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Betrayal in international buyer-seller relationships: its drivers and performance implications

Abstract

Although betrayal is a common phenomenon in inter-organizational cross-border relationships, the pertinent literature has remained relatively silent as regards its examination. However, the effects of betrayal are both long-lasting and destructive, and therefore an in-depth investigation of the factors that are driving it, as well as its performance outcomes, is considered necessary. Using a sample of 262 exporters, we confirm that betrayal in their relationships with foreign buyers is significantly and positively affected by 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. *The importer's* betrayal actions are in turn responsible for reducing relational performance. In fact, this negative association between *importer's* betrayal and relational performance is more evident in relationships characterized by low dependence levels and low degrees of tolerance by the exporter.

Keywords

Betrayal; exporter-importer relationships; relational performance; exporting; social exchange theory.

Betrayal in international buyer-seller relationships: its drivers and performance implications

1. Introduction

There is a growing understanding among academics and practitioners alike that the cornerstone of modern business lies in the quality of the interactive relationships between sellers and their buyers (Leonidou, Samiee, Aykol, & Talias, 2014). 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 & Sharma, 1997). However, inter-firm relationships are not always bright, but can suffer from negative aspects, which erode trust and fairness perceptions (Eckerd, Hill, Donohue, & Ward, 2013; Wang & Huff, 2007), reduce satisfaction levels (Lusch, Brown, & O'Brien, 2011), and even promote exiting from the relationship (Hibbard, Kumar, & Stern, 2001; Lusch et al., 2011).

The extant literature has investigated numerous problematic aspects of business relationships, such as: relationship unrest (Good & Evans, 2001), relational instability (Das & Teng, 2000), relationship dissolution (Lusch et al., 2011), relational damage (Hammervoll, 2011), destructive acts (Hibbard et al., 2001), opportunism, uncertainty, and negative misalignment (Corsaro, 2015), psychological/normative contract breach (Eckerd et al., 2013; Lusch et al., 2011), relational risk (Tsai, Lai, Lloyd, & Lin, 2013), and relational stress (Holmlund-Rytkönen & Strandvik, 2005). Although these studies throw light on the dark side of buyer-seller relationships, one important issue that remains unexplored is that of inter-firm betrayal. Betrayal signifies a violation of what is good and proper in a relationship and can take various forms, such as being disloyal or unfaithful, engaging in deception and lies, and failing to meet the hopes or expectations of the other party (Fitness, 2001).

Betrayal episodes are not only commonly encountered in working relationships, but their effects are long-lasting and destructive (Elangovan & Shapiro, 1998). Betrayal indicates that, compared to the betrayed party, the betrayer acts in a way that favors more only his/her own interests, regards his/her needs as more important, and cares very little about or views superficially the relationship that they have (Fitness, 2001). Although anyone entering a relationship runs the risk of betrayal, the incidence of betrayal is even more profound in cross-border inter-firm relationships 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 (Leonidou, Kaminarides, & Panayides, 2007; Samiee, Chabowski, & Hult, 2015; Sousa & Tan, 2015).

Understanding betrayal in international buyer-seller relationships is critical on six major grounds: (a) international firms have to form relationships with other parties to achieve their goals, which, regardless of their maturity, are not immune from betrayal acts (Jones & Burdette, 1994); (b) betrayal is considered to be moral violations and deviations from established norms (e.g., trust) underlying a business relationship, which can negatively affect the welfare and well-being of the interacting parties (Turiel, 1998); (c) betrayal is the intentional and targeted behavior by one member of the relationship toward another and can have disastrous consequences, not only for the vulnerable party, but for the performance of the business relationship as a whole (Kowalski, Walker, Wilkinson, Queen, & Sharpe, 2003); (d) betrayal is undertaken by someone who is supposed to be dependable, and therefore can cause a lot of disappointment and reduced motivation on the part of the victim (Rachman, 2010); (e) betrayal poses a threat to the continuation of the relationship, which means that the time and effort devoted to the business relationship has been lost, and that enormous costs

need to be invested to find new partners (Jones & Burdette, 1994); and (f) betrayal has social implications beyond the dyad, with the betrayed party losing self-esteem, and the betrayer having a tarnished reputation in the broader business network (Kowalski, 2001a).

Since betrayal can occur at any time in a business relationship, it is important to know the factors that give rise to it and its potential consequences. Our study aims to shed light on these factors by developing and testing a conceptual model, which is anchored on Social Exchange Theory. It specifically focuses on the associations between drivers and outcomes of betrayal in exporter-importer (E-I) relationships, as well as examining the contingent role of environmental and relational factors. Our research objectives are fourfold: (a) to assess the influences of relational uncertainty, opportunism, inter-partner incompatibility, relational distance, and conflict on betrayal in E-I relationships; (b) to examine the impact of this betrayal on relational performance; (c) to investigate how foreign environmental uncertainty and foreign market dynamism moderate the associations between betrayal and its drivers; and (d) to explore what contingency effects that dependence and tolerance have on the association between betrayal and relational performance.

Our study contributes to the international business knowledge in a number of ways: first, it transfers various useful ideas and concepts from the social psychology discipline to a business context in an effective way; second, it sheds light on betrayal, an issue of major concern in inter-organizational working relationships, with serious effects on relational performance; third, it examines the betrayal phenomenon from an international perspective, which, as explained earlier, is very conducive to generating betrayal episodes; fourth, it assimilates, under a unified framework, all possible relationship variables with a potential instrumental role in causing betrayal; fifth, it reveals the contingent role of environmental variables which could strengthen the association between betrayal and each of its predictors;

and sixth, it shows that under certain relational conditions, the harmful effect of betrayal on the performance of the working relationship can increase or decrease.

The rest of the article is organized as follows. First, we highlight the nature of betrayal, by deriving input mainly from social psychology. We then examine betrayal from the perspective of Social Exchange Theory. Subsequently, we develop the conceptual model of the study and formulate a set of research hypotheses. The following section provides details about the research methodology adopted. We then explain the analytical procedures used and present the research findings. The article ends with a discussion and implications, as well as guidelines for future research.

2. The nature of betrayal

Betrayal is one of the most common forms of the ‘dark side’ of inter-organizational relationships. It is defined as the voluntary violation of mutual expectations in a relationship, where the betrayer favors his/her own interests at the expense of those of the other party (Fitness, 2001). As such, the betrayer considers his/her own needs as more valuable and important than those of the other party or the relationship as a whole. 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 & Reina, 2006). The key to betrayal therefore depends on beliefs and expectations about how relationships in general and the specific relationship in particular should work, and on being confident that partners will respect these beliefs and expectations (Jones, Moore, Schratte, & Negel, 2001). It is basically a form of ‘breaking the rules of the game’ and violating basic norms and expectations.

Betrayal can be either accidental (i.e., when the betrayer has no intention of violating the expectations of the betrayed party and it is usually associated with regrettable errors) or intentional (i.e., when the betrayer intentionally violates the key expectations of the other party) (Elangovan & Shapiro, 1998). The latter is the most common form of betrayal, especially when this arises in response to a specific situation in the context of an ongoing relationship (opportunistic betrayal). Betrayal is more likely to arise in transactional rather than collaborative relationships, mainly because they promote individualistic interests, as opposed to actions characterized by solidarity (Fitness, 2001). Several signs can help to diagnose betrayal behavior, including: perceiving the partner as being critical or dissatisfied with a relationship, acting in a guilty or anxious way, and showing reluctance or lack of interest in contributing to the relationship (Shackelford & Buss, 1997).

Five dimensions characterize betrayal: (a) voluntary, meaning that the betrayer either lacks the motivation to conform to the expectations of the betrayed party 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 betrayed party (Elangovan & Shapiro, 1998).

Betrayal behavior takes place when the assessment of the perceived relative benefits of betraying (e.g., acquiring more resources by using deception) outweigh those of maintaining the status quo in the relationship (e.g., paying penalties) (Bies & Tripp, 1996).

The possibility of betrayal episodes taking place 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 betrayer might experience; second, the continuity of the relationship, with betrayal becoming more likely when the betrayer believes that the relationship comes to a natural end in the near future, as opposed to a relationship that is expected to last longer; and third, the availability of alternative parties, with betrayal being more evident when the betrayer enjoys the trust of some other parties or perceives that the likelihood of being accepted by other relationship partners is high (Elangovan & Shapiro, 1998).

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, 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 & 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 betrayal, when s/he is characterized by a high level of moral development it will be recognized as an unethical act. With regard to the second factor, the unethicity of betrayal will depend on the relative importance the betrayer attaches to the principle, drive, or value that s/he uses by betraying the other party in the relationship (Elangovan & Shapiro, 1998).

When a betrayal action is unmasked, there are four possible ways for the betrayer to react: (a) to confess that s/he had committed an offence by acknowledging complete responsibility for the betrayal act, apologize for what happened, and even seek to restore his/her mistake because of feeling guilty; (b) to make excuses for the offence made, such as

attributing this to external (e.g., the prevalence of bad politico-economic conditions) or internal (e.g., inefficient organizational procedures) factors; (c) to provide justifications (e.g., misunderstanding or miscommunication) to minimize the wrongness or seriousness of the offence; and (d) to deny completely that an offence has been made and/or refusal to take any responsibility (Chan, 2009; Fitness, 2001).

Finally, compared to betrayers, betrayed parties are faced with more adverse effects and long-term consequences, with betrayal episodes leaving them with negative emotions, eroded trust, and expectations for future violations (Chan, 2009; Finkel, Rusbult, Kumashiro, & Hannon, 2002; Kowalski, 2001b). After being exposed, the betrayed party may respond to the act of behavior in one of the following ways: (a) to forgive and forget the offence, especially if s/he is assured that a betrayal episode will not occur again; (b) to seek ways to redefine the relationship with the perpetrator on a more solid base; (c) to keep distance from the offender by avoiding or rejecting him/her; (d) to consider the offence unforgivable and take steps toward terminating the relationship, and even seek compensation out of it; and (e) to take revenge and make the betrayer suffer through retaliatory measures that will aim toward softening his/her own suffering and in this way get even (Fitness, 2001; Kowalski, 2001b).

3. Social exchange theory and betrayal

Our study is theoretically anchored on Social Exchange Theory, which states that economic exchange alone cannot explain the behavior of parties in an exchange relationship (Cook & Emerson, 1978). Based on this theory, inter-organizational relationships are characterized, *inter alia*, by exchange elements (e.g., social, business, information), inter-dependencies (e.g., depending on each other's resources), relational investments (e.g., time, effort, and resources invested in the relationship), inter-firm bonds (e.g., social, economic, and legal

ties), expectations (e.g., that parties will be faithful to each other), and obligations (e.g., financial, contractual, ethical) (Blau, 1964; Foa & Foa, 1974).

In a social exchange, an action by one party elicits a response from another (Cropanzano & Mitchell, 2005). More specifically, one party freely delivers a benefit to another, thereby creating an obligation for the latter to reciprocate (Whitener, Brodt, Korsgaard, & Werner, 1998). As long as the relational parties own and are ready to devote resources desired by their partners, the reciprocation of resources makes the relationship stronger over time (Aselage & Eisenberger, 2003). During the process of an exchange relationship evolving into one characterized by trust, loyalty, and mutual commitment, the parties must adhere to certain rules and norms which constitute the guidelines of social exchange (Cropanzano & Mitchell, 2005). Indeed, reciprocity is the best known rule of exchange (Cropanzano & Mitchell, 2005). However, the voluntary nature of behavior implies that benefits provided to the partner may not be reciprocated (Whitener et al., 1998).

The reciprocal nature of inter-organizational relationships is illustrated by the psychological contract perspective (Robinson & Morrison, 1995). A psychological contract can be defined as a set of beliefs that relational parties hold with respect to reciprocal obligations between themselves and their partners (Morrison & Robinson, 1997). Such obligations originate from perceived promises and may or may not be shared by the parties in the relationship (Morrison & Robinson, 1997; Rousseau, 1989). In this sense, psychological contracts are “the subjective conceptualization” and “idiosyncratic interpretations” of exchange terms (Eckerd et al., 2013). Such contracts emerge within a relationship and Social Exchange Theory implies that social interactions are based on expectations of gaining rewards and escaping punishments (Lusch et al., 2011). In buyer-seller working relationships, expectations develop by taking into consideration how contributions from one

party will be reciprocated in future, while the absence of reciprocation will place future interactions at risk (Lusch et al., 2011).

While the psychological contract implies that if each party fulfils his or her own obligations in the relationship, it will be mutually advantageous, contract breaches (followed by contract violations) loosen relational ties and shake the faith of the affected party in the benefit of continuing the relationship (Robinson & Rousseau, 1994). Psychological contract breach materializes when a relational party recognizes that the exchange partner has failed to fulfill his or her obligations in the psychological contract in a way that is disproportionate to the former's contributions (Morrison & Robinson, 1997). Violation of psychological contracts evokes feelings of betrayal (Robinson & Rousseau, 1994), because the trust arising from the belief in reciprocal contributions is violated (Rousseau, 1989). Violation represents unfair treatment and the injustice inherent in this behavior leads to the weakening of bonds, doubts about the reciprocation of contributions, a reluctance to engage in extra-role behavior, and even to retaliation to maintain the balance between what is given and what is received (Robinson & Morrison, 1995).

Based on the Social Exchange Theory, a betrayal is viewed as the violation of implicit or explicit norms of decency and fairness that are assumed to govern the relationship, which ultimately damages the integrity of the roles of the interacting parties and leads to negative emotional and behavioral responses (Buunk & Dijkstra, 2006; Fitness, 2001; Hannon, Rusbult, Finkel, & Kamashiro, 2010). According to this theory, an act of betrayal by one party in the relationship increases the costs of the relationship, which outweigh the benefits derived by the betrayed party (Buunk & Dijkstra, 2006). Some of the reasons for betrayal can be ascribed to the existing relationship being unsatisfactory, inefficient, and counterproductive, thus reducing the interest in putting more energy, time, and effort into it and even encouraging thought of its termination (Barta & Kiene, 2005).

4. Conceptual model and research hypotheses

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 is moderated by the degree of foreign environmental uncertainty and foreign market dynamism. In addition, the link between betrayal and relational performance is moderated by dependence and tolerance. Altogether, there are six direct effects hypotheses and four moderation hypotheses, which are explained in the following.

...insert Figure 1 about here...

4.1. Direct effects 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 & Ford, 1982). It basically denotes a degree of confidence that one party has in his/her perceptions of involvement within a relationship with another (Solomon & Knobloch, 2001). Relational uncertainty is measured in terms of doubts or questions about: (a) one's own view of the relationship; (b) the partner's involvement in the relationship; and (c) the future of the working relationship (Knobloch & Theiss, 2012; Priem & Solomon, 2011). Relational uncertainty is a meaningful phenomenon for international markets, since it is very difficult to objectively evaluate the overseas partner's performance and conformity to norms due to the distance between the two parties (Anderson & Gatignon, 1986). Such uncertainty can create expectancy violations (e.g., goal achievement, mutuality of benefits, norms for behavior) among the parties involved in the relationship, which can be harmful for the continuation of the relationship (Affifi & Metts, 1998). Under conditions of relational uncertainty, information about the partner's actions and intentions, as well as about how the relationship

will develop in the future, is inadequate (Molm, Schaefer, & Collett, 2009). Interactions with a business partner are also more unpredictable and uncontrollable (Priem & Solomon, 2011). 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 & Shapiro, 1998). Moreover, relational uncertainty blurs the perception of what the parties owe to each other and increases the likelihood of violation of relational norms (Morrisson & Robinson, 1997). Furthermore, it can reduce loyalty and cause deception, due to the ill-fulfillment of expectations arising from the relationship (Elangovan & Shapiro, 1998). In international business relationships such uncertainty has been reported to impair relationship quality and harmony (Leonidou, Barnes, & Talias, 2006; Leonidou, Katsikeas, & Hadjimarcou, 2002), leaving partners with little reason to attain joint goals (Robson, Spyropoulou, & Al-Khalifa, 2006). Hence, we may hypothesize that:

H₁: The higher the level of relational uncertainty in the E-I relationship, the greater the likelihood of betrayal.

Opportunism is defined as self-interest seeking with guile, which is expressed in a relationship in terms of subtle (e.g., camouflaging poor work) and/or blatant (e.g., stealing) types of behavior (Wathne & Heide, 2000; Williamson, 1979). It is a ubiquitous phenomenon in inter-firm relationships, which violates implicit and/or explicit agreements between the interacting parties and contains some elements of deceit, causing the exposed party to suffer (Lui, Wong, & Liu, 2009). A party may behave opportunistically in order to increase its short-term unilateral benefits without caring about the relationship's long-term potential (Brown, Dev, & Lee 2000). In opportunistic situations, substantial resources are devoted to controlling and monitoring the business partner's activities to make sure that s/he fulfills the psychological/legal contract and coordinates joint actions, which increases

transaction costs (Dahlstrom & Nygaard, 1999; Wathne & 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 acts of betrayal by complicating the ability to notice and confirm partner's opportunistic behavior (Katsikeas, Skarmeas, & Bello, 2009; Luo, 2009). This is attributed to the fact that such distance can create information asymmetry and/or distortions in the information flow, which may conceal opportunistic actions and resulting betrayal (Li & Ng, 2002). 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 & Shapiro, 1998; Luo, 2009). Indeed, self-interest, which is at the core of opportunism, has been the most dominant theoretical explanation of betrayal behavior (Grover, 1997). Inevitably, business partners pursuing their own self-interest will betray others whenever this is beneficial for them (Grover, 1997). Opportunism will inevitably impede development of reciprocity and commitment among parties (Luo, 2009), lead to questions over the reliability of the business partner (Barnes, Leonidou, Siu, & Leonidou, 2010; Katsikeas et al., 2009; Saleh, Ali, & Julian, 2014), and heighten risks concerning the future of the international business relationship (Chang, Bai, & Li, 2015; Hsieh, Rodrigues, & Child, 2010). Thus, one would expect that:

H₂: The higher the level of opportunism in the E-I relationship, the greater the likelihood of betrayal.

Inter-partner incompatibility refers to the extent to which the goals, strategies, and expectations of the parties involved in the working relationship are not aligned (Sarkar, Aulakh, & Cavusgil 1998). In the case of incompatible partners, self-interest seeking actions are very likely to appear, which give room for the development of aversive behaviors, as is the case with betrayal (Das & Rahman, 2010). Such incompatibility seems to be more

profound when transcending national boundaries, due to: (a) the different and idiosyncratic environments in which the interacting parties operate (Luo & Park, 2004); (b) knowledge asymmetries about the foreign market characteristics, which may result in a misalignment of marketing strategies between importers and exporters (Dou, Li, Zhou, & Su, 2010); and (c) different views concerning the deployment of complementary resources by the parties involved (Meyer & Altenborg, 2008). 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 & 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 & Rahman, 2010; Karunaratna & Johnson, 1997). In contrast, compatible partners look after their own interests without jeopardizing those of the other, thereby making room for the pursuit of actions of mutual interest (Das & Rahman, 2010). This is because compatibility evokes feelings of coherence and harmony in the relationship, promotes trustworthy acts, and encourages hard work and sacrifices for the partner (Sarkar, Echambadi, Cavusgil, & Aulakh, 2001). Thus, we may posit that:

H₃: The higher the level of inter-partner incompatibility in the E-I relationship, the greater the likelihood of betrayal.

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 & Wiedersheim-Paul, 1979). Distance can be caused by various factors, such as social (i.e.,

differences between business partners' ways of thinking and working), cultural (i.e., dissimilarities between the norms and values of the interacting parties), technological (i.e., discrepancies between relationship parties with regard to product and production technologies), and temporal (i.e., differences between partners regarding the time when they will actually do business together) (Ford, Gadde, Håkansson, & Snehota, 2011). 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 & Schlegelmilch, 1998). As such, the prevalence of high levels of distance between exporters and importers can create the preconditions in which betrayal may take place. This is because distance can: (a) restrict buyer-seller interactions and set barriers to communication, thus limiting the options of creating a sustainable relationship (Durand, Turkina, & Robson, 2016; Leonidou et al., 2006); (b) give rise to information asymmetry and reduce the possibilities of properly monitoring the foreign partner's activities (Sachdev & Bello, 2014); (c) strengthen the motivation to search for a similar or closer foreign partner, as this will reduce the uncertainty associated with his/her operations (Griffith & Dmitrova, 2014; Morrison & Robinson, 1997); and (d) encourage misinterpretation of the foreign partner's behavior (Das & Rahman, 2010; Obadia, 2013). Empirical evidence on E-I relationships also suggests that distance could lead to skepticism over the honesty, good intentions and fairness of the overseas business partner (Katsikeas et al., 2009; Xie, Li, Su, & Teo, 2010), creates perceptions that the relationship is not rewarding and discourages partners from working hard for each other (Leonidou et al., 2006; Nordman & Tolstoy, 2014; Skarmeas, Zeriti, & Baltas, 2016); and gives rise to perceptions of exposure to unethical business practices, due to different opinions about what is right or wrong (Leonidou, Leonidou, Coudounaris, & Hultman, 2013). Hence, we could assert that:

H4: The higher the level of distance in the E-I relationship, the greater the likelihood of betrayal.

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 & 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 is usually expressed in terms of disagreements, confrontation, friction, tension, frustration, and other negative feelings or actions (Dwyer, Schurr, & Oh, 1987). Conflict is one of the most pervasive and destructive aspects of a relationship because: (a) it creates a blurred picture about how the expectations of the parties involved will be fulfilled; (b) it gives the impression that one party is preventing the other from accomplishing its goals; and (c) it leads to suboptimal solutions and/or spiraling stalemate (Barnes et al., 2010). 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 & 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 the fact that the foreign business partner: (a) has different traditions, systems, norms, and practices which are indecipherable and unpredictable (LaBahn & Harich, 1997; Leonidou et al., 2002); (b) has limited information about the market (Rosson & Ford, 1982); and (c) lacks sensitivity to national cultures (LaBahn & Harich, 1997). This 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 & Shapiro, 1998). In fact, conflict is detrimental to the optimal functioning of the E-I relationship in that it decreases the value attached to the other party, creates suspicions about his/her behavior, and makes striving for joint goals meaningless (LaBahn & Harich, 1997; Leonidou et al., 2006; Leonidou, Talias, &

Leonidou, 2008; Skarmeas, 2006). In addition, due to geographic and psychic barriers between the interacting parties, conflict may not be manifested (Leonidou et al., 2006), or, in a worse case, may cause communication breakdowns (Barnes et al., 2010). This, in turn, can lead to a short-term escape or 'avoidance to cope' situation (rather than actively dealing with it), which gives rise to betrayal incidents (Hall & Fincham, 2009). Hence:

H₅: The higher the level of conflict in the E-I relationship, the greater the likelihood of betrayal.

As already noted, betrayal is a relationship-destructive behavior which can be expressed in various ways, such as breaking a promise, giving a promise with no intention of fulfilling it, and actively doing business with other companies outside the relationship (which can sometimes be competitors of the current business partner) (Jones & Burdette, 1994; Rachman, 2010). Such behavioral transgressions may represent momentous events in the buyer-seller interactions, with the victim's reactions to betrayal being deterministic for the future of the relationship (Aaker, Fournier, & Brasel, 2006; Bello, Katsikeas, & Robson, 2010). Betrayal is very likely to take place in cross-border business relationships because: (a) the cultural gap and psychological distance between the interacting parties make the monitoring of the importer's activities by the exporter difficult; (b) the information asymmetry, due to the high geographic distance between exporters and importers, makes the detection of aversive behaviors in the international markets a rather cumbersome task; and (c) the discordant frames of reference and misaligned expectations of exporters and importers lead to misinterpretation of the foreign partner's behavior, thus creating suspicions of unfairness and exploitation (Li & Ng, 2002; Katsikeas et al., 2009). Under these conditions, betrayal actions will prevent the parties in the relationship from attaining their goals, coordinating venture activities, and carrying out their roles effectively (Kumar, Stern, & Achrol 1992). This is because betrayal denotes violation of contracts and broken promises,

which will hinder the implementation of the victim's plans and waste the victim's resources (Griffith & Zhao, 2015). 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 (Hollmann, Jarvis, & Bitner, 2015). Hence, the following hypothesis can be made:

H₆: High levels of betrayal in the E-I relationship will lead to low relational performance.

4.2. Moderation hypotheses

Moral judgments are not based on simple evaluations, but require consideration of circumstances under which the violation of expectation takes place (Feldman, Cauffman, Jensen, & Arnett, 2000). There are four moderators in our model, namely foreign environmental uncertainty, foreign market dynamism, dependence, and tolerance. While the former two refer to characteristics of the foreign environment in which the firm operates, the other two moderators are relationship-specific aspects. With regard to environmental factors, these have the ability to influence the behavior of actors in a relationship (Saleh et al., 2014). For example, both environmental uncertainty and market dynamism retard the effective coordination and ruin the relationship among the interacting parties (Hada, Grewal, & Chandrashekar, 2013). They also undermine the willingness to fulfill agreed-upon obligations, as well as cause difficulties in making adjustments that are critical to preserving the relationship (Griffith & Zhao, 2015; Katsikeas et al., 2009). In the case of the relationship-specific aspects, while dependence is one of the factors that forms the relational structure and strongly influences the behavior of the parties involved (Geyskens, Steenkamp, & Kumar, 1999; Scheer, Miao, & Palmatier, 2015), tolerance represents an important social competence in managing business collaborations in which interpretation of behavior (including unethical behavior) is subject to misunderstandings (Caligiuri & Tarique, 2012;

Jonhson, Lenartowicz, & Apud, 2006). Tolerance also involves recognition and acceptance of differences that can change the nature of the response to violated expectations, as in the case of betrayal (Geiger et al., 2012; Persell, Green, & Gurevich, 2001).

Foreign environmental uncertainty is defined as the extent to which the various components comprising the firm's international environment (e.g., economic, political-legal, technological, etc) are predictable (Javidan, 1984). E-I relationships are characterized by higher levels of environmental uncertainty due to the complexity, changing nature, and multiplicity of the international business environment, such as economic controls, legal restrictions, competitive situations, and cultural characteristics (Karunaratna & Johnson, 1997; Raven, McCullough, & Tansuhaj, 1994; Werner, Brouthers, & Brouthers, 1996). 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 (Ju, Zhao, & Wang, 2014). Indeed, an uncertain environment will provide fertile ground for more relational uncertainty, opportunistic behaviors, incompatible actions, loose associations, and ongoing disagreements (Leonidou et al., 2006; Skarmeas, Katsikeas, & Schlegelmilch, 2002). In turn, these will push partners to pursue their own self-interest, rather than common goals, and resort to various acts of betrayal with the least amount of damage (Luo, 2005). For example, firms may be reluctant to commit resources to the relationship (Luo, 2007) and even look for alternative partners if they promise them a higher performance (Kim, Oh, & Swaminathan, 2006). Moreover, firms may sacrifice mutuality norms for the sake of flexibility to cope with the environment (Campbell, 1997). Furthermore, betrayal could sometimes be the reaction of firms in order to mitigate the risk arising from uncontrollable environmental forces (Luo, 2007). Hence, we may posit that:

H7: The link between each of the drivers of betrayal and actual betrayal becomes stronger when foreign market uncertainty is higher.

Foreign market dynamism is the perceived frequency of change in marketing forces in the firm's operating market (Achrol & Stern, 1988). Market dynamism seems to have a greater impact on firms engaged in international, rather than domestic, business because: (a) they are exposed to many markets and different types of competition; and (b) they are confronted with greater distance from the target market, which sets up barriers to the flow of information that is vital in coping with and adapting to market changes (Cadogan, Cui, Morgan, & Story, 2006). 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, Griffith, & Cavusgil, 2005; Shi & Wu, 2011). 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 & Ng, 2002). Indeed, in such times of change and transition, dyadic parties' scripts, identities, and expectations are challenged (Knobloch & Theiss, 2012). In this context, the intensity of change in the foreign market may create difficulties in anticipating and understanding the task interdependencies among exporters and importers, thus reducing the likelihood of mutually adopting relational norms (Bello, Chelariu, & Zhang, 2003). In addition, the fact that profitable market opportunities in such times may not be long-lasting and may not arise more than once may make the promotion of self-interest actions particularly attractive (Li & Ng, 2002). We may hypothesize that:

H8: The link between each of the drivers of betrayal and actual betrayal becomes stronger when foreign market dynamism is high.

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). Dependence will be higher when the required resources cannot be found elsewhere and goals can only be accomplished from within the relationship (Andaleeb, 1996). Lack of familiarity with overseas market facts and alternative trade partners increases the company's dependence on its foreign partner (Bello et al., 2003). In relationships characterized by a high degree of dependence, the dependent party is strongly motivated to seek its continuity, because of the high value contributions received, the existence of relatively high exit barriers, and the difficulties encountered in switching to alternative partners (Goodman & Dion, 2001; Kumar, Scheer, & Steenkamp, 1995). Thus, even in the case of betrayal incidents, the betrayed party will be reluctant to dissolve the relationship because of: (a) the need to achieve its own goals and maintain a constant flow of required resources; (b) the lack of qualified alternative partners; and (c) the benefits of staying in the relationship outweigh the costs of betrayal (Dillow, Afifi, & Matsunaga, 2012; Styles, Ahmed, & Patterson, 2008; Zhang, Cavusgil, & Roth, 2003). Hence, one would expect a milder response to the importer's betrayal by the exporter, in the hope that conditions would improve in the future (Frazier, Gill, & Kale, 1989). We may hypothesize that:

H₉: High levels of dependence in the E-I relationship will make the negative link between betrayal and relational performance weaker.

Tolerance is the degree to which one party accepts the other's actions/characteristics with which the former disagrees, disapproves of, or dislikes (Van Doorn, 2014). Tolerance denotes acceptance of, as opposed to fighting, ignorance, or coping with, the different behavior of other parties, and the compromise that prompts relational partners to accept less than what they desire (Van Doorn, 2014). In other words, tolerance of deviation involves the acceptance of various types of transgressions (such as betrayal), which violate the

fundamental principles (such as fairness) (Feldman et al., 2000). In a business context, tolerance involves acceptance of inconvenience without retribution (Autrey, Skinner, & Lamb, 2008). This could matter more in international business relationships where partners are located in different countries, representing various cultural and institutional differences, and different frames of reference may easily result in misinterpretations (Obadia, 2013). 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 & 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. Tolerance could sometimes be the only venue left to overcome conflicts and establish peace in the relationship (Van Doorn, 2014). Although tolerance toward inconveniences may result in a decline in short-term performance, in the long run this will increase, due to lower relationship maintenance costs associated with lower controlling activities (Autrey et al., 2008). The following hypothesis can be made:

H₁₀: High levels of tolerance in the E-I relationship will make the negative link between betrayal and relational performance weaker.

5. Study methodology

Our sampling frame contained indigenous exporters of manufactured goods located in Greece. We identified participants in the study from the Exporters' Directory of ICAP (2014), which has more than 10,000 entries of firms. Based on a systematic random procedure, we selected a sample of 1,000 firms from this directory. In each of the selected firms, we personally contacted the individual responsible for export operations, who was informed about the purpose of the study, and explored his/her willingness to participate. As a

result of this initial contact, 595 firms accepted to take part in the study. Most reasons given by those who rejected participation included: lack of available time, company policy against responding to surveys, and interruption of export operations.

Construct operationalization was based on established scales from the pertinent literature (see **Appendix** for specific construct items). Specifically, with regard to the drivers of betrayal, relational uncertainty was a five-item scale adapted from Leonidou and Kaleka (1998), the opportunism scale was based on four items derived from Yilmaz and Hunt's (2001) study, inter-partner incompatibility comprised five items taken from Sarkar et al. (1998), relationship distance was a five-item construct extracted from Hallén and Sandström (1991), and the conflict scale contained five items identified from studies by Etgar (1979) and Kumar et al. (1992). The betrayal scale comprised five items adapted from the works of Coffey, Leitenberg, Henning, Turner, and Bennett (1996) and Grégoire and Fisher (2008), while relational performance was a four-item scale based on LaBahn and Harich's (1997) study. With regard to moderator variables, foreign environmental uncertainty was a five-item scale taken from Ganesan (1994), foreign market dynamism included six items extracted from Raven et al.'s (1994) study, dependence consisted of four items derived from Jap and Ganesan (2000), and the five-item scale of tolerance was based on Pettersen and Rokkan's (2006) work. The face validity of these scales was evaluated by five academics, with extensive knowledge and experience in the international marketing field. The scales were further refined with input received from a panel of export managers.

Data were collected through a structured questionnaire, which incorporated the aforementioned constructs.¹ A seven-point Likert scale, ranging from strongly disagree (1) to strongly agree (7), was employed to measure the items contained in each scale. To achieve variability in the results, respondents were asked to take into consideration the third most important working relationship with an importer in answering the questionnaire. The

questionnaire was initially developed in English and then translated into Greek, while a back-translation procedure revealed no problems. Before embarking on the full-scale study, we pre-tested the questionnaire with five export managers to ascertain its flow, duration, and ease of response, and made only a few minor adjustments.

All firms willing to participate in the study were sent a mailed (and in some cases electronic) questionnaire, with a covering letter explaining the purpose, usefulness, and confidentiality of the study. In order to improve responsiveness, we sent reminder letters, called them by telephone, and even personally visited the companies. As a result, 268 questionnaires were returned (i.e., 45% effective response rate), of which 262 were useful. The remaining six had to be excluded because of missing data, inconsistencies in the answers given, or unsuitability of the key informant. The possibility of non-response bias was examined using Mentzer and Flint's (1997) method. For this purpose, we first selected seven items belonging to each of the key constructs contained in the conceptual model. We then contacted by telephone 25 of the firms from those that did not reply and asked them to give us answers to each of these items. The answers of these firms were subsequently compared to those of the 262 respondents in the main survey. A t-test analysis between the answers given by non-respondents and those obtained by respondents revealed no statistical significant differences, indicating the absence of non-response bias.

6. Research findings

Structural equation modeling (SEM) based on the EQS program was employed to analyze the data. Initially, following Anderson and Gerbing (1988), we conducted a confirmatory factor analysis on the main constructs of our model by constraining each item to load on its pre-specified factor, while allowing the underlying factors to correlate. Elliptical re-weighted least-square (ERLS) procedure was used to estimate the measurement model, revealing a

very good fit to the data ($\chi^2 = 1578.12$, $p = .000$, $df = 979$; $NFI = .93$; $NNFI = .96$; $CFI = .96$; $RMSEA = .05$) (see **Table 1**).

...insert Table 1 about here...

Convergent validity of study constructs 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 exceeded the cutoff point of .50 (Hair, Black, Babin, Anderson, & Tatham, 2011). Discriminant validity was also confirmed, since the confidence interval around the correlation estimate for each pair of constructs examined never included 1.00 (Anderson & Gerbing, 1988), while all average variances extracted were higher than the squared correlation for each pair of constructs (Fornell & Larcker, 1981) (see **Table 2**).² Construct reliability was satisfactory, as Cronbach's alphas for all constructs in our model were greater than .70, while composite reliability scores for all constructs were above the recommended threshold of .60.

Because the data were collected from one informant at a single point in time, we assessed the possibility of common method bias. First, we conducted a confirmatory factor analysis, in which all items included in the measurement model were constrained to load on a single factor (Venkatraman & Prescott, 1990). The model fit indices revealed very poor values, well below the commonly acceptable cut-off points (i.e., $\chi^2 = 2185.49$, $p = .000$; $df = 464$; $NFI = .77$; $NNFI = .79$; $CFI = .80$; $RMSEA = .14$). Second, we used a post hoc identification of a marker variable by selecting the second smallest positive correlation between the constructs of our model (Malhotra, Kim, & Patil, 2006). We then adjusted the correlation matrix using this correlation. A comparison between the original and the adjusted correlation matrix revealed that the differences were small and the patterns of significance remained the same ($p < .05$, two-tailed). Collectively, the results from these two tests indicate that common method bias does not constitute a problem in this study.

...insert Table 2 about here...

The hypothesized links between the constructs were tested by estimating the structural model. The analysis revealed a very good model fit, as demonstrated by the ratio of Chi-square by the degrees of freedom (χ^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**. Our findings confirm a positive link between relational uncertainty and betrayal ($\beta = .30$, $t = 3.29$, $p = .00$), thus supporting H₁. They also lend support to H₂, as we confirmed that opportunism gives rise to betrayal acts in E-I relationships ($\beta = .19$, $t = 2.37$, $p = .02$). The results of our analysis also verify the positive relationship between inter-partner incompatibility and betrayal ($\beta = .21$, $t = 2.40$, $p = .02$), hence supporting H₃. H₄ was also confirmed, since relational distance between exporters and importers was found to positively affect betrayal ($\beta = .32$, $t = 3.76$, $p = .00$). We also demonstrate that the presence of conflict in the E-I relationship is instrumental in promoting betrayal acts ($\beta = .28$, $t = 3.41$, $p = .00$), thereby supporting H₅. In support of H₆, it was also confirmed that the existence of betrayal in the relationship leads to low relational performance levels ($\beta = -.39$, $t = 4.56$, $p = .00$).

...insert Table 3 about here...

With regard to moderation effects (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 environmental 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 ($\Delta\chi^2 = 4.05$, $p < .05$) became stronger. 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 between relational distance and betrayal ($\Delta\chi^2= 8.40$, $p< .01$). However, contrary to our hypothesis, foreign market dynamism did not have a moderating impact on the conflict \rightarrow betrayal link ($\Delta\chi^2= 1.15$, $p> .10$). The results also support the moderating roles of dependence and tolerance between betrayal and relational performance. 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 ($\Delta\chi^2= 2.84$, $p< .10$). Finally, high levels of tolerance were also found to weaken the effect of betrayal on relational performance ($\Delta\chi^2= 2.80$, $p< .10$).

...insert Table 4 about here...

7. Discussion and implications

Our findings indicate that betrayal is indeed 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 results highlight the role of five crucial relational factors in predicting betrayal in E-I relationships. First, uncertainty about the value of future exchanges with a business partner and the resulting feelings of insecurity discourage engagement in the E-I relationship and increase the inclination of betrayal episodes (Lazzarini, Miller, & Zenger, 2008). This is because relational uncertainty decreases the importance of the relationship, increases the likelihood of violating relational norms, and leads to unfulfilled expectations. Second, our findings reinforce the devastating effect of opportunistic actions in E-I relationships, which shakes the belief that none of the interactive parties will inflict harm on the other, and corroborate the adverse influence of self-interest seeking at the expense of the other party (Lee, 1998). By promoting self-interest, which is the essence of opportunism, betrayal is very likely to take place. Third, we emphasize that the misalignment of goals and strategies between the interacting parties reduces the importance of pursuing mutual interests, and, instead, leads to the adoption of more selfish behavior. Such a misalignment is very likely to lead to broken promises, violation of rules, and the withholding of important resources, which can provoke betrayal actions (Elangovan & Shapiro, 1998). Fourth, we accentuate the fact that the existence of social, cultural, technological or temporal distance between exporters and their import buyers can increase the rate of betrayal incidents by the latter. This confirms the detrimental effects of distance on properly monitoring and understanding the foreign partner's behavior and intentions. Fifth, our results support the view that conflict puts pressure on interacting parties to attain their own short-term performance objectives, at the expense of the future of the relationship (LaBahn & Harich, 1997). Destructive disagreements, violation of relational norms, and the hoarding of resources are some of the side effects of conflict, which help to give rise to betrayal acts.

Study results also indicate the role of two important environmental variables for international business, namely environmental uncertainty and market dynamism, in

amplifying the influence of relational antecedents on betrayal. In fact, environmental uncertainty can increase the probability of partners in a relationship considering betrayal as an option, because of weakening relational norms and negative information asymmetries (Klein, Frazier, & Roth, 1990). The only exception to this moderation effect was the link between relational distance and betrayal. This could be because social, cultural, technological and other differences between exporters and importers are highly conducive to the emergence of betrayal actions, regardless of the level of environmental uncertainty. With regard to foreign market dynamism, 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.

The strong negative effect of betrayal on relational performance in the E-I relationship can be attributed to the fact that betrayal leaves the victims with negative evaluations, emotions, and behavioral tendencies associated with the instigator, as well as with pessimistic expectations about the future of the relationship (Finkel et al., 2002). Betrayal also puts the integrity of the relationship at risk, because if one party engages in trust-violating actions (e.g., cheating), s/he will misguide the relationship (Grover, 1997). 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.

Dependence on and tolerance toward the overseas business partner are found to dampen the negative impact of betrayal on relational performance. 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. Also, dependent

firms need their partners to attain their goals and, even if they are faced with a destructive act, they exhibit passive acceptance, rather than disengagement (Hibbard et al., 2001). Thus, if the foreign business partner is considered irreplaceable (because, for example, of a strong market position), the betrayed party will prefer to remain in the relationship. On the other hand, a tolerant party is more willing to accept and withstand any negative actions performed by the other party, as in the case of betrayal. In fact, tolerant parties possess good emotional regulation strategies and communication skills, which help them to keep harmonious relationships with their business partners (Xu, Oei, Liu, Wang, & Ding, 2014).

7.1. Theoretical implications

A number of theoretical implications can be derived from the findings of this study. First, it was shown that various ideas and concepts developed within the social psychology discipline can be transferred, with some modifications, to a business context. Specifically, although betrayal has been developed within the realms of interpersonal relationships, we have demonstrated that it can also apply to the case of inter-organizational relationships. Hence, there is room to expand our understanding on betrayal by borrowing more input from the field of social psychology (as well as other disciplines), such as that relating to antecedents (e.g., personality traits of managers), moderators (e.g., penalty assessment), and outcomes (e.g., revenge) (Adams, Luevano, & Jonason, 2014; Chan, 2009; Joskowicz-Jablonek & Leiser, 2013).

Our study has stressed the crucial role of betrayal in cross-border inter-organizational relationships, an issue that has remained hidden until now. However, betrayal is a key construct characterizing business relationships and, as such, it warrants further attention by business scholars. The fact that all antecedent factors (i.e., relational uncertainty, opportunism, inter-partner incompatibility, relational distance, and conflict) of betrayal, as well as its performance outcomes, were found significant gives credibility to the analogy

drawn between interpersonal relationships and inter-organizational relationships. This empirical verification of our conceptual model is in line with Social Exchange Theory, which implies that favorable treatment in a relationship is reciprocated with positive behavior, while unjust treatment is reciprocated with undesirable behavior (Hekman, Bigley, Steensma, & Hereford, 2009).

The role of external forces, namely foreign market uncertainty and foreign market dynamism, as moderators between antecedent factors and betrayal, is also noteworthy. This stresses the role of the foreign environment within which the relationship operates in shaping the atmosphere of the interacting organizations. The complex and volatile nature of this environment necessitates closer monitoring, with the examination of additional parameters pertaining to the macro-environment (e.g., political-legal) and the task environment (e.g., competition). Surprisingly, prior research on the dark side of inter-organizational relationships has placed little emphasis on the contingent role of the external environment, and this is also true with regard to research in interpersonal relationships. The contingency effects of these variables suggest that some organizational factors (e.g., adaptive capabilities) associated with the firm's reaction to environmental changes might also act as moderators.

The confirmed moderating role of dependence and tolerance on the association between betrayal and relationship performance gives support to the idea that the structure of the relationship and the attitude toward violations may change the reactions of the betrayed party. Specifically, we have shown that with regard to dependence, the extent to which international business partners rely on each other for critical resources softens the victim's reaction to the betrayal act, while, in the case of tolerance, the attitude of business partners toward differences and violations serves as a social skill that can save the relationship from disruption or dissolution. This clearly demonstrates the important role of relational factors in

shaping the betrayal-performance relationship, and makes room for the examination of other similar factors, such as that of network embeddedness.

7.2. Managerial relevance

Important managerial implications derive from this study. First, export and import managers should maintain a healthy association in order to prevent 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, enhancing communication procedures, and improving coordination efforts. These will not only create expectations of reciprocity, but will also help to have a better insight into and ability to predict each other's actions. This is particularly critical during the times of change and transition in relationships (e.g., contract renewal), when uncertainty is more likely to emerge (Steuber & Solomon, 2009).

Managers also need to put aside their self-interest, but rather strive to achieve results that will be beneficial to both parties. In order to accomplish this, they need to carefully select their foreign partners, so as to reduce the chances of opportunistic behavior (Wathne & Heide, 2000). But even during the development of the working relationship, it is important to put in place proper safeguards, such as contractual agreements, monitoring mechanisms, and relational norms that will help to avoid opportunistic actions. The role of having a constant flow of timely, accurate, and in-depth information between the interacting parties is of paramount importance in reducing opportunism and the betrayal resulting from it.

Efforts should also be made to align the norms, roles, and responsibilities in the relationship, to avoid incompatibility problems. This calls for searching carefully for a compatible international business partner in terms of goals, strategies, and expectations. In particular, export and import executives should think of how to complement their business and contribute to the other's business performance. Interacting parties should also frequently

reassess and harmonize their goals, strategies, and business practices, and if necessary consider offering mutual concessions. They also need to better understand each other's idiosyncrasies and difficulties, especially in light of environmental uncertainties and unexpected events.

The finding regarding relational distance implies that international buyers and sellers should develop a conciliatory attitude by extending efforts to understand, as opposed to ignoring, differences between themselves. 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. Area briefings, sensitivity training, and field trips can seriously help to reduce such inter-firm distance. This would also prevent any misunderstandings which can lead to (or be interpreted as) betrayal actions.

It is also important to take some pre-emptive measures to avoid conflict in the relationship, and, in case this does arise, to make sure that it is functional (i.e., contributing to the long-term viability of the relationship), overt (i.e., making interacting parties aware of its existence), and controllable (i.e., allowing its resolution in an amicable and mutually beneficial way). This requires clear definitions of the roles of each party, candid and extensive discussion of disagreements, and the respecting of (and sometimes adherence to) different views.

International business executives should also become more alert to betrayal actions in cases of high environmental uncertainty (e.g., financial crisis) and volatile markets (e.g., changing consumer needs). Under these conditions, they need to carefully monitor their partner's actions (e.g., by checking whether agreements are being followed) and adopt a more proactive, rather than reactive, perspective. By doing so, the existence of open and direct communication between the interacting parties will prove useful in capturing and accommodating environmental and market changes.

Given the weakening effects of dependence and tolerance on the link between betrayal and relational performance, interacting parties may think about increasing the level of their interdependence by boosting relationship-specific investments or increasing the level of mutual adaptations. This will not only act as a safeguard against betrayal actions, but, even if they occur, will also help to reassess the relationship and keep it alive. Since a good business partner is not easily found, once an act of betrayal is spotted, it is important to understand the roots of the problem (e.g., a cultural misunderstanding) and work together toward reassessing the relationship in order to benefit both parties.

8. Directions for future research

Future research should take a number of directions. For example, the fact that this study is possibly among the first to investigate betrayal in international business relationships makes it imperative to obtain its external validity by extending the study to other country settings (e.g., emerging economies), as well as to other international relational contexts (e.g., strategic alliance partner relationships). Testing the model in comparative research designs (e.g., low versus high context cultures) would be particularly valuable to better understand the interaction of variables in various contexts. It would also be interesting to examine differences in the antecedents and consequences of betrayal incidences that are taking place in domestic versus international market settings.

Our model consists of constructs that, with the exception of foreign environmental uncertainty and foreign market dynamism, could equally be applied to domestic buyer-seller relationships. Thus, there is a need to augment the model with constructs that have a more international flavor, such as the role of cultural differences, institutional distance, and internationalization stages. Another dimension that needs improvement has to do with the fact that some of our scales, although established, coming from reliable sources, and

extensively used in the literature, were outdated. There is therefore a need to operationalize the constructs used in the study with more recent scales, and if necessary to embark on the development of new ones following the procedures recommended by Churchill (1979).

Despite the dynamic nature of relational phenomena, the study adopted a cross-sectional research design. Although under certain conditions, the results from cross-sectional data exhibit validity comparable to the results obtained from longitudinal data (Rindfleisch, Malter, Ganesan, & Moorman, 2008), for future research, longitudinal studies that cover changes in the relationship dynamics over time are recommended.³ This is particularly important in light of the fact that betrayal incidences are usually repeated over time and there is therefore a need to monitor their development and the forms they take. It would also be interesting to explore the short-term and long-term effects of betrayal on relational performance. Researchers could also examine how the levels of tolerance and dependence change over time and how these changes in turn affect the link between betrayal and relational performance. It would also be interesting to see changes in betrayal patterns over different relationship stages, such as initiation, growth, maturity, and decline.

The study involved only the perspective of the seller side of the international business relationship, although working relationships have at least two parties. This requires the adoption of dyadic methods of data collection (i.e., obtaining the opinions of both exporters and importers) on issues associated with betrayal. This is critical, because the way the two parties perceive, evaluate, and respond to betrayal episodes is usually not the same (Kowalski, 2001a). Hence, betrayal should be explored from the perspective of both the victim and the instigator. In addition to inter-organizational perspectives, researchers could also examine betrayal from the perspective of boundary spanners (salespeople and purchasing employees), which could shed more light on the psychological damage of betrayal at the interpersonal level.

Since betrayal can also be driven by personal (e.g., Machiavellianism), organizational (e.g., strategy), and institutional (e.g., law enforcement) factors, the role of predictors of betrayal is worth investigating. In addition to perceptual consequences, betrayal may also have attitudinal (e.g., hostility), behavioral (e.g., reciprocation), and emotional (e.g., dissatisfaction) outcomes, which call for scholarly attention. It would also be interesting to examine the moderating role of governance mechanisms (e.g., markets versus hierarchies), temporal factors (e.g., new versus old relationships), and cultural differences (e.g., high versus low uncertainty avoidance). The control effect of the stage and depth of the relationship on betrayal also warrants further investigation.

Finally, our focus in this study was based on a quantitative analysis. However, since betrayal can take various forms (e.g., cheating, breaching contracts, infidelity to the business partner), be expressed in alternative ways (e.g., accidental/opportunistic, one-off/repeated, overt/covert), and be influenced by the idiosyncrasies of the interacting parties in different international settings, a more in-depth investigation based on qualitative research methods would be valuable. Some topics to be explored could be the way in which perceptions and reactions associated with betrayal differ across cultures, how the process leading to the creation of betrayal evolves, how the contextual conditions in different markets influence the emergence of betrayal episodes, how the aftermath of betrayal is handled, and how the socio-cultural characteristics of business partners influence the likelihood of engaging in acts of betrayal.

Notes

1. To check for the potential of key informant bias, a set of questions was also inserted at the end of the questionnaire, assessing on a seven-point scale (ranging from 1 (very low) to 7 (very high)) the degree of familiarity, knowledgeability, and confidence of the respondents to provide the information required, this being always above the average (Cannon & Perreault, 1999).
2. We also used an additional test of discriminant validity, whereby the two-factor CFA models that involve all possible pairs of constructs are tested. For each pair of constructs, we compare the χ^2 of the two-factor with that of the one-factor model. In the one-factor, all items are forced to load on a single factor, whereas in the two-factor model, each item is allowed to load only on its respective latent factor. The χ^2 of all two-factor models are significantly lower than for the one-factor models ($\Delta\chi^2(1) > 3.84$).

3. Although longitudinal research is desirable, it has certain limitations, such as: (a) additional expenditures in terms of time and money; (b) confounds due to intervening events; and (c) reduction in sample size due to respondent attrition (Rindfleisch et al., 2008).

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Table 1: Measurement Model and Summary Statistics

Constructs	Scale items	Standardized Loadings	t-value	α	ρ	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
Foreign environmental uncertainty	FEU1	.74	*	.79	.74	.59	3.67	1.42	3.60	1.77
	FEU2	.92	10.45						3.62	1.76
	FEU3	.63	8.02						3.79	1.57
Foreign market dynamism	FMD1	.71	*	.87	.79	.53	3.71	1.25	3.75	1.64
	FMD2	.76	9.36						4.10	1.61
	FMD3	.68	8.51						3.94	1.57
	FMD4	.73	9.05						3.34	1.57
	FMD5	.76	9.36						3.28	1.65
	FMD6	.70	8.73						3.80	1.66
Dependence	DEP1	.76	*	.89	.83	.67	3.68	1.55	3.77	1.81
	DEP2	.86	12.01						4.03	1.80
	DEP3	.82	11.42						3.32	1.76
	DEP4	.84	11.74						3.59	1.82
Tolerance	TOL3	.85	*	.79	.68	.51	3.74	0.77	4.49	1.60
	TOL2	.62	6.10						3.17	1.73
	TOL5	.64	5.86						3.55	1.64

* Fit statistics of Model: $\chi^2 = 1578.12$, $p = .000$, $df = 979$; $NFI = .93$; $NNFI = .96$; $CFI = .96$; $RMSEA = .05$

Table 2: Correlation matrix

Constructs	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
1. Relational Uncertainty	1										
2. Opportunism	.55	1									
3. Inter-partner Incompatibility	.51	.59	1								
4. Relational Distance	.50	.35	.47	1							
5. Conflict	.51	.47	.60	.31	1						
6. Betrayal	.58	.53	.51	.48	.53	1					
7. Relational Performance	-.52	-.45	-.57	-.46	-.43	-.38	1				
8. Foreign environmental uncertainty	.45	.38	.29	.37	.33	.35	-.15	1			
9. Foreign market dynamism	.24	.29	.18	.20	.30	.31	-.12	.36	1		
10. Dependence	.07	.03	-.03	.01	.04	.09	.16	.12	.14	1	
11. Tolerance	-.04	-.06	-.07	-.09	-.01	-.17	-.04	-.10	.00	.05	1

Note: Correlations greater than $|\pm 0.15|$ are significant at the .01 level, Correlations greater than $|\pm 0.12|$ are significant at the .05 level.

Table 3: Structural Model Results – Direct effects

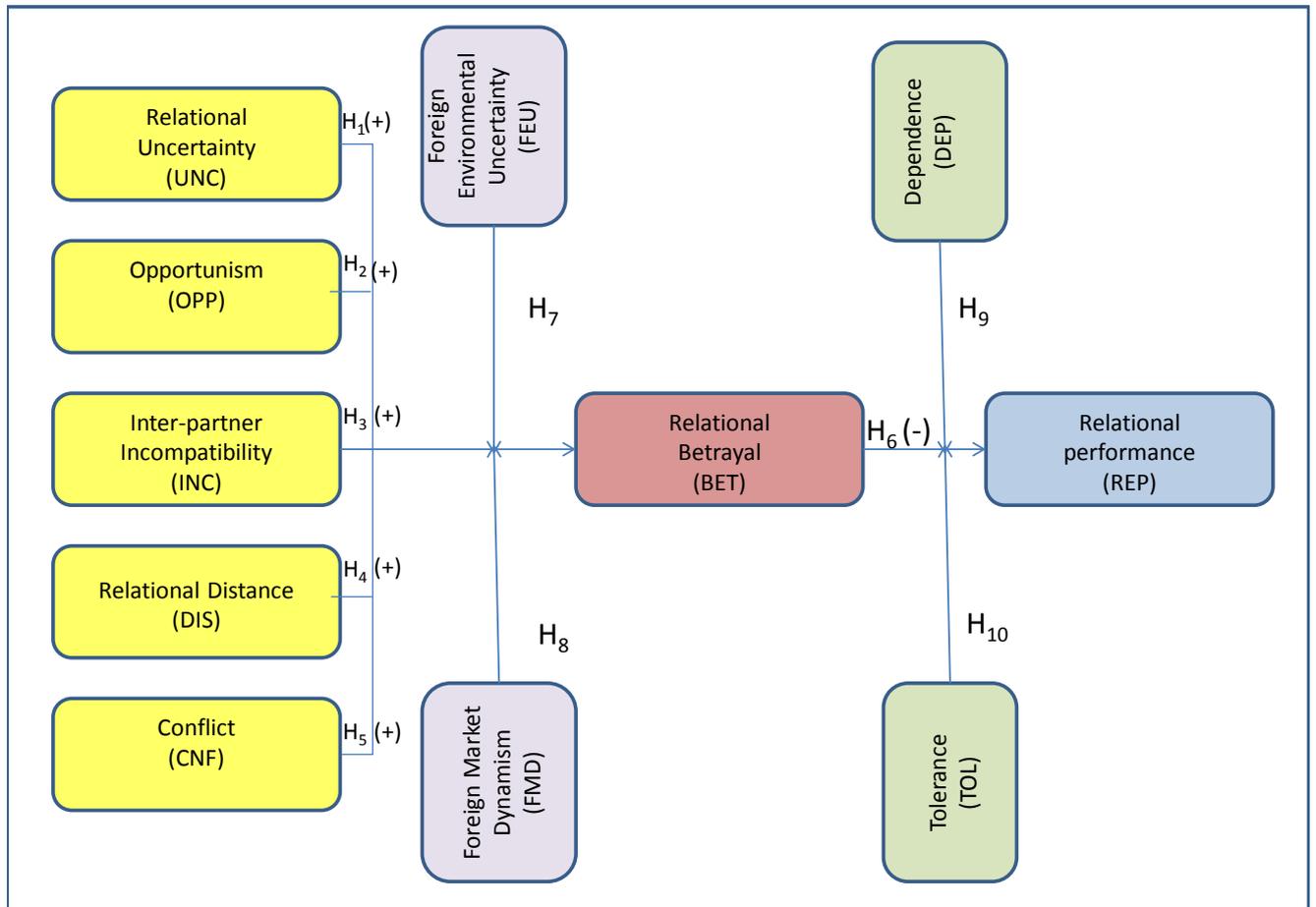
Hypothesis	Hypothesized path	Standardized path coefficients	t-value	p-Value
H ₁	Relational Uncertainty → Betrayal	.30	3.29	.00
H ₂	Opportunism → Betrayal	.19	2.37	.02
H ₃	Inter-partner Incompatibility → Betrayal	.21	2.40	.02
H ₄	Relational Distance → Betrayal	.32	3.76	.00
H ₅	Conflict → Betrayal	.28	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

Foreign market uncertainty as a moderator				
Main effect	Hypothesized moderating effect	High foreign environmental uncertainty group	Low foreign environmental uncertainty group	$\Delta\chi^2$ ($\Delta d.f. = 1$)
UNC → BET	H _{7a} : Effect is stronger among high foreign environmental uncertainty than the low foreign environmental uncertainty group	$\beta = .45$ $t = 3.71^{**}$	$\beta = .15$ $t = 1.29$	2.98 (p < .10)
OPP → BET	H _{7b} : Effect is stronger among high foreign environmental uncertainty than the low foreign environmental uncertainty group	$\beta = .34$ $t = 2.95^{**}$	$\beta = .16$ $t = 1.34$	5.13 (p < .05)
INC → BET	H _{7c} : Effect is stronger among high foreign environmental uncertainty than the low foreign environmental uncertainty group	$\beta = .32$ $t = 2.75^{**}$	$\beta = .14$ $t = 1.20$	3.14 (p < .10)
DIS → BET	H _{7d} : Effect is stronger among high foreign environmental uncertainty than the low foreign environmental uncertainty group	$\beta = .40$ $t = 3.31^{**}$	$\beta = .37$ $t = 3.17^{**}$	1.77 (p > .10)
CNF → BET	H _{7e} : Effect is stronger among high foreign environmental uncertainty than the low foreign environmental uncertainty group	$\beta = .51$ $t = 4.28^{**}$	$\beta = .11$ $t = 1.03$	4.05 (p < .05)
Foreign market dynamism as a moderator				
Main effect	Hypothesized moderating effect	High foreign market dynamism group	Low foreign market dynamism group	$\Delta\chi^2$ ($\Delta d.f. = 1$)
UNC → BET	H _{8a} : Effect is stronger among high foreign market dynamism than the low foreign market dynamism group	$\beta = .38$ $t = 3.44^{**}$	$\beta = .16$ $t = 1.38$	2.89 (p < .10)
OPP → BET	H _{8b} : Effect is stronger among high foreign market dynamism than the low foreign market dynamism group	$\beta = .32$ $t = 3.00^{**}$	$\beta = .15$ $t = 1.37$	2.87 (p < .10)
INC → BET	H _{8c} : Effect is stronger among high foreign market dynamism than the low foreign market dynamism group	$\beta = .33$ $t = 3.10^{**}$	$\beta = .17$ $t = 1.50$	2.96 (p < .10)
DIS → BET	H _{8d} : Effect is stronger among high foreign market dynamism than the low foreign market dynamism group	$\beta = .41$ $t = 3.86^{**}$	$\beta = .13$ $t = 1.28$	8.40 (p < .01)
CNF → BET	H _{8e} : Effect is stronger among high foreign market dynamism than the low foreign market dynamism group	$\beta = .31$ $t = 3.04^{**}$	$\beta = .26$ $t = 2.29^*$	1.15 (p > .10)
Dependence as a moderator				
Main effect	Hypothesized moderating effect	High dependence group	Low dependence group	$\Delta\chi^2$ ($\Delta d.f. = 1$)
BET → REP	H ₉ : Effect is stronger among high dependence than the low dependence group	$\beta = .74$ $t = 5.65^{**}$	$\beta = .70$ $t = 4.46^{**}$	2.84 (p < .10)
Tolerance as a moderator				
Main effect	Hypothesized moderating effect	High tolerance group	Low tolerance group	$\Delta\chi^2$ ($\Delta d.f. = 1$)
BET → REP	H ₁₀ : Effect is stronger among high dependence than the low dependence group	$\beta = .75$ $t = 6.11^{**}$	$\beta = .69$ $t = 4.22^{**}$	2.80 (p < .10)

* p < .05; ** p < .01

Figure 1: The conceptual model

Appendix: Operationalization of constructs

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 incompatibility	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 Sandström (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.	
	FMD6	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