO Box 430072, Wuhan, People's Republic of China

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A B S T R A C T

Reducing opportunism is a critical task to support channel performance and channel member satisfaction. Recent research into marketing channels focuses on the role of relational governance in curbing opportunism; this study advances this thesis by positing that relational governance encompasses both relational norms and collaborative activities (i.e., joint planning and joint problem solving). In turn, the current research investigates how these two aspects of relational governance independently and jointly check opportunism in marketing channels. The tests of the hypotheses involve 149 Chinese manufacturer–distributor relationships. The results show that relational norms have a negative effect on opportunism, but the effect of collaborative activities is contingent on the level of consistency between the relational norms and collaborative activities that mark the relationship. A low level of relational norms prompts joint planning to inhibit opportunism and joint problem solving to exacerbate it. However, a high level of relational norms reverses these effects: Joint planning fosters opportunism, and joint problem solving curbs it. Thus collaborative activities have different properties that need to be devised in accordance with relational norms if the goal is to reduce opportunism.

1. Introduction

Intense competition and sophisticated management strategies encourage firms to rely increasingly on close relationships. Yet firms also have inherent incentives to behave opportunistically and increase their short-term, unilateral gains. Because opportunism creates uncertainty, inefficiencies, and significant negative economic effects for exchange relationships (Morgan, Kaleka, & Gooner, 2007), it poses a substantial challenge to both managers and academic researchers who seek to control or monitor exchange partners' behaviors in situations that suffer from high opportunistic risk (Wathne & Heide, 2000).

Several mechanisms deter opportunism in marketing channels (OMC) and promote coordination, such as vertical integration (Williamson, 1985), formal contracts (Heide, 1994; Stinchcombe, 1985), and relational governance (Brown, Dev, & Lee, 2000; Tangpong, Huang, & Ro, 2010; Wuyts & Geyskens, 2005). This study delves deeper into the role of relational governance, to achieve two research goals. First, we propose a typology of relational governance as comprised of relational norms and collaborative activities. Although relational governance represents a dominant approach to relationship management, prior literature lacks coherence, because various scholars interpret relational governance differently and construct various measures of it. Whereas some researchers focus on relational norms, which constitute the normative element of relational governance in exchange relationships, others focus on collaborative activities, which represent the behavioral aspect (e.g., Claro, Hagelaar, & Omta, 2003; Heide & John, 1992; Joshi & Campbell, 2003; Lusch & Brown, 1996). Yet Kim (1999) recommends that successful relational exchanges involve both attitudinal (e.g., norms) and behavioral elements, so focusing on one to the exclusion of the other inevitably leads to an incomplete analysis. To address this concern, we include both normative and behavioral aspects of relational governance.

Second, we investigate how these two aspects of relational governance (i.e., relational norms and collaborative activities) independently

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* Corresponding author. Tel.: +86 29 8265 6332; fax: +86 29 8266 8840.
E-mail addresses: yinzhou@chd.edu.cn (Y. Zhou), msxubing@polyu.edu.hk (X. Zhang), zhgj@mail.xjtu.edu.cn (G. Zhuang), mkzhou@cityu.edu.hk (N. Zhou).
[1] Tel.: +86 29 8953 6534.
[2] Tel.: +852 2766 4060.
[3] Tel.: +852 3442 7240.

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and jointly check opportunism in marketing channels. Prior empirical research offers inconsistent results regarding the relationship, with some studies indicating that relational governance, through relational norms, curbs opportunism through self-enforcement (Achrol & Gundlach, 1999; Brown et al., 2000; Gundlach, Achrol, & Mentzer, 1995). Other studies report instead that relational governance is not always effective. For example, Wuyts and Geyskens (2005) conceptualize relational governance as close partner selection and find a U-shaped effect on opportunism. Carson, Madhok, and Wu (2006) instead operationalize relational governance as negotiable price contracting, in which case they argue that it checks opportunism in volatile conditions but not in ambiguous conditions. Still other studies focus on normative aspects. Thus, we posit that the inconsistent results in relational governance literature reflect researchers' focus on different aspects of relational governance. By investigating the specific effects of the normative and behavioral aspects of relational governance on opportunism, we contribute to a deeper understanding of the effectiveness of relational governance, as well as help reconcile inconsistent findings in prior literature.

From this perspective, we define relational governance as comprised of *both* relational norms and collaborative activities—a view shared by many researchers (e.g., Kim, 1999; Lusch & Brown, 1996; Poppo, Zhou, & Zenger, 2008). To the best of our knowledge though, this study is the first to investigate, both conceptually and empirically, how these normative and behavioral aspects limit OMC, independently and jointly. In doing so, we adopt an exchange perspective on relational norms, which provide a frame of reference and standards for promoting exchange continuity and protecting relationships from opportunism (Cannon, Achrol, & Gundlach, 2000). Collaborative activities in turn are the routines, programs, and tactics that exchange parties carry out jointly to achieve organizational goals (Heide & John, 1990). We further classify these activities as joint planning and joint problem solving, both of which appear central to relational governance (Claro et al., 2003; Zaheer & Venkatraman, 1995). Joint planning refers to the extent to which future contingencies, consequential duties, and responsibilities in a relationship are made explicitly *ex ante,* whereas joint problem solving implies the extent to which disagreements with a partner are resolved *ex post* (Claro et al., 2003; Heide & Miner, 1992; Lusch & Brown, 1996). This dual view of collaborative activities is particularly appropriate for our research context, because opportunism can be checked by planning in advance or by problem resolution and sanctioning after it occurs.

To investigate the independent and joint effects of relational norms and collaborative activities (joint planning and join problem solving) on opportunism, we study Chinese marketing channels. As the world's largest emerging economy, China attracts growing global marketing and trade (Sheng, Zhou, & Li, 2011), and its highly relational nature makes this setting an appropriate context to study potential opportunism (Lui, Wong, & Liu, 2009; Zhou & Xu, 2012). In turn, we find support for our proposed typology of relational governance, in which relational norms and collaborative activities are two aspects of relational governance with distinct roles in exchange relationships. The data also confirm that a successful relational exchange involves both attitudinal and behavioral elements and that focusing on either one is insufficient (Johnston, Khalil, Jain, & Cheng, 2012; Kim, 1999; Lusch & Brown, 1996; Poppo et al., 2008). Furthermore, the effect of collaborative activities on opportunism depends on their level of consistency with relational norms. With low relational norms, joint planning inhibits opportunism, and joint problem solving exacerbates it. With high relational norms, joint planning instead fosters opportunism, and joint problem solving curbs it. Thus, we show empirically that collaborative activities must be organized and coordinated with the levels of relational norms in exchange relationships (Dwyer, Schurr, & Oh, 1987; Nielson, 1998; Zand, 1972). Finally, we provide a possible explanation for inconsistent prior empirical findings regarding the relationship between relational governance and opportunism (Carson et al., 2006; Tangpong et al., 2010; Wuyts & Geyskens, 2005): They likely reflect varying emphases on different components of relational governance, such that relational norms reduce partners' opportunism, but collaborative activities engender contingency effects. The contingency effects we identify thus offer a useful means to reconcile the mixed findings.

In the next section, we briefly discuss opportunism literature and previously proposed mitigation mechanisms. We also review literature on relational governance and collaborative activities, to provide a foundation for our research model and hypotheses. After we describe the method we used to test our hypotheses, we detail the results from our empirical tests, which have implications for theory and practice and indicate directions for further research.

2. Theoretical background

In reviewing various mechanisms for safeguarding exchanges from opportunism and discussing the roles of relational governance, we compare relational norms with collaborative activities. Accordingly, we propose a typology of relational governance that incorporates both components.

2.1. Opportunism and mechanisms for mitigating it

Opportunism traditionally has been defined as “self-interest seeking with guile” (Williamson, 1985, p. 17). It encompasses a wide range of behaviors, including both active and passive attempts to violate the written or social contracts that govern exchanges (Wathne & Heide, 2000), such as bargaining, withholding information, quality shirking, and failing to fulfill obligations (Carson et al., 2006; Wathne & Heide, 2000). From this definition, marketing scholars define OMC as a firm's self-interest-seeking activities that come at the expense of its channel partners (Wathne & Heide, 2000). Firms behave opportunistically to increase their short-term, unilateral gains, but doing so erodes the long-term gains that potentially accrue to both parties in dyadic relationships (Morgan et al., 2007). Thus OMC can result in uncertainty, inefficiencies, and negative economic effects; it can even prevent alliances when potential partners overwhelmingly fear opportunistic behavior (McCarter & Northcraft, 2007). To avoid these adverse consequences, managers dedicate considerable resources and effort to developing appropriate governance mechanisms that can monitor and control exchange partners in situations that present high opportunism risks (Wathne & Heide, 2000).

A wide variety of available governance mechanisms seek to manage opportunism; concurrently used mechanisms also may supplement and reinforce one another (Brown et al., 2000; Yang, Zhou, & Jiang, 2011). For example, opportunism might be mitigated by vertical integration, because the authority relations and hierarchical control procedures seemingly have inherent safeguarding capabilities (Heide, 1994; Williamson, 1985). Yet this approach is not always practical, considering the substantial capital investments it requires. Another method safeguards against opportunism using formal contracts (Williamson, 1985). Unilateral provisions in contracts seek to provide functional equivalents of an organizational hierarchy and thus achieve quasi-integration (Heide, 1994). However, detailed contracts are difficult and costly to write, monitor, and enforce, and no contract, regardless of how detailed it is, can specify every element of an exchange or predict all potential contingencies (Williamson, 1985). Formal contacts also suffer limited effectiveness, especially in emerging economies (Boisot, 1986; Calantone & Zhao, 2001; Zhou, Poppo, & Yang, 2008), where distribution systems tend to be scattered and evolving, and social and economic institutions undergo continuous reforms (Dong, Tse, & Hung, 2010). Relational-based mechanisms instead are more popular for coordinating exchanges in emerging economies (Zhou, Zhao, Li, & Cai, 2003; Zhou et al., 2008), because shared relational norms and values (Dwyer et al., 1987; Macneil, 1980) tend to facilitate a win–win exchange atmosphere that mitigates opportunism (Heide & John, 1992). Firms also