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Value differences as determinants of importers' perceptions of exporters' unethical behavior: The impact on relationship quality and performance

Constantinos N. Leonidou [a,*], Leonidas C. Leonidou [b,1], Dafnis N. Coudounaris [c], Magnus Hultman [a,2]

[a] Leeds University Business School, University of Leeds, Maurice Keyworth Building, Leeds LS2 9JT, United Kingdom
[b] University of Cyprus, Department of Public and Business Administration, School of Economics and Management, P.O. Box 20537, CY-1678 Nicosia, Cyprus
[c] Neapolis University Pafos, 2 Danais Avenue, 8042, Pafos, Cyprus

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ABSTRACT

The article focuses on the value drivers of the unethical marketing behavior of exporters, as seen from the perspective of their importers, and how this in turn affects the quality of their working relationship and performance. Based on a sample of 189 Cypriot importers, the study revealed that similarities in national, corporate, and personal values between importers and their foreign suppliers are negatively related to unethical marketing practices of the latter as perceived by the former, and vice versa. Perceived export marketing unethicality, in turn, negatively influences the exporter–importer relationship quality (as expressed in terms of cooperation, communication, trust, and commitment), which subsequently has harmful effects on the performance of the relationship. In addition, the existence of a high similarity in both value strength and ethical codes between importers and their export suppliers was found to positively affect the quality of the working relationship. Finally, the association of both corporate and personal values similarity with perceived export marketing unethicality was found to be moderated by network ties, although this was not evident in the case of national values similarity. The findings of the study have important implications for import managers in terms of properly selecting and handling relationships with their foreign suppliers.

1. Introduction

Increasing globalization, intensifying competition, and advancing transportation, communication, and information technologies have been responsible for the phenomenal growth of international business (Keegan, 2009). A large part of this activity is derived from import–export operations, where success relies heavily on building sound working relationships between the interacting parties (Holm, Eriksson, & Johanson, 1996; Leonidou & Kaleka, 1998). These relationships enable exporters to better satisfy the needs of their import customers, secure the continuation of purchases from them, minimize the possibility of foreign customer loss, and use customers as a source of new product ideas and foreign market information. On the other hand, importers can ensure the long-term supply of products from foreign suppliers, suggest ways of improving the efficiency of the production/delivery process, use the suppliers' expertise to protect their cost structure and achieve better prices, and exploit ideas relating to the technical development of products (Han, Wilson, & Dant, 1993; Sheth & Sharma, 1997).

* Corresponding author. Tel.: +44 113 343 6855; fax: +44 113 343 4885.
E-mail addresses: C.Leonidou@leeds.ac.uk (C.N. Leonidou), leonidas@ucy.ac.cy (L.C. Leonidou), d.coudounaris@nup.ac.cy (D.N. Coudounaris), M.Hultman@leeds.ac.uk (M. Hultman).
[1] Tel.: +357 22 892483; fax: +357 22 892481.
[2] Tel.: +44 113 343 8655.

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Despite their benefits, the development of harmonious exporter–importer relationships is hindered by many problems, mainly caused by the extent of the geographic and cultural distance separating the parties involved (Nes, Solberg, & Silkoset, 2007). One source of problems is rooted in differences in the values held by the interacting parties, which are identified at the national, corporate, or personal level (Lee, Lee, & Suh, 2007). This is because having dissimilar values is responsible for understanding and interpreting issues concerning the working relationship in a different way (Scholtens & Dam, 2007). One key issue that warrants particular attention is that of marketing ethics, since, among the various enterprise functions, marketing has often been at the forefront of criticisms concerning unethical practices (Akaah & Lund, 1994).

Marketing ethics refers to the extent to which the firm's marketing policies and practices are transparent, trustworthy, and responsible, thus creating a feeling of fairness and rightness by other stakeholder parties (Armstrong, 1996; Murphy, Laczniak, Bowie, & Klein, 2005; Piercy & Lane, 2007). Unethical practices can cover any element of the marketing mix, such as selling dangerous or harmful products, setting artificially high prices, deliberately delaying product delivery, and using misleading promotions (Kotler & Keller, 2011). Although efforts to cultivate ethical marketing thinking in organizations are increasing, with many firms developing an explicit code of ethics to set the tone of their marketing decisions, some firms still adopt questionable (and in some cases illegal) marketing practices (Bearden, Ingram, & LaForge, 2007). Such unethical marketing approaches are even more evident in international business, since transcending national cultures changes the meaning of the concepts involved in defining business ethicality (Stajkovic & Luthans, 1997; Tan & Chow, 2008).

The adoption of unethical marketing practices can seriously endanger business relationships by: creating suspicion and reducing openness between the interacting parties; giving rise to moral dilemmas and eroding honesty in the exchange process; undermining respect and increasing uncertainty and instability in the working relationship; stirring up friction, frustration, and conflict between sellers and buyers; cultivating short-term thinking and creating opportunistic behavior; reducing the robustness of business decisions; and increasing uncertainty about the relationship, as well as jeopardizing its smooth progress (Filatov, 1994; Gundlach & Murphy, 1993; Murphy, Laczniak, & Wood, 2007; Oliver, 1999). Despite the undermining role of unethical marketing behavior in developing buyer–seller relationships, empirical research on the subject from an international business perspective is lacking, especially as regards harmful effects on relationship quality and outcomes.

In light of the above, this article aims to contribute to the international business literature by developing and testing a theoretically anchored model that focuses on the value differences as determinants of import buyers' perceptions of exporters' unethical marketing behavior and how this affects the quality and performance of the working relationship. Specifically, the research objectives are: (a) to examine the effect of differences in national, organizational, and personal values between the interacting parties on perceived unethical marketing practices; (b) to identify how the unethical marketing behavior of the exporter can affect the quality of the working relationship; (c) to explore the impact of value strength similarity and ethical code similarity on relationship quality; (d) to evaluate the effect of relationship quality on the performance outcomes of this relationship; and (e) to examine the moderating role of importer–exporter network ties on the link between value similarity and perceived export marketing unethicality.

The novelty of our study lies in theoretical, methodological, and empirical grounds. *Theoretically*, we employ the Social Contracts Theory (ISCT) to explain the role of values as an important source of ethicality/unethicality in international business, as well as embodying the concept of network ties as a potential moderator of the association between these two constructs. *Methodologically*, we demonstrate through mediation analysis that perceived marketing unethicality is a key parameter mediating the link between importers' values and the quality of their relationships with foreign suppliers. *Empirically*, we test for the first time important associations among constructs that are critical in international business performance, namely values, business unethicality, ethical codes, relationship quality, and relationship performance.

The remainder of this article is formatted as follows: *first*, the extant research on international business ethics is reviewed and the nature of values is elaborated; *second*, the conceptual model of the study is presented and the hypothesized associations between constructs are formulated; *third*, the investigation method employed to carry out the study is explained; *fourth*, the findings referring to each of the research hypotheses set are analyzed and discussed; *fifth*, several conclusions and implications are derived from the study findings; and *finally*, the limitations of the study are presented, together with directions for further research.

2. Literature review

2.1. International business ethics

As opposed to the domestic business ethics field that has been established since the 1960s, international business ethics is a relatively new area of investigation. In fact, while dozens of articles have been written on business ethical issues at the domestic level (see, for example, reviews by Nill & Schibrowsky, 2007; O'Fallon & Butterfield, 2005; Schlegelmilch & Öberseder, 2010; Vitell, 2003), only a handful of studies stress the international dimensions of business ethics (Enderle, 1997). To some extent, this has been ascribed to the fact that the business ethics discipline and the international business discipline rarely 'speak' to each other, and when they do, they 'speak different languages' (Doh, Husted, Matten, & Santoro, 2010). Irrespective of this incongruence between the two disciplines, extant research on international business ethics can be categorized into five groups.

The *first* stream of research focuses on the philosophical underpinnings of international business ethics. In this context, Velasquez (1995) identifies three different theoretical approaches: (a) Donaldson's (1989) human rights, which