Journal of Business Research 65 (2012) 1112–1118

Contents lists available at SciVerse ScienceDirect

Journal of Business Research

The influence of leader opportunism in B2B exchange

Timothy G. Hawkins [a,1], Jeffrey E. Lewin [b,*], Clinton Amos [c,2]

[a] Naval Postgraduate School, Graduate School of Business and Public Policy, 555 Dyer Rd, Monterey, CA 93940, USA
[b] University of North Texas, College of Business, Department of Marketing & Logistics, 1307 West Highland Street, Denton, TX 76201, USA
[c] Augusta State University, James M. Hull College of Business, 2500 Walton Way, 30904-2200 Augusta, GA, USA

ARTICLE INFO

Article history:
Received 15 November 2010
Accepted in revised form 5 August 2011
Available online 21 September 2011

Keywords:
Leadership
Opportunism
Procurement
Buyer–supplier relationship
Ethics

ABSTRACT

A phenomenon of great significance to buyer–supplier relationships is opportunism. While research shows the behavior of organizational leaders contributes to unethical behavior of subordinates, leaders' influence on buyer opportunism in B2B exchange has not been examined. The purpose of this study is to enhance our understanding of how leaders influence buyers to behave opportunistically. Based on multiple theories a model tests the moderating effects of leaders' opportunistic behavior on two antecedents of buyers' attitude toward opportunism. Findings indicate that leaders' opportunistic behavior has both direct and moderating effects on buyers' attitude toward acting opportunistically.

1. Introduction

In 2004, Darleen Druyun, a former executive in U.S. Air Force acquisition, was sentenced to nine months in prison for unlawfully attempting to secure employment for herself and family members with the Boeing Corporation (Wayne, 2004) while representing the U.S. Air Force in contractual matters. Boeing's COO also received a prison sentence, while Boeing paid a $615 million fine. Druyun's egregious behavior was not limited to employment (Branstetter, 2005); she improperly influenced several source selections, payments, and negotiations in favor of Boeing on multiple contracts valued at $24.5 trillion (Larezos, 2008). While Ms. Druyun directly engaged in many acquisitions, she was not the assigned contracting officer. In each instance, the contracting officer – responsible for complying with laws and regulations – allowed such flagrant malfeasance. Explanations of how a leader influences buyers to engage in such flagrant opportunism are wanting.

As these examples suggest, opportunism – self-interest seeking with guile (Williamson, 1975) – is an important phenomenon in buyer–supplier interactions. The concept of opportunism exists in several notable works examining buyer–supplier relationships (e.g., Heide, Wathne, & Rokkan, 2007), relationship marketing (e.g., Morgan & Hunt, 1994), relational exchange (e.g., MacNeil, 1980), and transaction cost economics (e.g., Williamson, 1975). Opportunism manifests in behaviors such as cheating, breach of contract, deception, purposefully confusing transactions, cutting corners, cover ups, and withholding information (Anderson, 1988; Wathne & Heide, 2000). Such behavior produces negative effects on relational exchange norms such as trust, commitment, and cooperation (Joshi & Stump, 1999; Morgan & Hunt, 1994), and on firm performance (Crosno & Dahlstrom, 2008). To insulate from opportunism, exchange parties incur significant transaction costs such as careful supplier selection, writing detailed contracts, and monitoring performance (Williamson, 1975).

Given the above, an empirical examination designed to improve understanding of how leaders influence professional buyers' opportunistic behaviors should yield significant insights. The importance of such an examination stems from the role that professional buyers play across all industries in the economy. There are more than 450,000 buyers in the U.S. (U.S. Bureau of Labor Statistics, 2010). These professional buyers make major contributions to the bottom line since their overall objective is to obtain the highest quality goods and services at the lowest cost. In many cases, a professional buyer's actions directly determine whether a firm makes a profit in a given year (Princeton Review, 2010; U.S. Bureau of Labor Statistics, 2010). As such, understanding the factors that influence a professional buyer's conduct is critical to a firm's performance. To improve understanding of leaders' influence on buyers' opportunistic behavior, this study examines the direct effects of two important antecedents of buyers' attitude toward acting opportunistically in their relationships with suppliers (see Fig. 1). This study also examines the direct and moderating effect of buyers' perceptions of leaders' opportunistic behavior on buyers' attitude toward acting opportunistically.

* Corresponding author. Tel.: +1 940 565 4419; fax: +1 940 565 3803.
E-mail addresses: tghawkin@nps.edu (T.G. Hawkins), Jeffrey.Lewin@unt.edu (J.E. Lewin), clamos@aug.edu (C. Amos).
[1] Tel.: +1 831 656 7647.
[2] Tel.: +1 706 677 4546.

0148-2963/$ – see front matter © 2011 Elsevier Inc. All rights reserved.
doi:10.1016/j.jbusres.2011.08.021

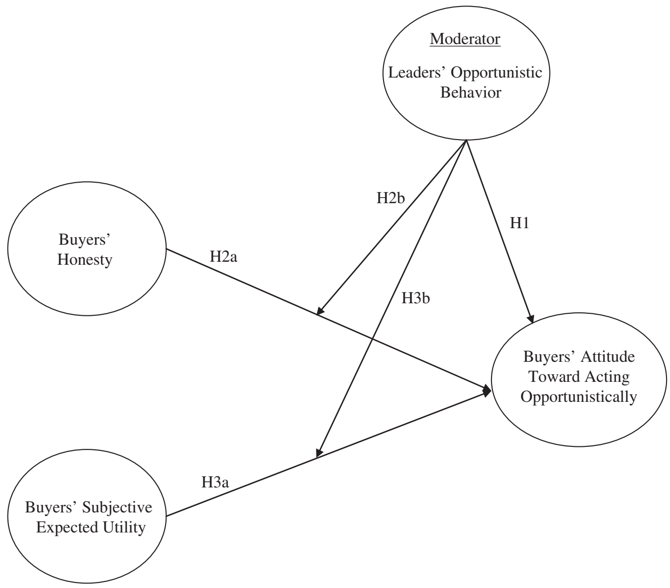

Fig. 1. Hypothesized model.

2. Conceptual framework and hypotheses

2.1. Foundational theories

Contingency theories of ethical decision making (e.g., Ferrell & Gresham, 1985; Hunt & Vitell, 1986) describe "decision" as a process beginning with the consideration of environmental factors such as culture, industry, organization, personal, social, and economic. These factors affect the recognition of a moral issue, perceived alternatives, and consequences. Next, an ethical judgment is decided as to what is right, wrong, and what should (not) be done. An individual's ethical judgment is impacted by personal factors (e.g., honesty, integrity), situational factors (e.g., anticipated rewards/punishments), and significant others (leaders, coworkers, family members), as well as organizational culture. Since many factors other than an individual's moral standards impact ethical judgment, some theories adopt a compromise between the deontological (i.e., whether there exist absolute moral standards of behavior) and the teleological (i.e., whether a moral decision depends on the consequences of the act) philosophies by accommodating both (Hunt & Vitell, 1986). Together, the components of the various models of ethical decision-making should help explain the circumstances in which buyers behave opportunistically.

Transaction cost analysis (TCA) is an influential theory of economic organizations (Hill, 1990). TCA views the firm as a governance structure and, focusing on the exchange transaction, examines under which conditions the costs of conducting economic exchange in the open market exceed the costs of vertical integration (Stump, 1995). The two key assumptions of TCA are *bounded rationality* and *opportunism*. Bounded rationality posits that decision making is constrained by imperfect information, cognitive limitations, and finite time constraints; as a result, decision makers often do not act rationally and/or in the best interests of the firm (Williamson, 1975). TCA also assumes that decision makers will act opportunistically when doing so is in their best interest (De Vita, Tekaya, & Wang, 2010). Consequently, in inter-organizational exchange, bounded rationality and opportunistic behaviors result in significant transaction costs.

Social exchange theory (SET) also serves a prominent role in explaining exchange (e.g., Dwyer, Schurr, & Oh, 1987; Morgan & Hunt, 1994). According to SET, economic exchange involves both social and financial outcomes, and forgone opportunities. Positive outcomes foster trust and commitment between exchange partners and, over time, norms develop that govern the relationship (Lambe, Wittmann, & Spekman, 2001). Thus, SET rejects TCA's assumption of universal opportunism and suggests that there is an alternate form of firm governance, the relationship. Parties to relational exchange tend to rely more on trust, commitment, and cooperation than strictly on written contracts (Heide & John, 1992).

2.1.1. Leaders' opportunistic behavior and its influence

In this study leaders' opportunistic behavior is defined as the extent to which professional buyers perceive their leaders as behaving opportunistically. Leaders' opportunistic behaviors include exaggerations or misrepresentations in supplier communications, an unwillingness to make adjustments in dealing with suppliers when appropriate, and/or withholding important information from suppliers. Additionally, when directing subordinates, leaders' opportunistic behaviors may manifest in explicit directives, performance expectations, and/or aggressive goal setting.

The position taken here is when buyers perceive their leaders as behaving opportunistically, these perceptions will influence buyers' attitudes toward their own use of opportunistic tactics when dealing with suppliers. Further, the expectation here is that buyers' attitudes toward acting opportunistically often will lead to actual buyers' opportunistic behavior. This proposed linkage between buyers' attitudes and subsequent behaviors is based on significant extant prior works (e.g., Alwitt & Berger, 1992; Armitrage & Connor, 2001; Bagozzi & Yi, 1989).

Typically with unethical conduct opposing forces are at play which leads to ill-formed intentions. On one hand, there is the desire to feel good about oneself and on the other hand there is the desire to pursue selfish rewards (Mazar, Amir, & Ariely, 2008). Also, when an individual views others in his or her associative group as participating in unethical behavior, the individual tends to exhibit similar behavior without concern (Mazar et al., 2008). Hence, the effect of leaders' behaviors on those pondering ethical decisions is explicated in all ethical decision making models (Dubinsky & Loken, 1989; Ferrell & Gresham, 1985; Hunt & Vitell, 1986).

H1. There is a positive relationship between buyers' perceptions of leaders' opportunistic behavior and a professional buyer's attitude toward acting opportunistically.

2.1.2. Buyers' honesty

Based on an examination of the codes of ethics of 15 professional trade organizations, Gaumnitz and Lere (2002) summarize the key tenets of professional honesty as the obligation to be honest, not to misrepresent competence, to include information and not to exclude information. The American Marketing Association's (2010) Statement of Ethics describes honesty as being forthright in dealings with customers and stakeholders, striving to be truthful in all situations, and honoring commitments and promises. Consistent with these views, professional buyers' honesty is defined here as complete honesty when dealing with suppliers and all other stakeholders, accurate representation of competence and experience, and adherence to all applicable laws and regulations.

Honesty is often emphasized in B2B contexts given its key role in social exchange and transaction cost theory. Due to bounded rationality, contracts are always incomplete and parties often find themselves back at the table negotiating changes. In these cases, honesty is important to minimize transaction costs and preserve trust. Trust curtails opportunism, and is the key mediating variable to efficient relational exchange (Morgan & Hunt, 1994). Without honesty and trust, exchange parties lose confidence that the other will behave as expected. Additionally, individuals' values are included as important factors in various ethical decision making models (Ferrell & Gresham, 1985; Hunt & Vitell, 1986). Since honesty is a value that has been