

**THE ROLE OF PERCEIVED UNFAIRNESS ON CHANNEL  
PARTNERS OPPORTUNISM**



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## Abstract

Successful channel relationships are an invaluable asset and potential source of long-term competitive advantage for the partnering firm (Homburg, Vollmayr, & Hahn, 2014; Watson, Worm, Palmatier, & Ganesan, 2015). Understanding of how channel relationships are damaged is a critical component in building and maintaining strong relationships with channel partners (Abosag, Yen, & Barnes, 2016; Samaha, Palmatier, & Dant, 2011). Opportunism is one of the key relationships destroying factors in distribution channel as it can damage the relational bond, increase transaction cost and degrade overall performance of the relationships (Wang, Li, Ross Jr, & Craighead, 2013). Therefore, understanding of how opportunism arises and mitigate is critical for governing long-term channel relationships.

Transaction cost economics (TCE) suggest that relationship specific investments (RSIs) and environmental uncertainty (EU) are the primary drivers of opportunism in inter-firm relationships (Crosno & Dahlstrom, 2008; Wang & Yang, 2013). TCE fail to recognize the importance of the social processes while explaining opportunism in business to business relationships (Heide, 1994). However, research on justice theory suggests that perceived unfairness as a critical social force can considerably contribute to transaction cost economics (Crosno & Dahlstrom, 2011). Specifically, perceived unfairness can motivate the channel partners to restore equity through opportunism. Furthermore, research on inter-firm relationships suggests that communication is one of the most effective ways to build channel relationships (Palmatier, Dant, & Grewal, 2007). It can clarify the misunderstanding, resolve dispute and enhance the relationships between exchange partners (Hung & Lin, 2013). Although, current research provides the strong conceptual linkage between TCE, justice theory and communication perspective, research on the influence of perceived unfairness and communication on opportunism in channel relationships is limited (Crosno & Dahlstrom, 2008; Kang, 2014).

Building on these insights, we theorize and examine the research model by integrating TCE, justice theory, and channel communication perspective. The propose research model attempts to address the following research questions: (1) Does perceived unfairness influence the opportunism in channel relationships? (2) Does perceived unfairness influence the positive relationship between supplier's RSIs, EU and opportunism? (3) Do instrumental and social communications influence the positive relationships between supplier's RSIs, perceived unfairness, EU and opportunism?

The research setting for this study is the supplier-distributor relationships of Indian pharmaceutical industry. We collected matched survey data from 250 supplier-distributor dyads. The findings of this study provide empirical support for the research hypotheses and uncover the dual impact of perceived unfairness on channel partner's opportunism: (1) directly enhance opportunism, and 2) indirectly aggravate the positive effect of supplier's RSIs on opportunism. Furthermore, instrumental and

social communications have differential moderating effects on channel partner opportunism. Specifically, instrumental communication suppresses the positive relationships between supplier RSIs, EU, and opportunism, whereas it also exacerbate the positive impact of perceived unfairness on opportunism. Social communication curtails the positive effects of perceived unfairness and EU on channel partner's opportunism. Finally, we conclude with theoretical and managerial insights based on our findings. These insights provide clarity and recommendations to managers for governing long-term channel relationships.

**Keywords:** *Perceived Unfairness, Opportunism, Relationship Specific Investments, Environmental Uncertainty, Communications, Channel Relationships*

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