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Betrayal intention in exporter-importer working relationships: Drivers, outcomes, and moderating effects

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A B S T R A C T

Betrayal is a very common, but relatively under-researched, dark side phenomenon in inter-firm relationships that warrants investigation. We propose a conceptual model of the factors reducing betrayal intention in exporter-importer (E-I) working relationships and its resulting effect on actual betrayal. Using a random sample of 262 indigenous exporters of manufactured goods based in Greece, we confirm that betrayal intention in their relationships with foreign buyers is significantly and negatively affected by four key parameters, namely, trust, communication, long-term orientation, and social bonds. An importer's betrayal intention is subsequently very likely to develop into actual betrayal in the relationship. However, this likelihood is lower in the case of older relationships, as well as those characterized by contractual obligation between the interacting parties.

1. Introduction

Betrayal has repeatedly been recorded as a widespread phenomenon throughout the history of humankind and this is unlikely to be the exception with regard to inter-firm relationships. It is defined as the perceived violation of implicit or explicit norms and expectations of decency, honesty, and fairness that are assumed to govern a relationship (Finkel, Rusbult, Kumashiro, & Hannon, 2002). It is one of the darkest aspects of buyer-seller relationships, which essentially results from 'breaking the rules of the game', and can endanger the future continuation of the relationship (Fitness, 2001). Disclosing confidential information, failing to render assistance sought, and maintaining a parallel relationship with a direct competitor of the partner firm, are some forms of betrayal in inter-organizational relationships (Atkins and Kessel, 2008; Mattingly, Wilson, Clark, Bequette, & Weidler, 2010; Rachman, 2010). Betrayal is aversive behavior, indicating that the offending partner no longer cares about or values the relationship, and in response the betrayed party will feel hurt, devastated, and disappointed (Leary, Springer, Negel, Ansell, & Evans, 1998).[1]

Buyers and sellers enter a working relationship with certain expectations (e.g., believing that the partner is fair and honest), while they also form new expectations (e.g., responding effectively and efficiently to operating problems) as the relationship evolves over time (Jones & Burdette, 1994). These expectations are even more evident in close relationships, where one party believes that the other is sufficiently reliable to disclose information, to keep promises, and be faithful and trustworthy (Jones & Burdette, 1994). Each relationship has its own domain-specific expectations, while betrayal implies a sufficiently voluntary violation of mutually known expectations (Elangovan & Shapiro, 1998). Since these expectations are context-specific (Shackelford & Buss, 1996), pivotal expectations, which are instrumental to the nature of the relationship, are likely to be violated (Fitness, 2001). Betrayal actions are especially damaging, because they are not only unexpected, but are also carried out by persons who are trusted (Haden & Hojjat, 2006).

In an inter-organizational dyadic buyer-seller relationship, the treachery resulting from the intentional violation of relational expectations has the potential to inflict harm on the betrayed party,

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[1] Betrayal is defined as the feeling of being harmed by the intentional actions or omissions of someone assumed to be trusted and loyal (Rachman, 2010). Elangovan and Shapiro (1998) distinguish two types of betrayal by the presence of intent: (a) *accidental*, that is, betrayal without an intention to violate the expectations of the trustor, mostly considered a regrettable error by the instigator; and (b) *intentional*, that is, deliberate violations of trustor's key expectations. Intentional betrayal is further divided into *premediated*, that is, the existence of betrayal intention before the relationship starts and *opportunistic*, that is, betrayal intention that appears as a reaction to a certain situation in an ongoing relationship (Elangovan & Shapiro, 1998). In this study, our focus is on intentional and opportunistic betrayal.

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causing anger, grievance, and feelings of inequity (Rachman, 2010; Rousseau, 1989). It also means that the time, effort, and investment a party has put into the relationship are lost, while the faithfulness of, trust in and commitment to the betrayer is ruined (Jones & Burdette, 1994). Betrayal also denotes an upset power balance between the interacting parties, with the betrayed party feeling more humiliated and disadvantaged than the betrayer (Fitness, 2001). Once discovered, handling the problems caused by betrayal in a working relationship is not easy (Finkel et al., 2002), while it may lead to the termination of the relationship (Fitness, 2001; ; Jones & Burdette, 2001). Even if the relationship is not terminated (for reasons of dependence, relational investments, and legal bindings), the previous history of betrayal makes the relationship less satisfying and its future more pessimistic (Jones & Burdette, 1994).

Although the issue of betrayal has received some attention in intra-organizational studies (see, for example, works by Elangovan & Shapiro, 1998; Morrison & Robinson, 1997; and Robinson & Morrison, 2000), from an inter-organizational perspective this was only peripherally tackled (e.g., Eckerd, Hill, Donohue, & Ward, 2013; Ekici, 2013; Wang and Huff, 2007). The only exception is a recent study by (2017), which focused on the reasons giving rise to inter-firm betrayal and the consequences of it. This is surprising, because the majority of firms have the potential in many cases to run the risk of being betrayed by their business partners, or have already experienced betrayal incidents (Jones & Burdette, 1994). The risk of betrayal is even greater in international business relationships, mainly due to: (a) the considerable physical and psychic distance between the interacting parties that disrupts the flow of information between them (Håkanson & Ambos, 2010); (b) the different emphasis, meaning, and interpretation given to the violation of rules and expectations by people from different cultural backgrounds (Mattingly et al., 2010); and (c) the high environmental volatility, complexity, and uncertainty characterizing foreign markets, which may trigger abrasive behavior (Li & Ng, 2002; Luo, 2005).

Despite its critical importance, there is a lack of research focusing on the drivers and outcomes of inter-organizational betrayal intention in international business relationships, which is the object of our study. Specifically, we aim to investigate the effect of four key relational dimensions, namely trust, communication, long-term orientation, and social bonding, on betrayal intention in exporter-importer (E-I) working relationships, and how this in turn can lead to actual betrayal. We also want to explore whether the link between betrayal intention and actual betrayal is moderated by both the length of the relationship and the existence (or absence) of contractual agreements between the two interacting parties.

The remainder of the article is structured as follows: First, we review the pertinent literature on the dark side of inter-organizational relationships and identify various factors that can be associated with betrayal incidents. The next section presents the conceptual model and formulates both the main and moderating hypotheses of the study. This is followed by an explanation of the methodology adopted, which is divided into sampling method, scale development, questionnaire design, fieldwork procedures, and controlling for bias. Subsequently, we explain the analytical procedures employed and discuss the research findings. In the final sections, we extract conclusions, explain the study contributions, offer managerial implications, and provide guidelines for future research on the subject.

2. Literature on the dark side of relationships

Research on the dark side of buyer-seller relationships first made its appearance in the late 1980s, and since then there has been a relatively low, but steady, growth of studies on the subject. One group of studies is based on the fact that buyer-seller relationships, apart from positive aspects, also have negative dimensions that warrant attention. For example, Corsaro (2015) reports that opportunism, uncertainty, and misalignment (of goals, business approaches, and time orientation) deter a firm from building and maintaining effective business relationships, as well as setting a barrier to resource mobilization among interacting parties. In addition, Holmlund-Rytkönen and Strandvik (2005) underline the importance of relationship stress in influencing the strength and length of a relationship. Other negative issues identified include: network inertia (Kim, Oh, & Swaminathan, 2006), relationship unrest (Good & Evans, 2001), relationship instability (Das & Teng, 2000), relational damage (Hammervoll, 2011), and absence of suspicion (Hunter, Gassenheimer, & Siguaw, 2011).

Another line of research focuses on close business relationships, which can be vulnerable to destructive behavior, due to the fact that over time they begin to display characteristics that undermine their stability and ultimately lead to their dissolution (Anderson & Jap, 2005; Jap & Anderson, 2003). Indeed, many studies indicate that relational dimensions, once underlying harmonious business relationships, are gradually transformed into elements that may mask deleterious effects on the relationship. For instance, high levels of trust in the relationship are found to produce adverse conditions, such as increasing vulnerability to deception and creating the pre-conditions for exploitation (Gligor and Esmark, 2015; Liu, Li, Tao, & Wang, 2008). It was also revealed that cooperative norms, initially seen as beneficial for the working relationship, may create over time a rigidity, which will subsequently limit the firm's strategic options, such as effectively expanding into foreign markets (Ling-yee, 2004). In addition, closeness, although helping to improve interaction between relational parties, can make them less immune from opportunism (Wuyts & Geyskens, 2005), result in the disclosure of confidential information to competitors (Gligor & Esmark, 2015), and even reduce business performance (Villena, Revilla, & Choi, 2012).

Other research deals with the contingency role that certain variables can play in seemingly harmonious associations between relationship constructs, thus shedding light on hidden dark sides. For example, Brown, Crosno, and Dev (2009) find that strong relational norms diminish the positive impact of physical transaction-specific assets on relational performance, because they impair managerial ability to make sensible investment decisions. Moreover, Selnes and Sallis (2003) report that trust weakens the positive influence of organizational learning on relational performance by the creation of invisible costs, such as reduced objectivity. Furthermore, Fang, Chang, and Peng (2011) show the diminishing effect that relational tension has on the positive link between relationship quality and relationship functions.

Another group of studies focuses on relationship ending caused by dark side problems, which may take the form of switching to another business partner (Heide & Weiss, 1995), dissolution (Tähtinen, 1998), or termination (Giller & Matear, 2001). Some of the reasons cited for ending business relationships include: failure to resolve conflicts, lack of satisfaction, and availability of attractive alternative partners (e.g., Doyle, Jens, & Michell, 1980; Holmlund and Hobbs, 2009; Ping, 1993, 1995, 1999; Purinton, Rosen. & Curran, 2007). Notably, the intention to dissolve a relationship may increase opportunism and weaken cooperation (Kang, Oh, & Sivadas, 2012), whereas the inability to end a problematic relationship due to high exit barriers (e.g., high dissolution costs) was found to become a dark side on its own (Kim et al., 2006).

Some other group of studies focuses on remedies that can cure dark side relationship issues. For example, Jap and Anderson (2003) stress the role of goal alignment and bilateral idiosyncratic investments as safeguards against opportunism, while Gundlach and Cannon (2010) emphasize the importance of market monitoring as a shield against the dark side effects of trust. Dant and Gleiberman (2011) propose various preventive (e.g., clear and overt expectations) and combative (e.g., inter-organizational mindset) strategies against the dark side of buyer-seller relationships, whereas Noordhoff, Kyriakopoulos, Moorman, Pauwels, and Dellaert (2011) stresses the constructive role of formalized interactions, relation-specific investments, and relationship maturity in minimizing the appearance of dark side phenomena.

A final line of research deals with the issue of betrayal, although