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In this research, the authors develop a theory addressing why people act opportunistically when the stakes (i.e., payoffs) are low. Transaction cost theory suggests that opportunistic behavior is more likely under high-stakes conditions. The authors identify rapport as an important moderator of this relationship. Through a series of three studies, they find that high-stakes opportunism appears to occur only when rapport is low. In contrast, when rapport is high, this relationship reverses, such that opportunism is actually more likely when the stakes are low than when they are high. The authors attribute these findings to differences in reasoning and find that when rapport is high and the stakes are low, people are better able to justify their actions by employing morally malleable reasoning. Thus, this research offers insights into an important form of opportunism that has been largely absent from transaction cost theory.

Keywords: opportunism, ethical decision making, interorganizational exchange, self-concept maintenance, transaction cost theory

Low-Stakes Opportunism

Opportunism is a good thing gone awry. An action that is opportune is one that is fitting, timely, and propitious. In contrast, opportunism is the practice of engaging in actions that sacrifice ethical principles to benefit oneself at the expense of others. Over the past three decades, the most prominent explanation for opportunism has been transaction cost theory (TCT), which defines opportunism as “self-interest seeking with guile” (Williamson 1985, p. 47). While self-interest seeking is an inherent aspect of everyday economic activity, the aspect of “guile” renders opportunistic behavior unethical and gives the opportunism construct a

particularly insidious connotation. Thus, opportunism is a phenomenon that goes well beyond self-serving behavior, such as utility or profit maximization, to include deception and dishonesty (Williamson 1975, 1985, 1998). This less sanguine view of human behavior, which has been pioneered by three Nobel Prize winners (Ronald Coase in 1991, Douglass North in 1994, and Oliver Williamson in 2009), has dramatically affected economic thought regarding the theory of the firm, the nature of transactions, and the management of interorganizational governance (for reviews, see Geyskens, Steenkamp, and Kumar 2006; Rindfleisch and Heide 1997).

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Transaction cost theory posits that the decision to behave opportunistically—that is, to behave unethically—is the result of an economic (or cost-benefit) calculus. A person weighs the potential benefits of acting with guile against the potential costs if caught (e.g., loss of reputation, job termination, prison). As the expected payoff increases, the benefits of opportunism rise relative to the costs, and exchange partners are expected to behave more opportunistically (Williamson 1975; 1985; 1993a, b). Thus, governance mechanisms designed to decrease opportunism typically operate by increasing the likelihood or costs of being caught (for reviews, see Crosno and Dahlstrom 2008; Wathne and Heide 2000). For example, reciprocal specific investments have been proposed as a safeguard against opportunistic

behavior by raising the financial stakes of misbehavior (Anderson and Weitz 1992; Williamson 1985).

Related research on ethical decision making supplements TCT by noting that opportunism costs exceed the financial costs. One such nonfinancial cost is rapport, or interpersonal harmony and mutual understanding. Rapport is believed to reduce opportunism by encouraging people to consider the interests, concerns, and feelings of others (Beach et al. 2006; Tickle-Degnen and Rosenthal 1990). Indeed, research has shown that high levels of rapport decrease unethical behavior (Naquin and Paulson 2003), in part because most people are strongly averse to behaving opportunistically toward someone with whom they share rapport (Valley, Moag, and Bazerman 1998). In addition, researchers have found that high-rapport settings, such as face-to-face encounters, prime social norms of honesty, thereby reducing unethical behavior (Bazerman et al. 2000; DePaulo et al. 1996; Naquin and Paulson 2003). For example, firms typically employ formalized practices (e.g., preferred vendor programs, key account management) that encourage high rapport by fostering long-term relationships among employees across transacting firms.

In contrast to this research, we propose that there are contexts in which rapport may unintentionally create an environment that *increases* opportunism. Specifically, we propose that this increase in opportunism in high-rapport settings occurs when the stakes are low—a prediction that is directionally opposite to the outcome predicted by TCT. We unpack this puzzle by drawing on a growing body of research in behavioral economics that suggests that rational cost-benefit analysis is not the only process that determines ethical decision making. In some settings, people may also engage in a malleable self-concept assessment that allows them to justify opportunistic behavior. Although this premise has received some support in experimental studies of deceptive practices in the domain of behavioral economics, it has not been examined in an interorganizational setting.

Our research enhances understanding of the nature of opportunism in several ways. First, our work synthesizes diverse literature streams (i.e., TCT, behavioral economics, ethics, and relationship marketing) that are closely related but rarely intermingled. This interdisciplinary synthesis addresses Erdem's (2010, p. 1) recent call for "papers that blend economic, psychological, and marketing ... theories." Second, our research provides an explicit test of the moderating conditions between stake size and opportunistic behavior, which have rarely been questioned and seldom tested. Third, our research examines the interplay between opportunism, stake size, and relational governance mechanisms, a central tenet of the literature on interorganizational relations. Collectively, these contributions shed light on an important form of opportunism (i.e., opportunism under low-stakes and high-rapport conditions) lurking in everyday transactions but not yet identified by marketing scholars.

THEORETICAL DEVELOPMENT

Opportunism and Stakes

Contemporary TCT posits that people behave opportunistically to enhance financial gain (Williamson 1975, 1985). According to Williamson (1975, p. 255), "agents who are skilled at dissembling realize transactional advantage." The

notion that opportunism is, at least in part, motivated by a financial payoff appears to be a pervasive assumption of the broader TCT literature (Hill 1990; Parkhe 1993; Rindfleisch and Heide 1997). Similarly, a long-standing body of research in managerial ethics posits that the lure of incentives and rewards influences people to act unethically (Baucus and Beck-Dudley 2005; Jansen and Von Glinow 1985; Treviño and Youngblood 1990). For example, Hegarty and Sims (1978) demonstrate that people are more likely to engage in bribery when the stakes are high. In short, the evidence to date suggests that high-stakes scenarios will result in higher levels of opportunistic behavior than low-stakes scenarios.

Opportunism and Rapport

The tendency to act opportunistically may be mitigated by relational concerns. Indeed, Coase (1988, p. 44) suggests that "the propensity for opportunistic behavior is usually effectively checked by the need to take account of the effect of the firm's actions on future business." This position has been echoed by other transaction cost scholars (e.g., John 1984; Rokkan, Heide, and Wathne 2003) and is consonant with research in managerial ethics, which suggests that people consider the effect that their unethical acts have on others and are often influenced by others' opinions when deciding how to behave (Fraedrich and Ferrell 1992; Jones and Ryan 1997; Ross and Robertson 2000).

Rapport describes a relationship characterized by a high degree of sympathy, accord, and cooperation (Tickle-Degnen and Rosenthal 1990) and is expected to reduce opportunism by intensifying these relational concerns, thereby increasing the moral costs of misbehavior. People in relationships marked by high levels of rapport are more likely to take the perspective of their relationship partners and care about their partners' reaction to their behavior (Dutton et al. 2006; Fisher and Shapiro 2005; Fitness 2000). In short, there should be less opportunism in high-rapport settings than in low-rapport ones.

Rapport can be developed in many ways. We focus on two rapport-building factors in particular: mode of communication (face-to-face vs. technology-mediated) and length of relationship (short vs. long). We chose to focus on these two factors for several reasons. First, these factors usually vary significantly across business contexts. Second, managers can reasonably affect these factors through policy or staffing decisions. For example, managers could require that important negotiations occur face-to-face or could (as some accounting firms have) institute a policy of rotating managers off projects with the same company after a period of time.

Face-to-face interactions can affect rapport, such that they lead to higher levels of rapport than interactions mediated by phones or computers (e.g., email, instant messaging). Researchers attribute the increased rapport in face-to-face interactions to the importance of verbal and nonverbal cues in communication (Drolet and Morris 2000; Moore et al. 1999; Thompson and Nadler 2002). In contrast, electronic forms of communication may instill a sense of depersonalization (Straus and McGrath 1994), impeding rapport building.

Established relationships also can generate high levels of rapport, in part because those who have interacted longer

can develop cooperative norms, such as mutuality and solidarity (Brown, Dev, and Lee 2000; Gundlach, Achrol, and Mentzer 1995; Heide and Miner 1992; Palmatier et al. 2009; Wathne and Heide 2000). This embeddedness can shift focus from the self to others and reduce the likelihood of opportunistic behavior. Opportunism is generally believed to be higher in new relationships than in established ones because prior dealings create a “shadow of the past” that motivates parties to consider joint outcomes.

Opportunism, Low Stakes, and High Rapport

The effect of low stakes and high rapport as independent attenuators of opportunism is well developed conceptually and well documented empirically. Thus, one might reasonably conclude that situations characterized by both low stakes and high rapport should result in especially low levels of opportunism. In contrast to this collective wisdom, we propose that low-stakes/high-rapport settings lead people to employ non-transaction-cost reasoning and that this shift in reasoning actually leads to *increased* opportunism. In other words, the decision to be opportunistic in these settings is more than a cold calculation of the benefits of misbehavior minus the costs of being caught.

The role of cost-benefit reasoning. The cost-benefit reasoning is not the only process used in ethical decision making. An increasing body of research in behavioral economics reveals that people are often motivated by a desire to maintain a moral and honest self-image (Aronson 1969; Harris, Mussen, and Rutherford 1976). Thus, decisions of how to behave ethically are often driven by how easily a person can justify her actions to herself, rather than by a strict cost-benefit calculus. As Mazar, Amir, and Ariely (2008, p. 634) explain,

For certain types of actions and magnitudes of dishonesty, people can categorize their actions into more compatible terms and find rationalizations for their actions. As a consequence, people can cheat while avoiding any negative self-signals that might affect their self-concept and thus avoid negatively updating their self-concept altogether.

In other words, a large economic benefit may not promote opportunistic behavior if the action would force a person to confront the notion that she is dishonest or immoral.

We propose that both the cost-benefit calculus of TCT and the moral malleability reasoning put forth by behavioral economists play a part in ethical decision making but that the relative importance of these two processes varies by decision context. In particular, we suggest that people are likely to engage in some degree of cost-benefit reasoning in nearly all ethical decision contexts. Analyzing the costs and benefits of an action (including the likelihood of being caught if one misbehaves) is integral to the process of evaluating one's options. Sometimes the benefits of misbehavior outweigh the costs, and other times the costs dominate—but the process of cost-benefit calculus is likely to occur regardless. Moreover, cost-benefit reasoning should account for decreasing opportunism as stakes decrease (i.e., as benefits go down) and as rapport increases (i.e., as relational and affective costs go up).

The role of morally malleable reasoning. In contrast to cost-benefit reasoning, the propensity to engage in reason-

ing to justify an opportunistic choice (a process we refer to as “morally malleable reasoning”) is likely to be a function of the context. Specifically, we propose that high-rapport settings encourage morally malleable reasoning. In low-rapport settings, people are likely to be in a transactional mind-set, privileging cost-benefit reasoning, because the benefits and costs of the opportunistic behavior loom large. Put another way, there are no relationship factors to hinder a cold calculation of the costs and benefits of opportunistic behavior. Thus, we expect that the predictions of TCT will hold in low-rapport settings in which cost-benefit reasoning dominates.

In contrast, when people have a high degree of rapport with a transaction partner, they may evaluate the transaction in more than purely economic terms and view themselves as part of a larger relationship. Thus, rapport provides people with an additional mechanism to justify their actions. The transaction need no longer be evaluated strictly in cost-benefit terms, but instead in the context of “What would a partner do for me in this setting?” If a person can convince himself that a partner would not begrudge him a little opportunism, he may be more likely to take advantage of the opportunity. Morally malleable reasoning in a high-rapport setting could lead a person to reason that an opportunistic act is not so bad, that the person being taken advantage of would not mind, or that the transaction partner likely already knows and tacitly approves of this activity.

When the rapport is developed through an ongoing relationship, even more opportunities exist to justify opportunism. A person may not evaluate gains and losses on the basis of a single discrete encounter, particularly when they unfold over a series of past and future encounters. As a result, costs and benefits may be “averaged” over time (Anderson and Narus 1984, 1990; Dwyer, Schurr, and Oh 1987; Kumar, Scheer, and Steenkamp 1995). In addition, if the “shadow of the past” contains memories of injustices (Heide and Miner 1992), a tit-for-tat strategy could make opportunism less problematic and more easily justified (e.g., my business partner cheated me once; therefore I can also cheat once).

Rapport can also encourage opportunism as a means of averting partner conflict. Recent research has demonstrated that exchange partners face psychological conflict when delivering bad news or information contrary to the partner's preferences, as in a negotiation impasse (Jap, Robertson, and Hamilton 2011). Under these circumstances, exchange agents may knowingly and strategically misbehave (i.e., mislead the negotiation partner and betray the interests of their principals), perhaps as a means to bridge equivocal encounters between partners who conflict in core values. Collectively, this evidence raises the notion that rapport among exchange partners may be both a blessing and a curse.

In addition, exchange partners may come to view some level of deception or opportunism as normal. Research suggests that although safeguarding mechanisms are helpful, they are not 100% effective (Wathne and Heide 2000); some level of *ex post* opportunism always persists, which is why Dutta, Bergen, and John (1994) have suggested the need for a “tolerance limit” in ongoing exchange. When deviant behavior is contextually defined by a set of relative stan-

dards over time, opportunism can be redefined as socially acceptable behavior (Moynihan 1993).

The notion that people employ different modes of reasoning when evaluating exchanges across different contexts is consistent with social relations theory (Fiske 1992). According to this theory, social interactions follow one of several basic templates, depending on the contexts in which these interactions occur. Two forms of social interaction are especially relevant to a market context. The first is a model of social interaction Fiske (1992, p. 692) calls "market pricing," in which interactions are driven by "cost-benefit ratios, and rational calculations of efficiency or expected utility." Market pricing is the predominant social form characterizing formal business relationships, relations between employers and employees, and other interactions involving prices, commissions, payoffs, and payments. In contrast, Axelrod (1984) characterizes "equality matching" relationships as those employing turn-taking, in-kind reciprocity, tit-for-tat retaliation, and settling balances in the relationship over a long time horizon. Given that reciprocity is closely related to rapport, high-rapport settings may encourage people to switch from viewing an interaction as an exemplar of market pricing to one of equality matching.

Furthermore, we propose that high-rapport settings alone are not enough to induce morally malleable reasoning. Some contexts, such as high-stakes decisions, make it especially difficult to justify unethical behavior. Taking a few dollars from petty cash would be much easier to justify to oneself than taking several hundred dollars (Mazar, Amir, and Ariely 2008). When the stakes are low, dishonesty can seem victimless. For example, the social norm in face-to-face encounters is to overlook or excuse small acts of spoken deception as something that is normal and expected (Scott 2000). We therefore predict that the increase in morally malleable reasoning is likely to manifest when the stakes are low, but not when they are high.

To summarize, because people in low-stakes/high-rapport settings are likely to believe that opportunism is normal, victimless, and viewed over fluid time frames, they should be more likely to engage in morally malleable reasoning to justify opportunism. As a result, we hypothesize that in high-rapport settings, an increase in morally malleable reasoning opportunism will increase as the stakes decrease. In contrast, we hypothesize that in low-rapport settings, opportunism will increase as the stakes increase, as TCT predicts.

We test our conceptualization across three studies. The first study is an experimental examination of executive MBA students evaluating business scenarios in which they could exhibit opportunistic behavior. The results of this experiment provide considerable support for the premise that opportunism increases under conditions in which the stakes are low and rapport is strong.

The second study investigates the reasoning that underlies opportunistic decision making when the stakes are low. We conducted a survey among executive MBA students who were asked to evaluate several low-stakes scenarios that allowed for opportunistic behavior. Participants stated their likelihood of behaving opportunistically and then provided a written explanation for their decision. The results reveal that a difference in the propensity for morally malleable reasoning mediates the decision to behave opportunistically.

Finally, the third study demonstrates that these effects are not simply a product of hypothetical decision making, but affect real behavior with consequences for others. In this experiment, pairs of undergraduate students participated in a head-to-head competition in which it was possible to cheat at the expense of their partner. Consistent with the results of Studies 1 and 2, under conditions of low rapport, opportunism was higher when the stakes were greater.

STUDY 1

The goal of Study 1 is to demonstrate that in low-rapport settings, opportunism increases when the stakes are high, but in high-rapport settings, opportunism increases when the stakes are low.

Method

In this experiment, we manipulated stakes (high vs. low), relationship duration (established vs. new), and communication mode (face-to-face vs. mediated) in a $2 \times 2 \times 2$ between-subjects factorial design (for a total of eight different conditions). Previous research has shown both relationship duration and communication mode to affect rapport, such that established relationships and face-to-face interactions are likely to lead to higher levels of rapport than new relationships and electronically mediated interactions.

Our participants were 325 executive MBA students at a private university in the United States. The average age of these participants was 39 years (range: 28–55 years), and 75% were male. These participants averaged 4.3 years of experience in their present positions and averaged 2.2 years of sales experience and 3.2 years of procurement experience. Of the participants, 67% had experience as suppliers, while 62% had experience in purchasing. Participants were told that this study was part of a larger research project on managerial decision making and that their responses would be anonymous and confidential.

Participants were randomly assigned to one of the eight possible conditions and asked to imagine themselves in a variety of scenarios as either a sales representative or an industrial buyer. Because socially undesirable behaviors, such as opportunism, are difficult to assess accurately due to the natural human desire to provide socially acceptable responses, we used scenarios to present sensitive topics in a nonthreatening but realistic manner. For example, Clark (1966) finds that executives reported uniformly negative opinions about bribery and price fixing when surveyed but were considerably less negative when faced with specific scenarios involving these behaviors.

Our study employed seven scenarios that illustrated examples of common acts of deception and deceit within sales or procurement contexts (see the Appendix). We selected these two contexts because they corresponded to participants' prior work experience. We adapted the sales scenarios from Robertson and Anderson (1993), who investigated a wide range of realistic, common sales situations involving ethical decisions. We developed the procurement scenarios specifically for this study from a review of the literature on procurement practices related to competitive sourcing practices (e.g., Jap 2003, 2007). We selected these vignettes on the basis of a pretest of a separate group of 105 business administration students. The results of the pretest indicate that the

chosen scenarios reflected opportunistic decision making and not simply bad judgment or misunderstanding.

Each scenario depicted a specific context and identified a particular form of opportunism, such as lies and deception, stealing credit, and the omission of critical information. We manipulated stake size by varying the payoff associated with each scenario: an annual bonus (\$50 vs. \$50,000), a salary increase (1% vs. 40%), a price break (1% vs. 40%), and so on. We manipulated relationship duration by describing the interaction partner as either a new customer or supplier, or someone with whom the participant had conducted business for many years. We manipulated communication mode by stating that the interaction with the customer or supplier would occur either face-to-face (e.g., in a conference room) or mediated in some way (e.g., by phone, e-mail). The scenarios used in this experiment appear in the Appendix. For each scenario, participants indicated the likelihood that they would engage in the behavior described on a seven-point scale (1 = "definitely will not," and 7 = "definitely will"), with higher numbers indicating a greater likelihood of behaving opportunistically.

Results

We expected that the effects of stake size on opportunism would be moderated by rapport. In particular, we predicted that TCT's presumed impact of stakes on opportunism would occur when rapport was low but would reverse when rapport was high. The predicted result is an interaction between rapport and stakes, revealing relatively more opportunism under low stakes than under high stakes when rapport is high.

The design of this study enabled us to test this prediction in several ways. First, this study used two manipulations of rapport: relationship duration (established vs. new) and communication mode (face-to-face vs. mediated). We expected each of these factors to independently interact with stakes to affect the degree of opportunism. Thus, we report the results of two 2×2 interactions between these two indicants of rapport factors and stake size upon opportunism. In addition, we examined the combined effects of these factors by recoding the manipulations as high rapport (face-to-face communication and established relationship) and low rapport (mediated communication and new relationship). We also report a third 2×2 interaction between this combined rapport variable and stakes upon opportunism.

The means reported in Table 1 are consistent with the hypothesis that rapport moderates the relationship between stakes and opportunism and that this effect is reliable regardless of how rapport is assessed. When the relationships in the scenarios were described as new (low rapport), there was no difference in opportunism between high stakes (3.0) and low stakes (2.9). In contrast, in scenarios with

established relationships, participants were more opportunistic when stakes were low (3.4) than when they were high (3.0), a finding directionally opposite to traditional TCT logic. We obtained a similar result for the effects of mode of communication. For low rapport, communication modalities, such as phone or instant message, exhibited no difference between high-stakes (3.0) and low-stakes (3.0) conditions. However, for high rapport (face-to-face), the degree of opportunism was higher under low stakes (3.3) than under high stakes (2.9).

We tested the significance of these results using a mixed-model analysis of variance (ANOVA), with relationship duration (established vs. new), communication mode (face-to-face vs. mediated), and stakes (high vs. low) as between-subjects factors and the seven scenarios as a within-subject factor. Consistent with our predictions, the analysis revealed significant interactions between both rapport factors and stake size. Specifically, both the stakes \times relationship duration interaction ($F(1, 317) = 4.08, p < .05$) and the stakes \times communication mode interaction ($F(1, 317) = 4.38, p < .05$) were significant. The analysis also revealed a main effect of relationship duration ($F(1, 317) = 6.57, p < .05$). No other main effects or interactions were significant ($ps > .15$).

Planned contrasts revealed that the nature of these interactions was consistent with our predictions. First, investigating the stakes \times relationship duration interaction, we found that when the stakes were low, opportunism was significantly higher when the relationship was ongoing (3.4) than when it was new (2.9) ($t = 3.3, p < .01$) or when the stakes were high and the relationship was ongoing (3.0) ($t = 2.4, p < .02$). In contrast, the influence of relationship duration no longer held when the stakes were high (3.0 vs. 3.0; $t = .45$, not significant [n.s.]). Turning to the stakes \times communication mode interaction, in the low-stakes condition, opportunism was significantly higher when communication was face-to-face (3.3) than when it was computer-mediated (3.0) ($t = 2.2, p < .03$). In contrast, in the high-stakes condition, the level of opportunism was similar across both face-to-face (2.9) and computer-mediated communication (3.0, $t = .16$, n.s.).

The full factorial design of this experiment enabled us to examine the independent influence of relationship duration and communication mode to determine opportunism, as well as to examine the combined effects of these two factors on opportunism. As an additional test of our hypothesis, we recoded the data on the basis of the aggregate effect of both rapport manipulations. Thus, scenarios with both established relationships and face-to-face communications were coded as high rapport, whereas scenarios with both new relationships and mediated communications were coded as low rapport.

Table 1
EXPERIMENT 1: LIKELIHOOD OF ENGAGING IN OPPORTUNISTIC BEHAVIOR

	Low Rapport: New Relationship	High Rapport: Established Relationship	Low Rapport: Technology Mediated	High Rapport: Face-to-Face	Low Rapport: Composite Measure	High Rapport: Composite Measure
High stakes	3.0	3.0	3.0	2.9	3.1	3.0
Low stakes	2.9	3.4	3.0	3.3	2.8	3.7

Notes: Seven-point scale, with higher numbers indicating a stronger likelihood of endorsing opportunistic behavior.

We tested the impact of this combined metric using a mixed-model ANOVA with stakes (high vs. low) and rapport (high vs. low) as between-subjects factors and the seven scenarios as a within-subject factor. As we predicted, the results reveal a significant interaction between stakes and rapport ($F(1, 239) = 3.68, p = .05$). This interaction reveals significant main effects for both stakes ($F(1, 239) = 5.47, p < .05$) and rapport ($F(1, 239) = 5.98, p < .05$).

Planned contrasts provide further insight into these relationships. When rapport was low, there was no significant difference between low stakes (2.8) and high stakes (3.1). When rapport was high, however, opportunism was significantly higher when stakes were low (3.7) than when they were high (3.0; $t = 2.41, p < .05$).

Discussion

The results of Study 1 show that TCT's presumed effect of stake size on opportunism holds only under low-rapport conditions: when participants are in a new relationship or are employing a distancing communication modality (or both), higher stakes encourage them to be more opportunistic. When rapport is high, however, participants demonstrate lower opportunism as stake size increases.

Our conceptualization attributes this surprising result to the type of reasoning people engage in when stakes are low and rapport is high. We argue that, under these circumstances, people engage in morally malleable reasoning and are better able to justify their unethical behavior to themselves than in settings in which rapport is low or stakes are high. The results of Study 1 are consistent with this account but do not provide direct evidence of the underlying process. In Study 2, we use a similar method, but we also asked participants to provide justification for their decisions to endorse opportunistic behavior or not. By examining these open-ended responses, we were able to gain insight into how the reasoning process changes as a function of rapport when the stakes are low.

STUDY 2

The goal of Study 2 is to examine the underlying process that drives the apparent increase in opportunism in low-stakes/high-rapport settings. The design of Study 2 replicates the low-stakes conditions of Study 1, but we asked participants to explain the reasons for their decision to be opportunistic or not. From our conceptualization, we expect to find both more opportunism and more morally malleable reasoning in the low-stakes/high-rapport condition than in the low-stakes/low-rapport condition.

Method

The participants for this study were 93 executives from a variety of industries (e.g., technology, communications, financial services, health care, consumer products, consulting). They were enrolled as executive MBA students at private universities in the United States and the United Kingdom. We modified the procedures of Study 1 to elicit participants' justification for their opportunism (or lack thereof). We combined the ongoing relationship and face-to-face manipulations from Study 1 to create the high-rapport manipulation through seven scenarios, all of which involved only low-stakes outcomes.

As in Study 1, respondents were asked to indicate the likelihood that they would behave in the manner described in each scenario (1 = "definitely will not," and 7 = "definitely will"). Following this evaluation, participants were asked to reveal the logic underlying their responses ("In as much detail as possible, please explain *why you would* do this or *why you would not* do this") and provided space for an open-ended qualitative response.

Results

We predicted that under the low-stakes setting, participants would be more likely to endorse opportunistic behavior when rapport was high than when it was low. Consistent with the findings of Study 1, the results of this study confirm that opportunism was higher when rapport was high (3.8) than when it was low (2.5). We tested the significance of these results in a mixed-model ANOVA with rapport (high vs. low) as a between-subjects factor and the scenarios as a within-subject factor. The analysis confirmed that rapport was a significant predictor of opportunism ($F(1, 76) = 45.93, p < .001$). The analysis also demonstrated a significant main effect of scenario ($F(6, 456) = 38.07, p < .001$) and a significant scenario \times rapport interaction ($F(6, 456) = 27.32, p < .001$), suggesting that the effect of rapport on opportunism is stronger in some scenarios than in others.

Coding of reasons. After rating their likelihood of behaving opportunistically in each scenario, participants were given space to provide a rationale for their decision. We analyzed participants' rationale for their expressions of opportunism by employing a content analysis procedure (Kassarjian 1977; Krippendorff 2004). As Krippendorff (2004) recommends, two trained coders (i.e., doctoral students not associated with this project) conducted an independent examination of the responses across the conditions. We asked the coders to categorize each response as an expression of a cost-benefit calculus, a morally malleable rationale, a moral rationale (i.e., an expression that the behavior is inherently wrong, unethical, or immoral), or other rationale. The overall percentage of agreement across the two coders was 85%. In addition to the percentage of agreement, we also calculated two other commonly employed metrics of coding analysis reliability in the form of interrater reliability (I_r) (Perreault and Leigh 1989) and Cohen's kappa (Cohen 1968). Cohen's kappa adjusts for both the likelihood of chance agreement and for the fact that potential distribution of responses is unknown. Both indicators suggest that our coding scheme displays satisfactory interrater reliability ($I_r = .83$, Cohen's kappa = .75%). Differences between the two coders' evaluations were adjudicated between them to reach consensus.

What does moral malleability look like? One frequent manifestation of moral malleability was the framing of opportunistic behavior as a common practice in which exchange partners routinely engage:

This is part of the game and these other sales reps will do the same to me. I will try to find as much information from them as I can on their pricing strategies, knowing that they may mislead me on purpose. That will not affect our relationship since we know that this is part of our job. (Male respondent, 40 years)

I will exaggerate the problem and the other party will play it down. This is all part of normal negotiation over price. (Male respondent, 42 years)

In addition to invoking common practice, several participants also justified acts of opportunism by arguing that their exchange partners were likely aware of this activity. This “partner awareness” appears to allow these participants to classify their behavior as morally acceptable:

Of course ... the supplier probably knows anyway that some of his clients do it and can afford it. (Male respondent, 39 years)

As buyer, I need to negotiate a[s] small [a] price as possible. If I've been working with these guys long enough that I know inflating the order will get me a discount, then I've likely done this before and so they know I'm likely to do it again. (Female respondent, 40 years)

Perhaps even more surprising, several participants rationalized their opportunistic behavior as a victimless activity:

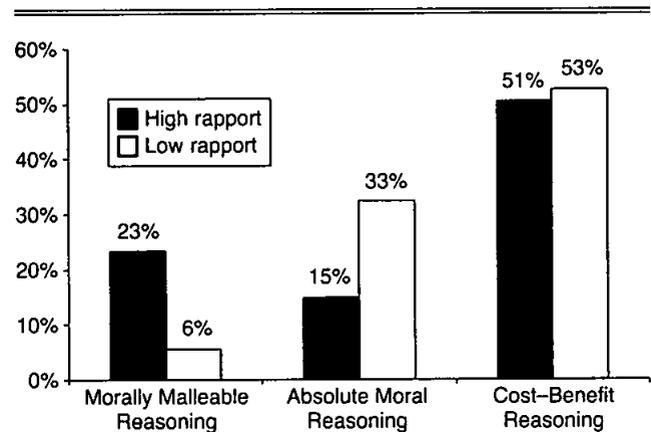
This depends on the extent to which I am exaggerating the problem. Should this be too excessive to the point at which I believe the customer will be making an error in their purchasing decision I would not pursue this approach. However, if I believed the customer would be making the correct decision I would be prepared to provide the worst-case scenario; this could be perceived as exaggeration. (Male respondent, 34 years)

Collectively, these rationalizations aptly illustrate the concept of moral malleability, which allows economic actors to justify their opportunism and recast it as being normal, justifiable, and harmless; such an approach permits them to act in a manner that may be consistent with their self-concept (Mazar, Amir, and Ariely 2008). In effect, they appear to “have their cake and eat it too.” In the words of Mazar, Amir, and Ariely (2008, p. 633), “People behave dishonestly enough to profit but honestly enough to delude themselves of their own integrity. A little bit of dishonesty gives a taste of profit without spoiling a positive self view.”

Moral malleability and rapport. We predicted that people in low-stakes/high-rapport settings are especially likely to engage in morally malleable reasoning. The reasons participants gave to justify their choices are consistent with this prediction. As we summarize in Figure 1, as a percentage of the total number of reasons given, participants in the low-stakes/high-rapport condition were more likely to use morally malleable reasoning in justifying their decisions (23% vs. 6%; $F(1, 79) = 21.18, p < .001$). The increase in morally malleable reasoning appears not to have come at the expense of the cost-benefit analysis predicted by TCT, which was equally high in both conditions (51% vs. 53%; $F < 1$). Instead, participants in the low-stakes/high-rapport condition seemed to engage in morally malleable reasoning in place of absolute moral reasoning, which was significantly lower in the high-rapport condition (15% vs. 33%; $F(1, 79) = 13.33, p < .001$).

Mediating role of moral malleability. We also predicted that the increase in opportunistic behavior in low-stakes/high-rapport settings is due to a shift toward morally malleable reasoning. The coded reasons in Study 2 allow us to test this prediction. We tested two mediation models, one in which the effect of rapport on low-stakes opportunism was

Figure 1
EXPERIMENT 2: EFFECT OF RAPPORT ON TYPES OF REASONING



Notes: We asked participants to provide reasons for their decisions to act opportunistically or not. The bars represent the percentages of the type of reasoning participants provided.

mediated by the percentage of morally malleable reasoning and one in which it was mediated by percentage of cost-benefit reasoning.

We found that the rapport manipulation significantly predicted both opportunism ($t = 6.1, p < .001$) and morally malleable reasoning, our proposed mediator ($t = 4.4, p < .001$). We also found that morally malleable reasoning predicted opportunism ($t = 4.6, p < .001$). Finally, when we included both rapport and morally malleable reasoning in the model, the effect of rapport was reduced ($t = 2.39, p < .05$), suggesting morally malleable reasoning partially mediated the effect of rapport on opportunism. We confirmed mediation with a significant Sobel test ($Z = 2.1, p < .05$) and a bootstrap analysis ($p < .05$, confidence interval: [.03, .62]). In contrast, cost-benefit reasoning did not mediate the effects of rapport on opportunism. Specifically, rapport was not significantly associated with the degree of cost-benefit reasoning ($t = -.63, p > .50$).

Discussion

Study 2 replicates the key finding of Study 1: under low stakes, high levels of rapport actually lead to higher levels of opportunism as compared with low levels of rapport. Furthermore, Study 2 provides evidence for the underlying mechanism by analyzing participants' stated reasons for choosing to behave opportunistically or not. Consistent with our predictions, we found that morally malleable reasoning was present to a much greater extent in the low-stakes/high-rapport condition than in the low-stakes/low-rapport condition. Furthermore, this reasoning mediated the effect of rapport on opportunism.

These first two studies provide converging evidence of the fact that when rapport is high, low stakes can reverse the generally accepted relationship between stake size and opportunistic behavior. Study 2 also provides evidence for the underlying process. Both Studies 1 and 2 used a scenario-based approach. To establish that these effects are not limited to hypothetical choice settings, we sought to replicate these findings in Study 3, allowing for actual behavior.

STUDY 3

The results of our two scenario studies suggest that under conditions of high rapport (i.e., face-to-face communication and established relationships), opportunistic behavior is more likely when the stakes are low. This pattern of results runs counter to traditional TCT, which suggests that opportunistic behavior is largely motivated by the prospects of self-gain (Williamson 1985). In this third study, we provide stronger evidence for the causality of this relationship through a laboratory experiment that assesses actual opportunistic behavior.

Method

The participants in this experimental study were 104 undergraduate marketing students from a large midwestern public university. The median age of our participants was 22 years, and 59% were female. Participants were given nominal course credit and the opportunity to win a variable cash prize (as explained subsequently).

This experiment employed a 2×2 between-subjects design, in which stake size (high vs. low) and rapport (high vs. low) were the manipulated measures, yielding four distinct experimental conditions. Participants were paired with another student in the same condition (e.g., low stakes and low rapport). After this pairing, the participants were told that they would be competing against this person for a cash prize.

We adapted our measure of opportunism from the work of Mazar, Amir, and Ariely (2008). Participants were presented with 20 mathematical puzzles. Each puzzle consisted of a matrix of 12 rational numbers with two decimals (e.g., 3.22, 4.76, 7.83), and participants were instructed to solve these puzzles by circling the two numbers that add up exactly to ten. Participants were shown an example of a solved matrix and then given three minutes to solve as many matrices as possible. Each matrix had only one correct solution.

Participants were informed that their responses were anonymous and confidential. They were instructed to take their puzzle sheet with them at the end of the experiment and to report the number of matrices solved on a separate response sheet. Thus, this setting provided participants with an easy opportunity to cheat by inflating their self-reported score. The self-report of the number of matrices solved serves as our measure of opportunism.

We manipulated stake size through the magnitude of the cash prize that went to the winner of each head-to-head competition. Only the winner of each dyad—the one who reported having solved more puzzles—received a payment. In the low-stakes condition, the winner received \$.25 per matrix solved, for a maximum possible payout of \$5. In the high-stakes condition, the winner received \$5 per matrix solved, for a maximum possible payout of \$100. On average, the cash prize was \$3.75 in the low-stakes condition and \$55 in the high-stakes condition.

The rapport manipulation parallels the communication mode manipulation used in the first two experiments. We told participants that in addition to reporting the number of matrices solved on their response sheet, they would also have to provide this information to their partner to determine the winner. In the low-rapport condition, participants wrote the number of matrices solved on an adhesive note

and handed this note to their partner. In the high-rapport condition, participants communicated with their partner face-to-face and verbally expressed the number of matrices solved. We designed this manipulation to be congruent with the written (i.e., mediated) versus verbal (i.e., face-to-face) modes of communication employed in the scenarios in our first two studies.

Results

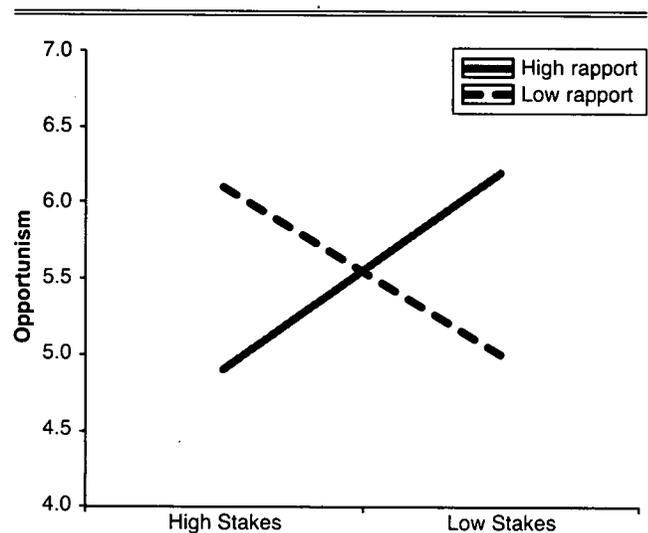
We predicted that higher stakes would only increase opportunism in cases of low rapport, but that when rapport was high, higher stakes would actually lead to less opportunism. The results are consistent with this prediction. When rapport was low (written reporting), participants self-reported solving more puzzles when stakes were high (6.1) than when stakes were low (5.0). In contrast, when rapport was high (face-to-face reporting), participants self-reported solving more puzzles when the stakes were low (6.2) than when the stakes were high (4.9). These results appear in Figure 2.

We tested the significance of this result using a 2×2 ANOVA predicting participants' self-reported scores on the basis of stakes (high vs. low) and rapport (high vs. low). The results reveal the predicted significant interaction between stakes and rapport ($F(1, 100) = 3.27, p < .05$, one-tailed). There was no main effect of either stakes or rapport ($ps > .85$).

Discussion

The results of Study 3 are consistent with the findings of our first two studies. Furthermore, they demonstrate that the effects are not limited to hypothetical choices but also predict actual opportunistic behavior. Opportunism in this setting meant winning at another person's expense. Participants in these experiments proved more willing to cheat when stakes were low and rapport was high. When the

Figure 2
EXPERIMENT 3: OPPORTUNISM AS A FUNCTION OF
RAPPORT AND STAKES



Notes: We measured opportunism through the number of self-reported puzzles solved.

stakes were low, people were more likely to take advantage of a partner when they had to communicate the deception face-to-face than when they could communicate it indirectly on paper. Although the need for participant anonymity did not allow us to assess their degree of opportunism directly, prior research by Mazar, Amir, and Ariely (2008) provides strong evidence that this manipulation (i.e., anonymous puzzle solving) engenders deceptive behavior.

This experiment also provides additional (albeit indirect) validation for our proposed conceptual mechanism of moral malleability. Morally malleable reasoning, we argue, is performed in furtherance of maintaining one's self-concept as an honest person. The self-concept-maintenance view of dishonest behavior is persuasively established by Mazar, Amir, and Ariely (2008) using protocols similar to the ones employed in this study. Our ability to replicate our findings using largely the same experimental protocols used to establish the concept of morally malleable reasoning suggests that the same causal process may be operative.

GENERAL DISCUSSION

The results of our studies provide broad support for our conceptualization of low-stakes opportunism. Although prior research associates opportunism with high stakes and low rapport, Study 1 suggests that opportunism increases when stakes are low *and* rapport is high. Study 2 unpacks this result not only by replicating the increased opportunism under high rapport and low stakes conditions but also by illuminating morally malleable reasoning as a key driver. Finally, Study 3 shows that these effects are not limited to hypothetical choices but are also manifest in actual opportunistic behavior, in this case, monetary cheating against a real partner.

Theoretical Implications

While TCT typically assumes that opportunism is motivated by the prospects of obtaining a large payoff, our findings challenge this assumption by showing that, under certain conditions, opportunism may be greater when the stakes are lower. Thus, it appears that, at times, economic actors may actually enhance their self-interest when the payoff is small. We label this phenomenon "low-stakes opportunism" and point TCT scholars in a different direction than the one they typically tread. The concept of low-stakes opportunism is congruent with recent research in behavioral economics that focuses on internal governance mechanisms for constraining dishonest behavior. Thus, it is perhaps not surprising that this work has received scant attention in the TCT literature (and vice versa). We believe that our research provides an important contribution by identifying the inherent connection between these two seemingly unrelated streams of research.

In addition, our research also indicates that relational safeguarding mechanisms, such as rapport, intended to serve as a safeguard, may actually *exacerbate* opportunism by providing economic actors with a means of engaging in morally malleable justification for bad behavior. This finding provides an intriguing counterpoint to the interorganizational domain's belief in the benefits of long-term relationships and challenges accepted notions regarding the opportunism-inhibiting properties of relational control

mechanisms, such as trust and commitment (Anderson and Weitz 1992; Ganesan 1994; Morgan and Hunt 1994).

Our research also enriches the way marketing scholars conceptualize opportunism. Wathne and Heide (2000) introduce the concept of active versus passive opportunism and suggest that opportunism varies by the way it is expressed (i.e., by engaging in or refraining from a particular behavior). Our research offers an alternative perspective by suggesting that opportunism also varies by the type of justification (i.e., morally malleable or calculative concerns) economic actors employ to excuse their behavior. In essence, opportunism exhibits a dialectic quality (i.e., calculativeness vs. malleability) that has not been previously recognized.

Finally, our ability to identify conditions under which low stakes are associated with increased opportunism underscores a key premise of TCT: exchanges are prone to opportunism and need safeguarding mechanisms to limit this behavior. However, mechanisms such as developing strong interfirm relations are not bulletproof and might be properly viewed as opportunism "inhibitors" rather than "remedies."

Managerial Implications

In addition to posing a perplexing challenge to academics, the governance of opportunism is also an issue of substantial relevance to practitioners. A widely prescribed antidote for opportunism is vertical integration (Rindfleisch and Heide 1997). Our research suggests an alternative approach by revealing that, when the stakes are low, opportunism may also be constrained by far less obtrusive mechanisms, such as seeking new relationship partners and using interpersonally distancing modes of communication. These suggestions are particularly intriguing as they question widely accepted notions regarding the benefits of established relations and interpersonal communication (e.g., Jap 1999; Narayandas and Kalwani 1995).

Our results also remind managers to be wary of opportunism's slippery slope: according to Durkheim's (1982) seminal thesis on the distinction between the normal versus the pathological, deviant behavior is contextually defined by a set of relative standards and can become "normalized" if practiced on a regular basis. Similarly, Moynihan (1993, p. 19) argues that over time, deviancy can be redefined "so as to exempt much conduct previously stigmatized, and also quietly raising the 'normal' level in categories where behavior is now abnormal by any earlier standard." This normalization process can be discerned in the results of Study 2, in which exchange partners are likely to view common acts of opportunism as normal and acceptable when rapport was high.

Indeed, a closer inspection of Study 2's results indicates that a significantly greater percentage of participants in the high-rapport condition (32%) stated that they would be very likely (i.e., 6 or 7 on a seven-point scale) to behave opportunistically than participants in the low-rapport condition (10%) ($F(1, 83) = 35.88, p < .001$). An analysis of their rationale revealed that this behavior was often motivated by a sense of normalization. For example, one participant justified his opportunistic act by stating:

Trying to gain this information is standard competitive intelligence; as long as we are not colluding on who should win the business I think it is perfectly acceptable to try and find out the other potential bid prices. (Male, 33)

Therefore, moral reasoning can be a double-edged sword. While absolute moral concerns may attenuate opportunism in some cases, more malleable forms of reasoning can foster opportunism if people normalize such behavior. Thus, firms seeking to control opportunism through moral-based mechanisms need to consider carefully both the benefits and costs of this strategy.

Future Research Directions

Our research represents an initial investigation of low-stakes opportunism and leaves a number of important questions unanswered. These questions represent intriguing opportunities for further research.

As Wathne and Heide (2000) document, some acts of opportunism are more egregious (e.g., willful violation of contractual terms) whereas other acts may have a more passive quality (e.g., shirking responsibilities). It is possible that moral malleability is less effective in facilitating stronger forms of opportunism, because the willful and blatant nature of these activities may be difficult to self-justify. Further research is needed to determine the extent to which our theory and findings hold for more egregious acts of opportunism.

According to several TCT scholars, a variety of exchange factors (e.g., performance ambiguity, asset specificity) and relational factors (Brown, Grzeskowiak, and Dev 2009; Wathne and Heide 2000) influence a person's degree of opportunistic behavior. The inclusion of such factors provides a promising avenue for further research on the interplay between stakes, rapport, and opportunism. For example, performance ambiguity tends to increase the extensiveness of firms' supplier verification efforts (Heide 1994), but would this relationship necessarily hold in exchanges involving high rapport? Greater rapport should mitigate the need for high levels of monitoring, but what would happen under conditions of high rapport and high performance ambiguity? Furthermore, our research accounts for the influence of rapport; however, opportunism may also be shaped by several other relational influences, such as power and dependence (Joshi and Arnold 1997) or relationship stage (Dwyer, Schurr, and Oh 1987). The impact of these influences on the association between self-interest and opportunistic behavior is beyond the scope of our inquiry but represents a promising avenue for further research.

Over the past decade, TCT has examined the efficacy of various external governance mechanisms, including vertical integration, bilateral investments, and relational norms (e.g., Brown, Dev, and Lee 2000; Brown, Grzeskowiak, and Dev 2009; Jap and Anderson 2003). Our research contributes to this domain by focusing on internal governance mechanisms, such as moral and calculative concerns. However, we do not examine the relative role of these internal mechanisms vis-à-vis more traditional external mechanisms, such as vertical integration. As Rindfleisch and Heide (1997) note, exchange partners often aim to reduce transaction costs by employing multiple mechanisms. Thus, further research that assesses the relative impact of both internal and external governance mechanisms in attenuating opportunism would provide considerable value.

We posit that the observed increase in opportunism in low-stakes/high-rapport settings is caused by an increase in morally malleable reasoning. Study 2 presents the results of

a mediation analysis consistent with this account. However, it is important to note that the rationale our participants stated may not fully reflect the actual cognitive process that drove their decisions but rather represent post hoc justifications for their choices. Further research could provide additional evidence for the proposal that morally malleable reasoning drives opportunism in these settings (or indeed, evidence that disconfirms this theory) by identifying additional factors that moderate morally malleable reasoning independent of stakes and rapport. Additional research could also use more proximal measures of cognitive process than the justification measures used in Study 2.

Conclusion

Opportunism is an essential concept in TCT, and its nature and impact have received considerable attention from marketing scholars (Rindfleisch et al. 2010). Our research contributes to this dialogue by offering both conceptual and empirical evidence that, in contrast to traditional thought, opportunistic behavior is inversely related to stake size under conditions of high rapport. Our explanation for this counterintuitive finding largely rests on the notion of moral malleable reasoning, a concept derived from recent research in behavioral economics. We hope that this synthesis of closely related, but seldom intermingled, theoretical traditions provides new conceptual insights for marketing scholars and an expanded set of relationship governance techniques for marketing managers.

APPENDIX: OPPORTUNISM SCENARIOS USED IN EXPERIMENTS 1 AND 2

In the scenarios to follow, you will be asked to imagine yourself in different roles, such as a sales representative or an industrial buyer. Your task is to tell us what you would do in each situation. Please note the specific details of each of these roles as they may vary to some degree.

1. You receive a large (40%) [small (1%)] commission on your sales. You have discovered that by exaggerating the seriousness of a customer's problem, you are able to get the customer to place a larger order than they otherwise would have. This week you have an online [face-to-face] meeting with a customer you have done business with for years [never met] who is interested in purchasing some equipment. Will you exaggerate the seriousness of this customer's problem?
2. A major longstanding customer [customer whom you have never met] mistakenly believes that you deserve the credit for outstanding service for which you will receive a substantial (\$50,000) [small (\$50)] salary bonus. In fact, a rookie salesperson, who has since left the company, was largely responsible for the great performance. You will be meeting online [face-to-face] with this customer tomorrow. Will you accept the credit for a job well done?
3. You purchase paper pulp for your firm, and you plan to put the purchase contract for it out for bid in an online auction [auction in your conference room]. Your boss has told you that if you are able to meet your cost savings objective in this bidding event then you will receive a tremendous (40%) [small (1%)] salary bonus this year. You have worked for years with [never met the] Asian suppliers that can give you better prices, although the quality of their products doesn't meet your company's standards and you would never give them the contract. However, you think that including them in the auction may motivate your own suppliers to give you better pricing. Will you invite the Asian suppliers to bid in the event?

4. You are a furniture salesperson. A longtime [new] customer is in the market for a sizable amount of furniture to furnish his new home. This customer has asked you to share your company discount with him although this is against customer policy. You receive a large (40%) [small (1%)] commission on all sales. You will be meeting online [face-to-face] with this customer tomorrow. Will you give this customer the discount?
5. One of the firms whose product line you sell requires much cold calling. You have known for years [never met] the individuals from this firm and don't believe that you can convince them that you are much more effective making fewer, more targeted calls. You are expecting a tremendous (40%) [minimal (1%)] pay raise this year. Tomorrow you will have an online [a lunch] meeting with this customer. Will you keep this customer happy by exaggerating the number of cold calls that you are making?
6. You are in charge of buying office furniture for your firm's new building. You are dealing with a supplier that you have worked with for years [never met] and the negotiation will begin by email [in face-to-face meetings] tomorrow. You know that the supplier will give you a large (40%) [small (1%)] price break if you initially inflate the size of the order (and reduce it later). Will you inflate the size of the order?
7. You are planning your bidding strategy for a purchase contract in an upcoming auction to be held online [in a conference room]. You have worked for years with [never met] this customer and this contract is very important to your firm. If you win it, you will receive a substantial (\$50,000) [small (\$50)] salary bonus for the year. This bonus is primarily based on your *winning* the contract and not on whether the firm can successfully execute the contract once it has been won. You believe that if you bid aggressively, you can later renegotiate the terms by introducing "engineering changes" once the contract has been won and try to recoup some of your costs. Will you bid low just to win the contract?

Note: Scenarios varied in terms of stakes (small vs. large payoff), duration of relationship (new vs. existing), and communication mode (face-to-face vs. online). Relationship duration and communication mode constitute manipulations of rapport, such that existing relationships and face-to-face communication indicate higher levels of rapport.

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