



Betrayal in international buyer-seller relationships: Its drivers and performance implications



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ABSTRACT

Although betrayal is a common phenomenon in inter-organizational cross-border relationships, the pertinent literature has remained relatively silent as regards its examination. However, the effects of betrayal are both long-lasting and destructive, and therefore an in-depth investigation of the factors that are driving it, as well as its performance outcomes, is considered necessary. Using a sample of 262 exporters, we confirm that betrayal in their relationships with foreign buyers is significantly and positively affected by relational uncertainty, opportunism, inter-partner incompatibility, relational distance, and conflict. The harmful effect of most of these factors on betrayal becomes stronger in the case of high foreign environmental uncertainty and high foreign market dynamism. The importer's betrayal actions are in turn responsible for reducing relational performance. In fact, this negative association between importer's betrayal and relational performance is more evident in relationships characterized by low dependence levels and low degrees of tolerance by the exporter.

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1. Introduction

There is a growing understanding among academics and practitioners alike that the cornerstone of modern business lies in the quality of the interactive relationships between sellers and their buyers (Leonidou, Samiee, Aykol, & Talias, 2014). In fact, ample evidence in the pertinent literature shows that initiating and nurturing such relationships can be beneficial for both sellers (e.g., matching products with buyer needs, gaining repeat purchases, minimizing customer switching) and buyers (e.g., achieving security in long-term supply, rationalizing cost structures, enhancing logistics efficiency) (Sheth & Sharma, 1997). However, inter-firm relationships are not always bright, but can suffer from negative aspects, which erode trust and fairness perceptions (Eckerdt, Hill, Donohue, & Ward, 2013; Wang & Huff, 2007), reduce satisfaction levels (Lusch, Brown, & O'Brien, 2011),

and even promote exiting from the relationship (Hibbard, Kumar, & Stern, 2001; Lusch et al., 2011).

The extant literature has investigated numerous problematic aspects of business relationships, such as: relationship unrest (Good & Evans, 2001), relational instability (Das & Teng, 2000), relationship dissolution (Lusch et al., 2011), relational damage (Hammervoll, 2011), destructive acts (Hibbard et al., 2001), opportunism, uncertainty, and negative misalignment (Corsaro, 2015), psychological/normative contract breach (Eckerdt et al., 2013; Lusch et al., 2011), relational risk (Tsai, Lai, Lloyd, & Lin, 2013), and relational stress (Holmlund-Rytkönen & Strandvik, 2005). Although these studies throw light on the dark side of buyer-seller relationships, one important issue that remains unexplored is that of inter-firm betrayal. Betrayal signifies a violation of what is good and proper in a relationship and can take various forms, such as being disloyal or unfaithful, engaging in deception and lies, and failing to meet the hopes or expectations of the other party (Fitness, 2001).

Betrayal episodes are not only commonly encountered in working relationships, but their effects are long-lasting and destructive (Elangovan & Shapiro, 1998). Betrayal indicates that, compared to the betrayed party, the betrayer acts in a way that

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favors more only his/her own interests, regards his/her needs as more important, and cares very little about or views superficially the relationship that they have (Fitness, 2001). Although anyone entering a relationship runs the risk of betrayal, the incidence of betrayal is even more profound in cross-border inter-firm relationships because of: (a) the large geographical and psychological distance between sellers and buyers; (b) the multiplicity, heterogeneity, and volatility of the international business environment; (c) the variable intensity of competitive pressures confronted; and (d) the dynamic and unpredictable changes that take place in international markets (Leonidou, Kaminarides, & Panayides, 2007; Samiee, Chabowski, & Hult, 2015; Sousa & Tan, 2015).

Understanding betrayal in international buyer-seller relationships is critical on six major grounds: (a) international firms have to form relationships with other parties to achieve their goals, which, regardless of their maturity, are not immune from betrayal acts (Jones & Burdette, 1994); (b) betrayal is considered to be moral violations and deviations from established norms (e.g., trust) underlying a business relationship, which can negatively affect the welfare and well-being of the interacting parties (Turiel, 1998); (c) betrayal is the intentional and targeted behavior by one member of the relationship toward another and can have disastrous consequences, not only for the vulnerable party, but for the performance of the business relationship as a whole (Kowalski, Walker, Wilkinson, Queen, & Sharpe, 2003); (d) betrayal is undertaken by someone who is supposed to be dependable, and therefore can cause a lot of disappointment and reduced motivation on the part of the victim (Rachman, 2010); (e) betrayal poses a threat to the continuation of the relationship, which means that the time and effort devoted to the business relationship has been lost, and that enormous costs need to be invested to find new partners (Jones & Burdette, 1994); and (f) betrayal has social implications beyond the dyad, with the betrayed party losing self-esteem, and the betrayer having a tarnished reputation in the broader business network (Kowalski, 2001a).

Since betrayal can occur at any time in a business relationship, it is important to know the factors that give rise to it and its potential consequences. Our study aims to shed light on these factors by developing and testing a conceptual model, which is anchored on Social Exchange Theory. It specifically focuses on the associations between drivers and outcomes of betrayal in exporter-importer (E-I) relationships, as well as examining the contingent role of environmental and relational factors. Our research objectives are fourfold: (a) to assess the influences of relational uncertainty, opportunism, inter-partner incompatibility, relational distance, and conflict on betrayal in E-I relationships; (b) to examine the impact of this betrayal on relational performance; (c) to investigate how foreign environmental uncertainty and foreign market dynamism moderate the associations between betrayal and its drivers; and (d) to explore what contingency effects that dependence and tolerance have on the association between betrayal and relational performance.

Our study contributes to the international business knowledge in a number of ways: *first*, it transfers various useful ideas and concepts from the social psychology discipline to a business context in an effective way; *second*, it sheds light on betrayal, an issue of major concern in inter-organizational working relationships, with serious effects on relational performance; *third*, it examines the betrayal phenomenon from an international perspective, which, as explained earlier, is very conducive to generating betrayal episodes; *fourth*, it assimilates, under a unified framework, all possible relationship variables with a potential instrumental role in causing betrayal; *fifth*, it reveals the contingent role of environmental variables which could strengthen the association between betrayal and each of its predictors; and

sixth, it shows that under certain relational conditions, the harmful effect of betrayal on the performance of the working relationship can increase or decrease.

The rest of the article is organized as follows. First, we highlight the nature of betrayal, by deriving input mainly from social psychology. We then examine betrayal from the perspective of Social Exchange Theory. Subsequently, we develop the conceptual model of the study and formulate a set of research hypotheses. The following section provides details about the research methodology adopted. We then explain the analytical procedures used and present the research findings. The article ends with a discussion and implications, as well as guidelines for future research.

2. The nature of betrayal

Betrayal is one of the most common forms of the 'dark side' of inter-organizational relationships. It is defined as the voluntary violation of mutual expectations in a relationship, where the betrayer favors his/her own interests at the expense of those of the other party (Fitness, 2001). As such, the betrayer considers his/her own needs as more valuable and important than those of the other party or the relationship as a whole. A betrayal takes place in a relationship when one party believes that the other has taken advantage of him/her, prevented the fulfillment of his/her expectations, and excluded him/her from important decisions that influence the prosperity of his/her organization (Reina & Reina, 2006). The key to betrayal therefore depends on beliefs and expectations about how relationships in general and the specific relationship in particular should work, and on being confident that partners will respect these beliefs and expectations (Jones, Moore, Schratte, & Negel, 2001). It is basically a form of 'breaking the rules of the game' and violating basic norms and expectations.

Betrayal can be either accidental (i.e., when the betrayer has no intention of violating the expectations of the betrayed party and it is usually associated with regrettable errors) or intentional (i.e., when the betrayer intentionally violates the key expectations of the other party) (Elangovan & Shapiro, 1998). The latter is the most common form of betrayal, especially when this arises in response to a specific situation in the context of an ongoing relationship (opportunistic betrayal). Betrayal is more likely to arise in transactional rather than collaborative relationships, mainly because they promote individualistic interests, as opposed to actions characterized by solidarity (Fitness, 2001). Several signs can help to diagnose betrayal behavior, including: perceiving the partner as being critical or dissatisfied with a relationship, acting in a guilty or anxious way, and showing reluctance or lack of interest in contributing to the relationship (Shackelford & Buss, 1997).

Five dimensions characterize betrayal: (a) *voluntary*, meaning that the betrayer either lacks the motivation to conform to the expectations of the betrayed party or has a special reason for violating these expectations; (b) *pivotal expectations*, stressing the fact that only expectations (task- or value-related) that are instrumental to the nature of the relationship are violated; (c) *mutually known expectations*, meaning that both parties are aware of the expectations (although not necessarily accepting them), so that these cannot be attributed to any misunderstanding or ambiguity; (d) *violation of expectations*, indicating that betrayal is a behavior, and as such refers to actual violation, rather than the mere thought of betraying; and (e) *potential to harm*, in the sense that the treachery, disloyalty, and deception generated from the violation of expectations has the possibility of harming the betrayed party (Elangovan & Shapiro, 1998).

Betrayal behavior takes place when the assessment of the perceived relative benefits of betraying (e.g., acquiring more resources by using deception) outweigh those of maintaining the *status quo* in the relationship (e.g., paying penalties) (Bies & Tripp,

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