# Betrayal in international buyer-seller relationships:

# Its drivers and outcomes

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## Abstract

*We propose a conceptual model of the factors driving betrayal in exporter-importer relationships and its resulting effect on relational performance. Using a random sample of 262 exporters of manufactured goods based in Greece, we confirm that betrayal in their relationships with foreign buyers is significantly and positively affected by five key parameters, namely, 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. Betrayal is in turn responsible for reducing the performance of the working relationship. In fact, this negative link between betrayal and relational performance is more evident in the case of relationships characterized by low dependence levels, as well as low degrees of tolerance.*

Keywords: Betrayal; buyer-seller relationships; exporting/importing

Track: Main track

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## INTRODUCTION

There is a growing understanding among academics and practitioners alike that the cornerstone of modern business lies in the quality of interactive relationships between sellers and their buyers. 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 and Sharma, 1997).

The significance of these relationships is even more pronounced when transcending national boundaries, 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. However, all these factors increase the likelihood of episodes of betrayal in the Exporter-Importer (E-I) working relationship by the parties involved. Betrayal denotes a feeling that a trusted business partner inflicted harm with his/her intentional actions or omissions to the other (Rachman, 2010). Betrayal episodes are not only prevalent in working relationships, but their effects are of a long-lasting, and in many cases, destructive nature (Elangovan and Shapiro, 1998). This is because betrayal ruins an ongoing, meaningful relationship in which parties have invested physical and emotional resources (Fitness 2001).

Despite its critical importance, there is a scarcity of research focusing on the drivers and outcomes of betrayal in international business relationships. This study aims to shed light on these associations, which, although crucial, have rarely been examined in the past. It is one of the key aspects of the 'dark side' of working relationships which warrants close investigation, because it violates trust, reduces inter-partner loyalty, and causes various deleterious effects in the relationship which may eventually lead to its disintegration.

The remainder of the paper reviews the pertinent literature on the dark side of relationships, defines betrayal in inter-organizational relationships, presents a conceptual model and formulates a set of research hypotheses, explains the study methodology, analyzes the research findings, and ends with conclusions and implications.

## LITERATURE ON THE DARK SIDE OF RELATIONSHIPS

Dark side of relationships refers to the phenomenon that well-functioning business relationships are frequently the most vulnerable to decline and destruction (Anderson and Jap, 2005) and/or the negative impact of inappropriate behavior or attitudes of business partners on the working relationship (Fang *et al.*, 2011). Research on the dark side of buyer-seller relationships first made its appearance in the mid-1980s, and since then a relatively small number of studies have been conducted on the subject. One group of researchers dealt with the dark side outcomes (e.g., opportunism, relationship termination) of "apparently positive" aspects of buyer-seller relationships. Specifically, extant research investigated how the dark side develops as a result of trust misgivings (Ekici, 2013; Grayson and Ambler, 1999), involvement (Mitrega and Zolkiewski, 2012), guanxi (Gu *et al.*, 2008), relationship embeddedness (Noordhoff *et al.*, 2011) and social capital (Villena *et al.*, 2012), because the potential high levels of these relational dimensions place business partners in vulnerable positions and lead to their exploitation. Some scholars have also investigated the role of contingency effects of certain variables (e.g., competitive intensity, relational governance mechanisms) on the positive link between positive relational dimensions and their dark side consequences (Gu *et al.*, 2008; Noordhoff *et al.*, 2011).

Other researchers have examined the antecedents and consequences of negative aspects of buyer-seller relationships. For example, Ping (1999) investigated the influence of

low levels of satisfaction, voice, neglect and the cost of exiting from the relationship on the exit behavior of retailers. Hibbard *et al*. (2001) focused on cognitive and relational antecedents and relational outcomes of the responses of channel members to destructive acts. Hammervoll (2011), on the other hand, investigated the determinants of relational damage and the factors moderating the association between relational damage and constructive *versus* destructive reactions.

A final group of studies focused on various other topics related to the dark side of buyer-seller relationships, such as the moderating role of behavioral, structural, and psychological tension between relationship quality and relationship functions (Fang *et al.*, 2010) and the effect of trust verification strategies (as a safeguard against the dark side of trust) on performance (Gundlach and Cannon, 2010). Notably, studies on the dark side were mainly conducted within domestic business settings, with the exception of Pressey and Tzokas's (2004) study, which examined the potential role of relationship length acting as a dark side factor in E-I relationships, concluding that long-term relationships are not adversely affected by the side-effects of relationship length.

## DEFINING BETRAYAL

Betrayal is one of the most common forms of the 'dark side' of inter-organizational relationships. This is defined as the "voluntary violation of mutual expectations of the trustor by the trusted party (trustee), which has the potential to threaten the well-being of the trustor" (Elangovan and Shapiro, 1998). 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 and Reina, 2006). Betrayal can be either accidental/ unintentional (i.e., when the trustee has no intention of violating the expectations of the trustor and is usually associated with regrettable errors) or intentional (i.e., when the trustor intentionally violates the key expectations of the trustee) (Levesque, 2014; Reina and Reina, 2006). The latter is the most frequent form of betrayal, especially when this arises in response to a specific situation in the context of an ongoing relationship (opportunistic betrayal) (Elangovan and Shapiro, 1998).

Five dimensions characterize betrayal: (a) *voluntary*, meaning that the trustee either lacks the motivation to conform to the expectations of the trustor 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 trustor (Elangovan and Shapiro, 1998).

Betrayal behavior takes place when the assessment of the perceived relative benefits (e.g., acquiring more resources by misleading the trustor) of betraying outweigh those of maintaining the *status quo* in the relationship (e.g., paying penalties) (Bies and Tripp, 1996). The possibility of betrayal episodes arising will depend on three major factors: *first*, the perceived equity of exchange between the interacting parties, with perceptions of inequity giving rise to betrayal because they serve to reduce any guilt or shame the trustee might experience (Shackelford and Buss, 1996); *second*, the continuity of the relationship, with betrayal becoming more likely when the trustee believes that the relationship comes to a natural end in the near future, as opposed to a relationship that is expected to last longer

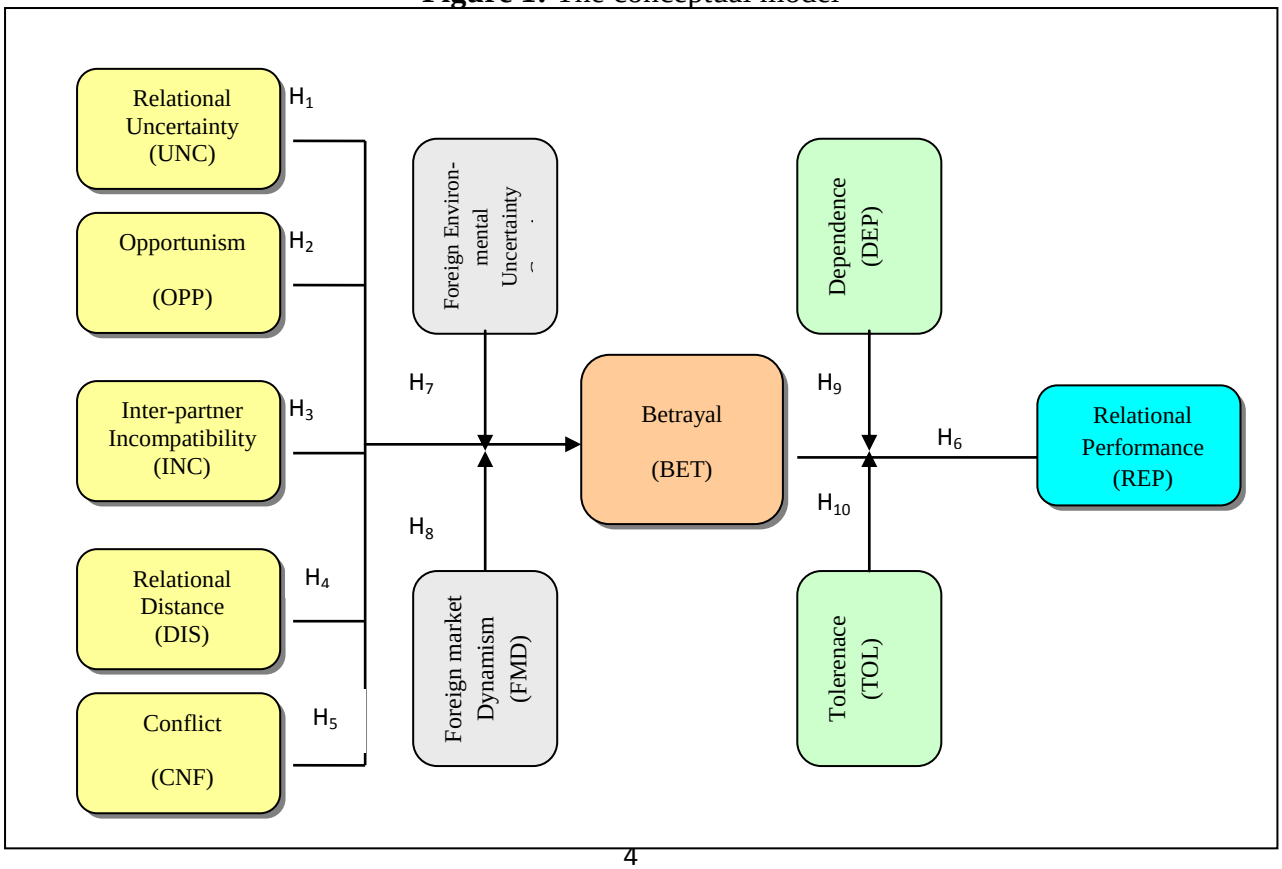
(Shackelford and Buss, 1996); and *third*, the availability of alternative trustors, with betrayal being more evident when the trustee enjoys the trust of some other trustors or perceives that the likelihood of being trusted by other relationship partners is high (Gottlieb, 1994).

The motivation leading one party to betray another in a relationship will depend on the perceived likelihood of suffering penalties: if the expected penalties (e.g., imposition of financial sanctions) are severe, this will curb actual betrayal behavior (Eoyang, 1994, Lewicki, 1983; Sarbin, 1994). Although betrayal denotes a violation of trust in the relationship, it is not always unethical. This will depend on the perceived seriousness of the violation and the relative centrality of the substituting principle (Elangovan and Shapiro, 1998). With regard to the former, although there is a tendency by the betrayer to find excuses to reduce the feeling of guilt or shame that may accompany thoughts of violating trust, when s/he is characterized by a high level of moral development it will be recognized as an unethical act (Lewicki, 1983). With regard to the second factor, the unethicality of betrayal will depend on the relative importance the trustee attaches to the principle, drive, or value that s/he uses by betraying the trustor (Elangovan and Shapiro, 1998).

## CONCEPTUAL MODEL AND HYPOTHESES

The dark side of relationships in this study centers on intentional betrayal and its predictors and consequences. Our conceptual model consists of eleven constructs categorized into four groups (see **Figure 1**). Relational uncertainty, opportunism, inter-partner incompatibility, relational distance, and conflict are drivers of betrayal in the E-I relationship. The existence of betrayal subsequently negatively affects relational performance. The link between drivers of betrayal and relational performance is moderated by the degree of foreign market uncertainty and foreign market dynamism. In addition, the link between betrayal and relational performance is moderated by dependence and tolerance. Altogether, there are six main hypothesized links and four moderating hypotheses, which are explained in the following.

**Figure 1:** The conceptual model



## Main Hypotheses

*Relational uncertainty* refers to the degree to which the future status, directions, and outcome of the working relationship between a seller and a buyer can be predicted (Rosson and Ford, 1982). Under conditions of relational uncertainty, information about the partner's actions is inadequate, as well as about how the relationship will develop in the future. This gives room for betrayal to arise, because if the future of the relationship is questionable, business partners will lose their importance and little benefit will be seen in maintaining the relationship (Elangovan and Shapiro, 1998). Moreover, relational uncertainty blurs the perception of what the parties owe to each other and increase the likelihood of violation of relational norms (Morrisson and Robinson, 1997). Furthermore, it can reduce loyalty and cause deception due to the ill-fulfillment of expectations arising from the relationship (Elangovan and Shapiro 1998). Hence, we may hypothesize that: ***The higher the level of relational uncertainty, the greater the likelihood of betrayal ($H_1$).***

*Opportunism* is defined as self-interest seeking with guile, which is expressed in a relationship in terms of subtle (e.g., hiding/distorting information) and/or blatant (e.g., telling lies) types of behavior (John, 1984; Williamson, 1979). In opportunistic situations, substantial resources are devoted to controlling and monitoring the business partner's activities, thus increasing transaction costs (Wathne and Heide, 2000). This is especially true of international buyer-seller relationships, because the long geographical and psychological distance separating exporters from importers provides fertile ground for betrayal actions (Katsikeas, Skarmeas, and Bello, 2009). The reason why opportunism can be a cause of betrayal stems from the fact that it is usually the outcome of a self-interest calculation of the pros and cons derived from a particular situation (Elangovan and Shapiro, 1998). Indeed, self-interest, which is at the core of opportunism, has been the most dominant theoretical explanation of betrayal behavior (Grover, 1997). Thus, one would expect that: ***The lower the level of opportunism in the E-I relationship, the greater the likelihood of betrayal ($H_2$).***

*Inter-partner incompatibility* refers to the extent that the goals, strategies, and expectations of the parties in the working relationship are not aligned (Sarkar *et al.*, 1998). Such incompatibility seems to be more profound when transcending national boundaries, due to the different environments in which the parties operate. In the case of inter-partner incompatibility, the interests of one party are harmed by the actions of the other, and this can give rise to instability in the relationship. The fact of the interacting parties having little in common and divergent interests complicates joint decision-making. This may subsequently lead to betrayal, because inter-partner incompatibility can cause the disregarding of rules, the breaking of promises, and hoarding of resources, which are instrumental to the rise of betrayal episodes (Elangovan and Shapiro, 1998). In fact, incompatible partners tend to seek to achieve their own goals and look after their own self-interest, weakening in this way their relational bonds and making the relationship more vulnerable to trust violations (Das and Rahman, 2010). Thus, we may posit that: ***The higher the level of inter-partner incompatibility in the E-I relationship, the greater the likelihood of betrayal ($H_3$).***

Distance refers to any prevention, delay, or distortion of information exchanged between partners in a working relationship that is responsible for keeping them apart (Hallén and Wiedersheim-Paul, 1979). Certainly, distance is more evident in an international business setting, in view of the many differences that exist in socio-cultural, political-legal, and economic systems, as well as the high physical and psychic costs incurred (Stöttinger and Schlegelmilch, 1998). As such, the prevalence of high levels of distance between exporters and importers can create the conditions in which betrayal may take place. This is because distance can: (a) restrict buyer-seller interactions, thus limiting the options of creating a sustainable relationship; (b) reduce the possibilities of properly monitoring the foreign partner's activities; (c) strengthen the motivation to search for a similar or closer partner; and

(d) encourage misinterpretation of the partner's behavior (Das and Rahman, 2010; Morrison and Robinson, 1997). Hence, we could assert that: ***The higher the level of distance in the E-I relationship, the greater the likelihood of betrayal ($H_4$).***

Conflict is defined as blocking behavior that obstructs the members of a working relationship from acquiring resources and/or conducting activities necessary for their advancement (Anderson and Narus, 1990). The roots of conflict can be traced to structural (e.g., competing for limited resources) and/or attitudinal (e.g., expecting different outcomes) reasons, and it is usually expressed in terms of disagreements, confrontation, friction, tension, frustration, and other negative feelings or actions (Dwyer *et al.*, 1987). Although a certain amount of conflict is inevitable in any kind of relationship, if it becomes pathological and gets out of hand, it can be destructive (Brown and Day, 1981). This is more likely to be the case with E-I relationships, whereby the national boundaries separating sellers from buyers can give rise to many disagreements due to different traditions, systems, norms, and practices (LaBahn and Harich, 1997). The existence of conflict can create the preconditions for betrayal in an E-I relationship, because of hoarding resources, destructive disagreements, and violation of relational norms and values (Elangovan and Shapiro, 1998). It can also lead to a short-term escape or 'avoidance to cope' situation (rather than actively dealing with it), which gives rise to betrayal incidents (Hall and Fincham, 2009). Hence: ***The higher the level of conflict in the E-I relationship, the greater the likelihood of betrayal ($H_5$).***

Betrayal in a business relationship can be expressed in various ways, such as disclosure of confidential information, failure to render assistance sought, contact with another firm outside the relationship (which is a direct competitor of the current business partner) in order to develop possible business and negotiations for better trade terms or actively doing business with other companies outside the relationship (Atkins and Kessel, 2008; Mattingly *et al.*, 2010; Rachman, 2010). This will prevent the parties in the relationship from attaining its goals, coordinating venture activities, and carrying out their roles effectively (Kumar *et al.*, 1992). The frustration, distrust, and bitterness caused by betrayal can be devastating to the party feeling betrayed. This in turn can have detrimental effects on the performance of the relationship and may jeopardize its mere existence (Caldwell *et al.*, 2008). Hence, the following hypothesis can be made: ***High levels of betrayal in the E-I relationship will lead to low relational performance ($H_6$).***

Moderation hypotheses

*Foreign environmental uncertainty* is defined as the extent to which the various components constituting the firm's international environment (e.g., economic, political-legal, technological, etc)are predictable (Javidan, 1984). Such situational factors can play an important role in moderating betrayal behavior. For example, Sarbin (1994) demonstrated that critical contingencies, such as a financial crisis, may increase the probability of the trustee considering betrayal as a solution. External uncertainty also makes conforming to relational norms a cumbersome task for business partners (Parks and Kidder, 1994). Indeed, an uncertain environment will provide fertile ground for more relational uncertainty, opportunistic behaviors, incompatible actions, loose associations, and ongoing disagreements. In turn, these will push partners to pursue their self-interest and survive various betrayal actions with the least amount of damage. Hence, we may posit that: ***The link between each of the elements of antecedents of betrayal and betrayal becomes stronger when foreign market uncertainty is higher ($H_7$)***

*Foreign market dynamism* is the perceived frequency of change in marketing forces in the firm's operating market (Achrol and Stern, 1988). Under such dynamic conditions, firms are forced to better understand their consumers' needs, quickly absorb information from the market, and constantly revise the way their strategy is organized and implemented (Cui *et al.*,

2005). These actions will help to make betrayal episodes more frequent due to opportunistic actions (to reap the benefits of fast-changing opportunities), loosely connected parties, and increased disagreements (Li and Ng, 2002). The fact that profitable market opportunities in such times may not be long-lasting and may not arise more than once may make self-interest actions particularly attractive (Li and Ng, 2002). We may hypothesize that: ***The link between each of the antecedents of betrayal and betrayal becomes stronger when foreign market dynamism is high ($H_8$).***

*Dependence* refers to the degree to which one party needs to maintain a relationship with another in order to gain desired resources and achieve its goals (Frazier, 1983; Kale, 1986; Heide and John, 1988). Dependence will be higher when the required resources cannot be found elsewhere and goals can only materialize from within the relationship (Andaleeb, 1996). In relationships characterized by a high degree of interdependence, each party is strongly motivated to seek its continuity, because of the high value contributions mutually received, the existence of relatively high exit barriers, and the difficulties encountered in switching to alternative partners (Kumar *et al.*, 1995; Goodman and Dion, 2001). Thus, even in the case of betrayal incidents, the interacting parties will be reluctant to dissolve the relationship because of: (a) the need to achieve their goals (Frazier, 1983); and (b) the lack of qualified alternative partners (Dillow *et al.*, 2012). Hence, one would expect a more passive response to betrayal, in the hope that conditions will improve in the future (Frazier *et al.*, 1989). We may hypothesize that: ***High levels of dependence in the E-I relationship will make the link between betrayal and relational performance weaker ($H_9$).***

*Tolerance* is the degree to which one party accepts of the other's actions/ characteristics the former disagrees with, disapproves of or dislikes (van Doorn, 2014). Tolerance denotes acceptance as opposed to fighting, ignorance, or coping with the different behavior of other parties (van Doorn, 2014). Thus, one can expect that highly tolerant business partners exposed to an act of betrayal will not judge the other's action nor exhibit an aggressive reaction to the latter. They will even prefer to resolve the problematic issues leading to betrayal and will not consider exiting the relationship (Pettersen and Rokkan, 2006). Indeed, Montgomery and Brown (1988) have shown that low degrees of tolerance were related to a general tendency by the trustee to betray his/her relational partner. The following hypothesis can be made: ***High levels of tolerance in the E-I relationship will make the link between betrayal and relational performance weaker ($H_{10}$).***

## STUDY METHODOLOGY

Our study took place in Greece, which, despite its recent economic problems, has experienced significant growth in exports, from €13.4 billion in 2009 to €27.5 billion in 2013 (National Statistical Agency of Greece, 2015). Exporting firms were identified from the Exporters' Directory of ICAP (2014), which has more than 10,000 entries of firms. Our focus was on exporters of manufactured goods (either consumer or industrial), belonging to the private sector, being of indigenous origin, and coming from different industrial classifications. A random sample of 1,000 firms was drawn from this Directory and each was contacted by telephone to explore their willingness to participate in the study. Of these, only 595 accepted to participate in the study, who were sent a mail (and in some cases electronic) questionnaire. This was accompanied by a letter explaining the purpose, usefulness, and confidentiality of the study. Reminder letters, and in some cases telephone contacts and personal visits, were used to encourage participation. Altogether, 268 questionnaires were returned (i.e., 43.4% response rate), of which six had to be dropped because of missing data, inconsistencies in the answers given, or unsuitability of the person providing the information. The use of Armstrong and Overton's (1977) non-response test, in which the answers of early

respondents were compared to those who responded late, revealed no statistically significant differences between the two groups with respect to the study variables.

Construct operationalization was based on established scales from the literature that were further refined with the assistance of a panel of export managers (see **Appendix**). The questionnaire was designed around the constructs operationalized, following the sequence of their appearance in the model. When answering the questionnaire, respondents were asked to have in mind the third most important working relationship with a foreign buyer. A seven-point Likert scale, ranging from strongly disagree (1) to strongly agree (7), was used to measure the items contained in each scale. A set of questions inserted at the end of the questionnaire assessed the degree of familiarity, knowledgeability, and confidence of the respondent to provide the information required. The questionnaire was initially developed in English and then translated into Greek, while a back-translation procedure revealed no problems. Prior to the commencement of the full-scale study, the questionnaire was tested with five export managers to ascertain its flow, duration, and ease of response, and only a few minor adjustments were required.

## RESEARCH FINDINGS

For the analysis of our data, we used structural equation modeling (SEM) based on the EQS program. As a first step, we carried out a confirmatory factor analysis on the main constructs of our model by restricting each item to load on its *a priori* set factor, while allowing the underlying factors to correlate (Anderson and Gerbing, 1988). To estimate the model, we used the elliptical re-weighted least-square (ERLS) procedure, revealing a very good fit to the data ($\chi^2$ = 804.22, $p$ = .000, df = 413; NFI = .93; NNFI = .96; CFI = .96; RMSEA = .06) (see **Table 1**).

### Data Purification

The data collected underwent a purification process comprising four steps: *first*, we checked the convergent validity, which was met, as the *t*-value for each item was always high and significant, all standard errors of the estimated coefficients were very low, and the average variance extracted for each construct was equal to or above the threshold of .50 (Hair *et al.* 2010); *second*, we checked for discriminant validity, which was evident because the confidence interval around the correlation estimate for each pair of constructs examined never included 1.00 (Anderson and Gerbing, 1988), while the squared correlation for each pair of constructs never exceeded their average variance extracted (Fornell and Larcker, 1981) (see **Table 2**); *third*, we checked for construct reliability, which was satisfactory because all constructs in our conceptual model exhibited Cronbach's alphas greater than .70, while composite reliability was also satisfactory, with all coefficients being well above .60; and *fourth*, we assessed the possibility of common method bias. We first employed the Harman's single-factor test (Podsakoff and Organ, 1986), where all questionnaire items were included in a principal component analysis with varimax rotation. Seven separate factors with eigenvalues greater than 1.0 emerged from the unrotated factor solution, while these factors explained 70.7% of the total variance (with 37.8% thereof being explained by the first factor). We also used a confirmatory factor approach, in which all items included in the measurement model were restricted to load on a single factor (Venkatraman and Prescott, 1990). The model fit indices revealed very poor values, well below the commonly acceptable cut-off points (i.e., $\chi^2$ = 2185.49, $p$ = .000; df = 464; NFI = .77; NNFI = .79; CFI = .80; RMSEA = .14). Collectively, the results from both tests indicate that common method bias does not constitute a problem in this study.

### Main Hypotheses

The hypothesized links between the constructs were tested by estimating the structural model. The analysis revealed an excellent model fit, as demonstrated by the ratio of Chi-square by

the degrees of freedom ($\chi^2/df$) = 2.97 and the results of the alternative fit indices (NFI = .91; NNFI = .93; CFI = .94; RMSEA = .09). The standardized path coefficients, together with the corresponding *t*-values of the structural model, are presented in **Table 3.**

With regard to the first set of main hypotheses, our findings confirm a positive link between relational uncertainty and betrayal ($\beta$= .30, *t*= 3.29, *p*= .00), between opportunism and betrayal ($\beta$= .19, *t*= 2.37, *p*= .02), between inter-partner incompatibility and betrayal ($\beta$= .21, *t*= 2.40, *p*= .02), between relational distance and betrayal ($\beta$= .32, *t*= 3.76, *p*= .00), and between conflict and betrayal ($\beta$= .28, *t*= 3.41, *p*= .00). These results indicate the negative role of these background factors in creating the preconditions for violating relational norms and trust in the working relationship, which give rise to betrayal episodes. In-depth interviews with export managers revealed that these episodes can range from disregarding rules and breaking promises to contract violations and infidelity.

It was also confirmed that the existence of betrayal in the relationship lead to low relational performance levels ($\beta$= -.39, *t*= -4.56, *p*= .00). Participants in the study stressed that betrayal episodes by their foreign buyers can cause ineffectiveness and inefficiencies in the working relationship, and create a feeling of devastation and pessimism about its future. In fact, some of them stated that because of these betrayal incidents they were on the verge of breaking up their relationship with the foreign partner.

Moderation Hypotheses

With regard to the moderating hypotheses (see **Table 4**), we have used the split group method (based on the median) to identify sub-samples of respondents for each moderator (either 'low' or 'high'). In the case of our first moderator, it was confirmed that when market uncertainty was high, the negative impact on betrayal by relational uncertainty ($\Delta\chi^2$= 2.98, p< .10), opportunism ($\Delta\chi^2$= 5.13, p< .05), inter-partner incompatibility ($\Delta\chi^2$= 3.14, p< .10) and conflict ($\Delta\chi^2$= 4.05, p< .05) was becoming stronger. All these factors exogenous to the relationship, like environmental uncertainty, can increase the probability of partners in a relationship to consider betrayal as an option because of weakening relational norms. However, no moderating effect was recorded by environmental uncertainty on the link between relational distance and betrayal ($\Delta\chi^2$= 1.77, p> .10).

With regard to foreign market dynamism, this was found to moderate the link between relational uncertainty and betrayal ($\Delta\chi^2$= 2.89, p< .10), between opportunism and betrayal ($\Delta\chi^2$= 2.87, p< .10), between inter-partner incompatibility and betrayal ($\Delta\chi^2$= 2.96, p<.10), and relational distance and betrayal ($\Delta\chi^2$= 8.40, p< .01). These results denote that foreign market conditions that are rapidly changing can cause new opportunities and/or threats in the working relationship, which can induce self-interest, individualistic actions, and ultimately betrayal incidents. However, contrary to our hypothesis, foreign market dynamism did not have a moderating impact on the conflict → betrayal link ($\Delta\chi^2$= 1.15, p> .10).

In the case of dependence, it was confirmed that in E-I relationships characterized by high dependence levels between the interacting parties, the association between betrayal and relational performance becomes weaker ($\Delta\chi^2$= 2.84, p< .10). This is because being dependent on another party allows betrayal actions to be seen from a 'softer' lens, because the benefits of maintaining the relationship outweigh the costs of applying sanctions, such as imposing penalties, finding another partner, or even exiting the relationship.

Finally, high levels of tolerance were also found to weaken the effect of betrayal on relational performance ($\Delta\chi^2$= 2.80, p< .10). This is due to the fact that a tolerant party is more willing to accept and withstand any negative actions performed by the other party, as in the case of betrayal. This will in turn lead to reducing the harmful effects of betrayal on relational performance.

## CONCLUSIONS, IMPLICATIONS, AND DIRECTIONS

A central conclusion that can be drawn from the study findings is that betrayal is pivotal in determining the success or failure of a working relationship. However, although betrayal has been well investigated at the interpersonal level, our knowledge at the inter-organizational level is virtually non-existent. Betrayal is very likely to arise in an E-I relationship when this is characterized by high levels of relational uncertainty, opportunistic actions, incompatible roles, distance, and conflict. The instrumental role of these parameters in causing betrayal actions becomes stronger in the case of E-I relationships taking place in foreign markets characterized by high uncertainty and dynamism. It was also confirmed that the existence of betrayal in the E-I relationship can lead to poorer relational performance. However, the existence of high levels of dependence, coupled with high levels of tolerance, can weaken the negative impact of betrayal on relational performance.

Our study contributes to the international marketing and purchasing knowledge in various ways: *first*, it has shed light on betrayal, an issue of major concern in inter-organizational working relationships, with serious effects on relational performance; *second*, it has assimilated, under a unified framework, some of the key relationship variables with a potential instrumental role in causing betrayal; *third*, it has revealed the contingent role of environmental variables which could strengthen the association between betrayal and each of its predictors; *fourth*, it has shown under certain inter-firm conditions, the harmful effect of betrayal on relational performance can increase or decrease; *fifth*, it has examined betrayal in inter-firm relationships at the cross-border level, which are characterized by differences in business environments and large geographic and psychic distances.

Our findings have important managerial implications for both export and import firms. Firstly, export and import managers should maintain a healthy relationship if they want to avoid incidences of betrayal, which can harm the performance of the relationship. In doing so, they need to reduce the level of uncertainty in their working relationships with foreign partners, by intensifying information exchange, formulating commonly agreeable plans, and enhancing communication procedures. They also need to put aside their self-interest, but rather strive for achieving results that will be beneficial to both parties. Efforts should also be made to align their norms, roles, and responsibilities in the relationship, to avoid incompatibility problems. Distance in the relationship should also be reduced through greater familiarity with factual, analytical, and experiential issues with regard to the foreign partner's organization and country. Finally, it is important to take some pre-emptive measures (e.g., clearly defining roles) to avoid conflict in the relationship, and, in case this does arise, to make sure that it is functional, overt and controllable.

Future research could take a number of directions. Since this study is possibly among the first to deal with the issue of betrayal in business relationships (not only in international, but also in domestic market settings), it is important to obtain external validity by replicating it in other country settings. Since relationship phenomena have a dynamic nature, it is advisable to embark on a longitudinal study, to monitor changes in the atmosphere of the relationship over time. In this respect, it would be useful to explore the moderating role of the age, stage, and depth of the relationship. The interactive character of working relationships also necessitates the adoption of a dyadic perspective (i.e., having the views of both exporters and importers) on issues relating to betrayal. The fact that betrayal takes several forms, ranging from accidental to intentional, calls for a more in-depth investigation, using mainly qualitative research methods. Finally, since E-I relationships cross national boundaries, it would be interesting to investigate the role of national cultural factors in facilitating or inhibiting betrayal incidents at the inter-organizational level.

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**Table 1:** Measurement Model and Summary Statistics

| Constructs | Scale items | Standardized Loadings | *t*-value | α | $\rho$ | AVE | Mean score | Standard deviation | Item mean | Standard deviation |
|---|---|---|---|---|---|---|---|---|---|---|
| Relational Uncertainty | UNC1 | .74 | * | .73 | .67 | .50 | 2.93 | 1.09 | 2.33 | 1.41 |
| | UNC3 | .66 | 8.23 | | | | | | 2.78 | 1.48 |
| | UNC4 | .57 | 7.06 | | | | | | 3.75 | 1.68 |
| | UNC5 | .56 | 6.99 | | | | | | 2.85 | 1.27 |
| Opportunism | OPP1 | .73 | * | .78 | .76 | .54 | 2.36 | 1.30 | 2.62 | 1.57 |
| | OPP2 | .83 | 10.37 | | | | | | 2.05 | 1.32 |
| | OPP3 | .80 | 10.01 | | | | | | 2.33 | 1.54 |
| | OPP4 | .56 | 7.00 | | | | | | 2.45 | 2.10 |
| Inter-partner Incompatibility | INC1 | .70 | * | .72 | .68 | .51 | 2.34 | 0.95 | 2.20 | 1.23 |
| | INC2 | .67 | 7.74 | | | | | | 2.16 | 1.30 |
| | INC3 | .64 | 7.48 | | | | | | 2.58 | 1.34 |
| | INC5 | .56 | 6.70 | | | | | | 2.39 | 1.29 |
| Relational Distance | DIS1 | .68 | * | .82 | .78 | .50 | 3.23 | 1.31 | 3.68 | 2.04 |
| | DIS2 | .81 | 8.89 | | | | | | 3.18 | 1.80 |
| | DIS3 | .65 | 7.49 | | | | | | 3.14 | 1.61 |
| | DIS4 | .78 | 8.71 | | | | | | 3.31 | 1.68 |
| | DIS5 | .58 | 6.83 | | | | | | 2.80 | 1.44 |
| Conflict | CNF1 | .65 | * | .88 | .83 | .60 | 2.02 | 1.11 | 2.26 | 1.40 |
| | CNF2 | .85 | 9.36 | | | | | | 2.10 | 1.46 |
| | CNF3 | .79 | 8.80 | | | | | | 2.14 | 1.50 |
| | CNF4 | .78 | 8.74 | | | | | | 1.94 | 1.25 |
| | CNF5 | .81 | 9.00 | | | | | | 1.64 | 1.06 |
| Betrayal | BET1 | .81 | * | .91 | .85 | .67 | 3.10 | 1.50 | 3.14 | 1.78 |
| | BET2 | .81 | 11.98 | | | | | | 3.63 | 1.93 |
| | BET3 | .86 | 13.11 | | | | | | 2.73 | 1.62 |
| | BET4 | .83 | 12.45 | | | | | | 2.76 | 1.67 |
| | BET5 | .78 | 11.28 | | | | | | 3.20 | 1.72 |
| Relational Performance | REP1 | .87 | * | .94 | .87 | .77 | 5.32 | 1.19 | 5.08 | 1.23 |
| | REP2 | .90 | 16.51 | | | | | | 5.43 | 1.32 |
| | REP3 | .88 | 15.81 | | | | | | 5.37 | 1.27 |
| | REP4 | .88 | 15.69 | | | | | | 5.37 | 1.26 |

* Fit statistics of Model: $\chi^2$ = 804.22, $p$ = .000, df = 413; NFI = .93; NNFI = .96; CFI = .96; RMSEA = .06

**Table 2: Correlation matrix**

| | Constructs | 1. | 2. | 3. | 4. | 5. | 6. | 7. |
|---|---|---|---|---|---|---|---|---|
| 1. | Relational Uncertainty | 1 | | | | | | |
| 2. | Opportunism | .65 | 1 | | | | | |
| 3. | Inter-partner Incompatibility | .61 | .59 | 1 | | | | |
| 4. | Relational Distance | .50 | .35 | .47 | 1 | | | |
| 5. | Conflict | .61 | .67 | .60 | .31 | 1 | | |
| 6. | Betrayal | .58 | .53 | .51 | .48 | .53 | 1 | |
| 7. | Relational Performance | -.52 | -.45 | -.57 | -.46 | -.43 | -.38 | 1 |

Note: Correlations greater than |± 0.16| are significant at the .01 level., Correlations greater than |± 0.12| are significant at the .05 level.

**Table 3:** Structural Model Results – Main effects

| Hypo-thesis | Hypothesized path | Standardized path coefficients | *t*-value | *p*-value |
|---|---|---|---|---|
| $H_1$ | Relational Uncertainty → Betrayal | .30 | 3.29 | **.00** |
| $H_2$ | Opportunism → Betrayal | .19 | 2.37 | **.02** |
| $H_3$ | Inter-partner Incompatibility → Betrayal | .21 | 2.40 | **.02** |
| $H_4$ | Relational Distance → Betrayal | .32 | 3.76 | **.00** |
| $H_5$ | Conflict → Betrayal | .28 | 3.41 | **.00** |
| $H_6$ | Betrayal → Relational Performance | -.39 | -4.56 | **.00** |

Fit statistics: $\chi^2$ = 1329.68, $p$ = .000, $df$ = 428; NFI = .91; NNFI = .94; CFI = .94; RMSEA = .09

**Table 4**: Results of Individual Moderating Effects

| Main effect | $H_7$: Effect is stronger among high than low FEU group | $H_8$: Effect is stronger among high than low FMD group | $H_9$: Effect is stronger among low than high DEP group | $H_{10}$: Effect is stronger among low than high TOL group |
|---|---|---|---|---|
| UNC →BET | **2.98 (p<.10)** | **2.89 (p<.10)** | | |
| OPP → BET | **5.13 (p<.05)** | **2.87 (p<.10)** | | |
| INC → BET | **3.14 (p<.10)** | **2.96 (p<.10)** | | |
| DIS → BET | 1.77 (p>.10) | **8.40 (p<.01)** | | |
| CNF → BET | **4.05 (p<.05)** | 1.15 (p>.10) | | |
| BET → REP | | | **2.84 (p<.10)** | **2.80 (p<.10)** |

Note: Differences between groups are based on $\Delta\chi^2$ ($\Delta$df = 1)

## **Appendix:** Construct operationalization

| Constructs | Items | Item description | Source |
|---|---|---|---|
| Relational uncertainty | UNC1 | Our relationship with this importer is characterized by a great degree of uncertainty. | Leonidou and Kaleka (1998) |
| | UNC2 | There is adequate information for us to make future decisions regarding this working relationship. (R) | |
| | UNC3 | We face difficulties in monitoring trends concerning the working relationship with this importer. | |
| | UNC4 | We are confident about making future decisions regarding aspects of the relationship with this importer. (R) | |
| | UNC5 | We cannot accurately anticipate how this importer will act in the future in the working relationship. | |
| Opportunism | OPP1 | This importer alters the facts slightly. | Yilmaz and Hunt (2001) |
| | OPP2 | This importer promises to do things without actually doing them later. | |
| | OPP3 | This importer fails to provide us with the support s/he is obliged to provide. | |
| | OPP4 | This importer avoids fulfilling his/her responsibilities unless s/he is watched closely. | |
| Inter-partner incompatibi-lity | INC1 | The organizational values and social norms that pertain between our company and this importer are not compatible. | Sarkar et al. (1998) |
| | INC2 | Executives from our firm and those from this importer have incompatible philosophies/approaches to business. | |
| | INC3 | The goals and objectives of our firm are compatible with those of this importer. (R) | |
| | INC4 | The technical capabilities of our firm are incompatible with those of this importer. | |
| | INC5 | The organizational procedures of our firm and those of this importer are compatible. (R) | |
| | | Employees of both our company and this importer have similar professional or trade skills. (R) | |
| Relationship Distance | DIS1 | We do not have close relationships with individuals working in this importing firm. | Hallén and Sandstör m (1991) |
| | DIS2 | We are not familiar with this importer's business environment. | |
| | DIS3 | We are very familiar with the organizational culture, values, and attitudes of this importer. (R) | |
| | DIS4 | We are not aware of many things about the structural characteristics of this importer's organization. | |
| | DIS5 | We are familiar with the working methods and processes followed by this importer. (R) | |
| Conflict | CNF1 | The roles in the working relationship with this importer are not performed as required, causing many disagreements. | Etgar (1979), Kumar et al (1992) |
| | CNF2 | Often unreasonable demands arise in the relationship with this importer, causing a great deal of frustration. | |
| | CNF3 | The working relationship with this importer is very stressful and worrying, resulting in a lot of tension. | |
| | CNF4 | There are often disagreements between our firm and this importer on issues concerning the relationship. | |
| | CNF5 | The working relationship with this importer is characterized by a high degree of conflict. | |
| Betrayal | BET1 | We have frequently caught this importer disclosing confidential information about our relationship to other companies. | Coffey et al. (1996), Grégoire and Fisher (2008) |
| | BET2 | Whenever this importer finds an opportunity to do so, s/he is disloyal to us. | |
| | BET3 | Our confidence in this importer has been undermined because of him/her attempting to find another exporter of similar goods. | |
| | BET4 | This importer has let us down many times with his/her dishonest behavior. | |
| | BET5 | We have lost faith in this importer as a result of our experience of the working relationship. | |
| | BET6 | This importer has often failed to offer expected assistance in times of great need. | |
| Relational performance | REP1 | The relationship between our firm and this importer has been very productive. | LaBahn and Harich (1997) |
| | REP2 | We have found the time and effort spent on this relationship very worthwhile. | |
| | REP3 | The relationship between our firm and this importer has been very effective. | |
| | REP4 | We have a very rewarding relationship with this importer. | |
| Foreign environmental uncertainty | FMU1 | It is very difficult to predict demand in the market in which this importer operates. | Ganesan (1994) |
| | FMU2 | Working with this importer, it is very difficult to arrive at accurate sales forecasts. | |
| | FMU3 | The environment surrounding our working relationship with this importer is characterized by volatile market shares. | |
| | FMU4 | The market in which we operate with this importer is characterized by many new products. | |
| | FMU5 | There are many new competitors in the market in which this importer operates. | |
| Foreign market dynamism | FMD1 | Firms operating in this importer's market frequently change the mix of products that they carry. | Raven et al. (1994) |
| | FMD2 | There are frequent changes in the sales strategies of firms operating in this importer's market. | |
| | FMD3 | Firms in this importer's market frequently change their promotional/advertising strategies. | |
| | FMD4 | Customer preferences for brands change very quickly in the importer's market. | |
| | FMD5 | Buyer preferences for product quality frequently change in the importer's market. | |
| | FDM6 | The preferences of buyers with regard to price tend to change quickly in the importer's market. | |
| Dependence | DEP1 | If our relationship with this importer was discontinued, we would have difficulty making up the sales in his/her foreign market. | Jap and Ganesan 2000 |
| | DEP2 | It would be difficult for us to replace this importer. | |
| | DEP3 | We are quite dependent on this importer. | |
| | DEP4 | We do not have a good alternative to this importer in the foreign market. | |
| Tolerance | TOL1 | We could accept any changes in the relationship with this importer, in order to correct problems resulting from his bad conduct. | Pettersen and Rokkan (2006) |
| | TOL2 | If, occasionally, this importer did not fulfill his/her obligations (e.g., payment delays), we would consider leaving him/her. (R) | |
| | TOL3 | If this importer holds back information that could be useful to us, we would not consider leaving him/her. | |
| | TOL4 | If this importer made excessive demands, we would not consider abandoning him/her. | |
| | TOL5 | If, occasionally, this importer did not attempt to correct his/her failures, we would consider leaving him/her. (R) | |

Note: Measurement was based on a 7-point Likert scale, ranging from 1: Strongly disagree to 7: Strongly agree. The sign (R) denotes a reverse scale