CONTAINING OPPORTUNISM IN BUYER-SELLER RELATIONSHIPS: A CASE OF TOUR OPERATORS AND ACCOMMODATION ESTABLISHMENTS IN THE TANZANIA'S TOURISM INDUSTRY

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ABSTRACT

This study draws on the transaction cost theory (TCA), relational contracting theory (RCT) and resource dependence theory (RDT). The author investigates the impact of interpersonal and inter-firm trust, prior relationship duration, and asymmetric buyer dependence on supplier opportunism in the tour operator-accommodation establishment relationship. Data analysed is from a survey involving 81 tour operators in Tanzania's tourism industry. The data corroborates predictions of RCT, TCA and RDT. Specifically, trust dissipates supplier opportunism. Moreover, the effect of asymmetric buyer dependence on supplier opportunism moves in a non-monotonic fashion over the range of relationship duration. The non-monotonic movement indicates that, buyer dependence exacerbates supplier opportunism when inter-firm relationship is immature. However, such potency wanes when the relationship duration takes effect. The paper also elucidates on implications for theory and practice in buyer-seller relationships.

Keywords: *Opportunism, Asymmetric dependence, Tourism industry, Transaction cost analysis, Relational contracting theory, Resource dependence theory.*

INTRODUCTION

The tourism industry in Tanzania plays a pivotal role in fostering direct foreign earnings and generating direct and indirect employment opportunities (UNCTAD, 2008). In 2013, its contribution to the country's GDP stood at $1.85 billion (MNRT, 2013). Tanzania's tourism industry hosts many actors such as tour operators, travel agents, accommodation establishments, and catering service providers. These intermediaries are linked in one way or another in a buyer-supplier relationship. As the intermediaries have different business goals, there is always a tendency to act selfishly to safeguard one's interests at the expense of their competing interests, regardless of how complementary. Such a situation creates an environment for opportunistic exploitation (Williamson, 1985). Opportunism though episodic in nature might consequently perpetrate channel conflict and premature termination of inter-firm relationship. Despite the numerous actors that constitute Tanzania's tourism industry, this study only draws on a dyadic relationship between tour operators and accommodation establishments.

In determining the antecedents of opportunism, the study uses inter-firm relationships as unit of analysis. Opportunism arises when a trading partner takes advantage of his/her counterpart by haggling the terms of trade, shirking quality, falsely accusing, or overpromising. Specifically, opportunism captures the extent to which suppliers of accommodation services (hereafter accommodation establishments) behave in accordance with self-serving and self-interest seeking vis-à-vis tour operators (hereafter buyers of accommodation services). In this regard, opportunistic behaviours include overpromising, haggling of costs and evading responsibilities, false accusation and deliberate withholding of information during preliminary face-to-face interviews.

Although opportunism is well-debated in extant literature (Morgan & Hunt, 1994; Sabel, 1993; Barney & Ouchi, 1988; Crosno & Dahlstrom, 2010; Wathne & Heide, 2000; Rokkan & Buvik, 2003; Rokkan *et al*., 2003; Joshi & Stump 1999), it is barely explored as an endogenous variable. In the recent past, there has been a plethora of empirical studies on buyer-supplier relationships in the manufacturing setting (Buvik & John, 2000; Buvik & Andersen, 2011); however, to-date only a few studies have extended TCA, RCT, and RDT to the service setting (Ng', 2007; Yenidogan, 2014). Moreover, extensive literature on the buyer-supplier relationship has focused on the supplier side of the dyad. Thus, this study zeroes in on these empirical and methodological gaps in an attempt to gain more insight into the buyer-supplier relationship in the service industry setting.

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TCA theorists contend that buyer-seller relationships are fraught with exchange hazards that either party may cash in on at the expense of other counterparts. However, RDT proponents argue that this behaviour can only be put up with the extent to which either party is heavily dependent on the other and, thus, can barely exit the exchange relationship without sustaining daunting transaction costs. Moreover, RCT propounds that, opportunism undermines inter-firm relationships so much that prior length of relationship is short. However, when a relationship takes effect and both buyers and suppliers have learned about one another, such opportunistic exploitations tend to fade away.

Moreover, recognising the need for independent firms to align their objectives and look out for one another, organisations are moving away from adversarial relations inherent in discrete transactions to relational transactions (Dwyer, Schurr, & Oh, 1987) that are governed by trust, relational norms and shared values (Macneil, 1980). Notwithstanding the fact that organisations are not self-sufficient in the resources they endow (Pfeffer & Salancik, 1978; Emerson, 1962), they depend on other organisations for resources they need to survive.

Dependence of one organisation on another gives rise to power imbalances (Bucklin & Sengupta, 1993) and might result into lock-in situations with a potential for opportunistic exploitation whereby a weaker party can be taken advantage of (Williamson, 1975). Put differently, exchange partners may resort to opportunistic exploitation if they can and have motivation to do so (Williamson, 1985), which are contingent upon the nature and circumstances surrounding each exchange encounter.

However, RCT informs that, when relationship grows and exchange partners get to know each other better, trust and rapport unfold. Meanwhile, successful prior contacts foster relational norms and shared values between exchange partners. Such norms and values, therefore, act as a cushion that attenuate opportunism in an exchange relationship because they govern the way transactions are conducted (Dwyer *et al*., 1987; Joshi, 1998; Heide & John, 1992). The remainder of the paper is organised as follows: The next section provides the theoretical perspectives underlying the research and develops a set of theory-based hypotheses. Section 3 provides the research methodology underlying empirical analysis, including the choice of research setting, data collection procedure and development of measurements. Section 4 p focuses on data analysis and hypothesis testing. In Section 5, the paper discusses the study findings and accounts for the theoretical and managerial implications of the study.

LITERATURE REVIEW

The Association between Trust (TRUST) and Supplier Opportunism (OPPORT)

Unless buyers and sellers engaged in an exchange relationship align their objectives, there is always a potential for either party to a transaction to exploit favourable situations at the expense of the other party. Opportunism in a buyer-seller relationship refers to 'self-interest seeking with guile' (Williamson, 1975). However, opportunism can assume different forms: 1) adverse selection which represents ex-ante opportunism whereby an exchange partner purposely withholds information of the subject matter in a transaction before a relationship is entered into (Akerloff, 1970), 2); strong form opportunism which occurs when an exchange partner breaches explicit or implicit terms of agreements stated before a relationship is forged; and 3) moral hazard which represents a passive form of opportunism and occurs when an exchange partner misconstrues, distorts information, disguises or misleads the other party to safeguard its own interest, quality shirking including dodging one's obligations or promises stipulated in the contract (Wathne & Heide, 2000; John, 1984; Williamson, 1985).

Nonetheless, opportunistic exploitations are rather detrimental to an exchange relationship due to inherent hostility it instils among the exchange parties, thus blotting out efforts to integrate supply chain (Ellram, 1991). Arguably, for the buyer-supplier relationships to flourish parties to a transaction should look out for each other and bury their differences for the sake of long-term engagements. Mutual understanding and consistent discharging of one's responsibilities in exchanges generates confidence in the exchange partners which consequently cultivates trust. However, the need for trust in the service industry is vital in the face of attendant risks and uncertainty that could arise but which an exchange partner may be unable to evaluate before the actual transaction (Parasuraman, Zeithaml, & Berry, 1985).

As such, trust in an exchange relationship sets a boundary on the permissible behaviour of exchange partners (Burki & Buvik, 2010), increases tolerance for exchange partner's behaviour (Doney & Cannon, 1997; Håkansson & Sharma, 1996; Ganesan, 1994) and, consequently, dissipating the opportunistic tendencies inherent in exchange parties, thus enabling them to work together for their mutual benefits. Moreover, trust instils an attitude that parties

to an exchange embrace so that they exhibit actions that are mutually beneficial and refrain from acts that detrimental to the accomplishment of a transaction and, hence, result into negative payoffs (Anderson and Narus, 1990).

Better yet, inter-organisation trust acts as a form of governance mechanism against opportunism in exchange transactions that are characterised by dependence and uncertainty (Heide, 1994). Following this line of reasoning, this study hypothesises that:

H_1 There is a negative association between the level of trust and opportunism in the tour operator-accommodation establishment relationship.

Association between Buyer Dependence (BUYDEP) and Supplier Opportunism (OPPORT)

Organisations tend to be viewed as open systems because they inevitably interact with external environment for a constant flow of resources into and out the system (Buvik & Grønhaug, 2000). However, organisations, as open system, have finite amount of resources at their disposal, which renders them to be dependent on other organisations for certain critical resources they need to thrive (Pfeffer & Salancik, 1978; Dwyer *et al*., 1987).

Such dearth of critical resources compels organisations to forge exchange relationships aimed at reducing environmental uncertainty by exchanging resources for mutual gain (Bucklin a& Sengupta, 1993; Buvik & Grønhaug, 2000). An uneven distribution of critical resources creates a dependency trap for the exchange party in need. Should the relationship be terminated prematurely, then the dependent party can invariably incur significant cost while searching for, qualifying and contracting new or alternative supplier(s). Worse still, asymmetrical dependence exacerbates opportunistic tendencies on the party perceiving himself or herself to be in a stronger bargaining position (Emerson, 1962). Specifically, asymmetrical dependence creates the potential for inter-organisational conflicts (Rokkan & Buvik, 2003) due to power shift and alteration of an exchange party's behaviour by the other (Gaski, 1984; Bucklin and Sengupta, 1993), which provides structural power to the less dependent party in an exchange relationship (Ganesan, 1994; Anderson & Narus, 1984; Lacoste & Johnsen, 2015).

Most the accommodation tourism-related establishments in Tanzania are located in strategic tourist resorts, game parks and important historical towns. Tour operators are thus caught up in a dependence trap because they have to take their clients to these establishments for the reasons such as high availability of bed-nights, good reputation, high quality of services and requests from clients themselves based on the recommendations from other clients. With this competitive advantage in mind, accommodation establishments may resort to exploiting exchange situations at the expense of tour operators. Thus, the more dependent a tour operator is on a particular accommodation establishment, the likely he/she stands a chance of being exploited by the other parts. Thus we contend:

H_2 There is a positive association between asymmetrical dependence and opportunism in the tour operator-accommodation establishment relationship.

Relationship Duration (DURAT), Asymmetric Dependence and Supplier Opportunism

Relational contracting theorists postulate that, extended relationship between exchange parties promotes mutually desired payoffs (Anderson, 1995; Dwyer *et al*., 1987; Anderson and Narus, 1990). As more interactions occur over time, buyer-seller relationship starts to form and eventually takes effect due to the embedded relational norms and shared values of exchange parties (Heide & John, 1990; Macneil, 1980) (Burki & Buvik 2010; Buvik & Halskau, 2014). Better still, the shared values and relational norms guide the manner in which buyer-seller relationships are organised (Buvik, Andersen & Grønhaug, 2014; Buvik & John, 2000; Macneil, 1980), by stimulating the behaviours that are at least shared by a group of decision-makers (Heide & John, 1992), thus maintaining a stable and regular relationship (Pfeffer & Salancik, 1978).

Bucklin and Sengupta (1993) and Heide and John (1990) argue that, a long and stable prior history of a relationship cultivates trust and commitment between the exchange parties and promotes effective communication, information sharing and joint payoffs (Dwyer *et al*., 1987; Ring and Van de Ven, 1992), hence subsuming opportunistic inclinations of the exchange parties (Buvik & Reve, 2002; Buvik & Halskau, 2001; Buvik & Burki, 2010; Bradach & Eccles, 1989; Stinchcombe, 1987). Thus, the establishment of relational norms and shared values can attenuate opportunistic exploitation that stems from asymmetrical dependence (Rokkan & Buvik, 2003).

In this regard, we argue that in a well-established relationship between tour operators and accommodation establishments, supplier opportunism is subsumed irrespective of the extent to which the former is dependent on the latter. Specifically, we posit that tour operators who have been in a well-established exchange relationship with accommodation establishments perceive the latter as less opportunistic as the relationship duration increases and attenuate the supplier's opportunism. Hence, we hypothesise:

H_3 The association between buyer dependence and supplier opportunism is significantly reduced when the relationship duration increases.

The three hypotheses above are represented in Figure 1 which depicts the conceptual model:

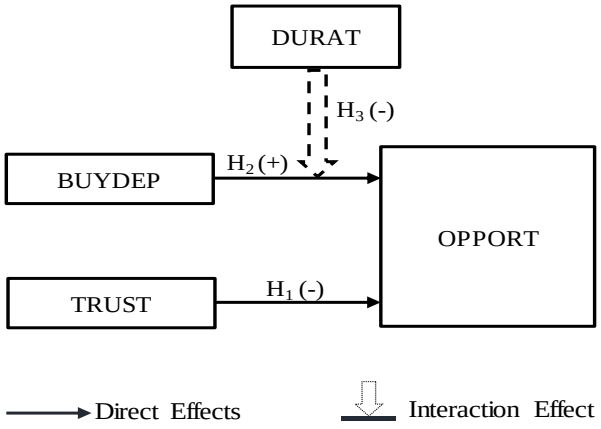

Figure 1: Conceptual Model

RESEARCH METHODOLOGY, EMPIRICAL SETTING AND MEASUREMENTS

Empirical Setting and Sampling Method

This study has adopted a descriptive design, which allows relationships between independent and dependent variables to be examined using quantitative technique of regression analysis. The empirical setting for this study is Tanzania's tour operators and accommodation establishments. Data were collected from the tour operators' side of the dyad. Before data collection, we undertook an extensive literature review to capture the theoretical domain of the constructs used in the hypotheses (Buvik & Andersen, 2011). We then approached and interviewed face-to-face academics, tour operators and accommodation establishments in an attempt to gain more insight into the theoretical constructs and their modification. We then developed a questionnaire by incorporating insights from practitioners and pre-tested it for clarity, ambiguity, and correctness in accordance with suggestions made by Buvik and Andersen (2011).

We then employed simple random sampling to draw a representative sample from a sampling frame of 291 tour operators in accordance with Lawley and Maxwell (1971) and Hair *et al.* (2010). The final questionnaire was distributed to a sample of 100 tour operators registered with the Tanzania Association of Tour Operators (TATO) as members. The questionnaires were distributed in person and were filled out in the presence of the researcher in form of face-to-face interviews in accordance with Churchill (1999). The buyers were requested to identify one of their major suppliers of accommodation services and respond to the questionnaire with respect to that supplier. The response rate was 81 percent, attributable to face-to-face interview strategy as suggested by Malhotra and Birks (2006).

Measures and Latent Constructs

The subsequent section describes and operationalises the measures of dependent and independent variables. Table 1 presents the actual measures and validity statistics and sets out further data analysis.

- Supplier opportunism (OPPORT) is used as dependent variable. Question items constituting this latent construct were adapted from previous studies by Rokkan *et al.* (2003); Gundlach, Achrol and Mentzer (1995); and Provan and Skinner (1989). The construct is made up of four items which are anchored on a 7-point Likert scale from ''1 = strongly disagree to 7 = strongly agree.''

- Trust (TRUST), as a latent construct, is measured using a 7-point likert scale, anchored from ‘‘1 = strongly disagree to 7 = strongly agree.’’ This construct is made up of six items adapted from Kumar, Scheer and Steenkamp (1995); Morgan and Hunt (1994); Moorman *et al*. (1992); and Ganesan (1994).
- Buyer dependence (BUYDEP) is adapted from previous research work by Kumar, Scheer and Steenkamp (1998) and Heide (1994), and is made up of three items, which are anchored on a 7-point Likert scale from ‘‘1 = strongly disagree to 7 = strongly agree.’’
- Relationship duration (DURAT) represents the number of years that a particular tour operator has been buying accommodation services from its most important supplier. This construct was adapted from Heide and Miner (1992); and Buvik and Andersen (2002) and has been operationalised by computing the natural logarithm of the actual duration in years.

Validity and Reliability of the Constructs

We performed exploratory factor analysis (EFA) with Varimax rotation on all perceptual measures to establish discriminant and convergent validity in accordance with Churchill (1979), Chen and Paulraj (2004), Buvik and Haugland (2005). Individual items with high factor loadings loaded onto factors which corresponded to the conceptualised constructs. This signified the consistency of measures in capturing the theoretical domain of latent constructs, thus supporting construct validity. The Kaiser-Meyer Olkin (KMO) measure of sampling adequacy (MSA) was 0.80 –meritorious (Hair *et al*., 2010) indicated that inter-item correlations were explained by common factors (Buvik and Haugland, 2005). The Bartlett’s test of sphericity was highly significant at X^2 = 451.71 d.f = 78, p = 0.00, hence supporting the factor analysability of the data.

The EFA produced a three-factor solution whose factor loadings ranged between 0.560 and 0.875, all above 0.50 the recommended criterion threshold (Hair *et al*., 2010), hence significant for all practical purposes. Nonetheless, all items loading below the 0.40 criterion threshold were disregarded for further analysis in accordance with Pallant (2011). Thus, the factor loadings of the 13 items accounted for 61.66 per cent of the total variance explained by the model. Table 1 below gives a summary of further validation test using confirmatory factor analysis (CFA).

Table 1: Measures of constructs, reliability and validity statistics' output from CFA

Constructs	Factor loading (*t*–value)[b]	AVE[c]	Seven-point Likert-scale type-items with end points strongly disagree and strongly agree
Supplier Opportunism OPPORT: 4 items $X^2(2) = 3.31$, $p = 0.19$ GFI = 0.98; IFI = 0.97 RMSEA = 0.09 α = 0.64; CR = 0.64	0.575[a]	0.31	OPPORT4: Occasionally as the result of overbooking situation this supplier outbooks our clients to another accommodation facility without upgrading it as stated in our formal and informal agreements
	0.520 (3.154)		OPPORT3: This supplier sometimes uses unexpected events to extract extra payment from our company
	0.581 (3.353)		OPPORT2: This supplier occasionally makes false accusation regarding failure to check in our clients
	0.542 (3.232)		OPPORT1: Sometimes this supplier expects us to pay for more than our fair share of the costs
Trust TRUST: 6 items $X^2(9) = 42.63$, $p = 0.00$ GFI = 0.90; IFI = 0.90 RMSEA = 0.22 α = 0.91; CR = 0.90	0.801[a]	0.61	TRUST6: This supplier has high levels of integrity and honesty with regard to my company's business dealings
	0.740 (10.133)		TRUST5: I trust in this supplier that his future decisions and actions will not adversely affect my company
	0.803 (8.331)		TRUST4: This supplier is a friend because of his truthfulness
	0.565 (5.184)		TRUST3: The conflicts resolution with this supplier extends to agreements (gentlemen's agreements)
	0.864 (8.790)		TRUST2: We trust that this supplier follows guidelines stated in our formal agreements
	0.876 (8.938)		TRUST1: This supplier fulfils promises it makes to our company regarding bookings and reservations
Buyer dependence BUYDEP: 3 items CFI = 1.00; IFI = 1.00 RMSEA = 0.30 α = 0.57; CR = 0.59 Trivial fit for three-item scale	0.658[a]	0.34	BUYDEP3: It will cost us significant amount of money and time if the relationship with this supplier should be terminated and replaced with other suppliers
	0.684 (2.844)		BUYDEP2: It would be very difficult to replace bednights our company secures from this supplier
	0.334 (2.060)		BUYDEP1: Our company is very dependent on this supplier due to its high availability of bednights

[a]Fixed variable.

[b] Standardised loadings significant at $p < 0.05$

[c] Average Variance Extracted

The Cronbach alpha (α) measures the internal consistence of measurement items in the latent construct and ranged between 0.57 and 0.91 and fell within the recommended cut-off point of not less than 0.50 (Bucklin and Sengupta, 1993). This result suggests a reliability of the data collection instrument (Pallant 2011). Composite reliability (CR) coefficients computed using AMOS further provided evidence for construct reliability.

The average variance extracted (AVE[2]) measures the amount of variation a latent construct explained in measurement variables to which it is theoretically associated (Salema, 2014). This statistic fell within the recommended criterion threshold of 0.30 (Chen and Pulraj, 2004; Jansens *et al*., 2006), hence further supporting discriminant validity of measurement items (see Table 1 above). Furthermore, the *t*-values (calculated by dividing the parameter estimate by the standard error), for all the measurements were significant and above the recommended criterion threshold of 2.00 in accordance with Chen and Paulraj (2004) and Hair *et al*. (2010), signifying that measurement items shared the highest proportion of variance in common (Hair *et al*., 2010; Churchill, 1979), thus supporting convergent validity.

[2] AVE = (Sum of squared standardized loadings)/[(Sum of squared standardized loadings) + (Sum of indicator measurement error)].

We also obtained a significant Chi-square statistic (X^2 =82.24 d.f = 61, p = 0.04). The significant p-value indicated problems with the fit (Hair *et al*., 2010) and resulted from the sensitivity of Chi-square to sample size (Kline, 2011; Bryne, 2010; Hair *et al*., 2010). However, further analysis of the normed Chi-square ratio (CMIN/DF) provided a ratio of 1.3:1, which was far below the recommended criterion threshold of 3:1 (Hair *et al*., 2010). Nonetheless, other fit indices, Comparative Fit Index (CFI) = 0.95; Incremental Fit Index (IFI) = 0. 95 fell within the recommended criterion threshold of not less than 0.90 (Bryne, 2010; Hair *et al*., 2010). On the other hand, Goodness of Fit Index (GFI) = 0.87 also represented a reasonable fit (Chau 1997; Lie *et al*., 2005), whereas the Root Mean Square Error of Approximation (RMSEA) = 0.07, was below the recommended criterion threshold of 0.08 (Hair *et al*., 2010). The multiple fit criteria put together supported the model fit and further analysis of the conceptualized theoretical relationships.

EMPIRICAL FINDINGS AND TEST OF HYPOTHESES

Regression Model

To test the research hypotheses, the following ordinary least-squares (OLS) regression model was estimated:

$$\text{OPPORT} = b_0 + b_1\text{TRUST} + b_2\text{BUYDEP} + b_3\text{DURAT} + b_4\text{BUYDEP x DURAT} + \varepsilon, \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

When theoretical constructs are interacted, there is potential likelihood for multicollinearity (Hair *et al*., 2010; Pallant, 2011). Specifically, the interacted constructs become highly so correlated that their distinct effect taken in isolation on the dependent variable cannot be ascertained. Thus, the existence of multicollinearity could impair findings in this study. To overcome the potential risk of the multicollinearity problem we mean-centred the constructs constituting interaction terms in accordance with Rokkan *et al.* (2003) and Buvik *et al.* (2014).

Table 2: Correlation Matrix, Descriptive Statistics and Collinearity Diagnostics

	1	2	3	4	5	Mean	Std. Dev	Tolerance	VIF
1. OPPORT	1.00	-.37	.14	-.21	-.29	2.57	.97		
2. TRUST		1.00	.10	.32	.03	5.56	.97	.89	1.12
3. BUYDEP[b]			1.00	.13	.13	.00[a]	.99	.97	1.04
4. DURAT[b]				1.00	.12	.00[a]	.56	.87	1.14
5. BUYDEP x DURAT					1.00	.07	.55	.97	1.03

[a] Mean-centred variables

[b] Variables transformed into natural logarithm

We ran the regression analysis and the overall goodness of fit for the model was good R^2_{Adj} = 0.225 as depicted in Table 3, hence suggesting that the model provides a sufficient description of the data.
The tolerance and variance inflation factor or VIF (see Table 2 below) were all within the recommended criterion threshold of not less than 0.1 and above 10, respectively, as suggested by Pallant (2011).

Table 3: Moderated Regression Analysis: Dependent Variable – Opportunism (OPPORT)

Independent Variables	Hypotheses	Unstandardised Coefficients	Standardised Coefficients	*t*-values
Constant(b_0)		4.493		7.283
TRUST(b_1)		-.346	-.346	-3.162
BUYDEP[b](b_2)		.184	.187	1.787
DURAT[b](b_3)		-.215	-.123	-1.122
Model 1 Fit: R^2 = 0.178, R^2_{Adj} = 0.146, $F(3,77)$ = 5.563, p = 0.002, n = 81				

Constant(b_0)		4.556		7.751[a]
TRUST(b_1)	H_1(-)	-.351	-.351	-3.364[a]
BUYDEP[b](b_2)	H_2(+)	.217	.220	2.199[b]
DURAT[b](b_3)		-.156	-.089	-.848[c]
BUYDEP x DURAT(b_4)	H_3(-)	-.528	-.297	-2.981[a]

Model 2 Fit: R^2 = 0.264, R^2_{Adj} = 0.225, $F(4,76)$ = 6.821, p = 0.000, R^2-change = 0.178, F-change (1,76) = 8.885, p< 0.05 n = 81

[a] Significant at p< 0.01 for t-values greater than 2.33 one tail

[b] Significant at p< 0.05 for t-values greater than 1.65 one tail

[c] Insignificant

Test of Hypotheses

H_1 proposed a negative association between the level of trust and supplier opportunism. The empirical findings in this study are in line with this proposition (b_1 = -0.351, p<0.01) and support the reasoning that once buyer-supplier relationship has taken effect, trust emerges and subsumes opportunistic exploitation of the latter.

H_2 portrays the effect of asymmetric buyer dependence on supplier opportunism, which is positive and significant (b_2= 0.217, p<0.05) and provides evidence for the reasoning that, asymmetrical dependence creates power imbalance in an exchange relationship which exacerbates the potential for opportunistic exploitation by the stronger party.

H_3 expresses the shape of the association between buyer dependence and supplier opportunism when relationship duration increases. The interaction effect of buyer dependence and relationship duration (BUYDEP x DURAT) is negative and significant (b_4= -0.528, p<0.01), demonstrating significant dissipation of the positive effect of asymmetric buyer dependence on supplier opportunism when the relationship duration takes form over time. H_3 is expressed by the coefficients of the derivative of the regression equation with respect to buyer dependence.

To assess the effect of interaction terms in regression Equation 1 above we have taken the partial derivative of buyer dependence (BUYDEP) with respect to supplier opportunism (OPPORT) in the presence of a well-established prior history of buyer-seller relationship in accordance with Rokkan *et al*. (2003) and Buvik et al., (2014). The partial derivative is presented in Equation 2 below:

$$\frac{\delta OPPORT}{\delta BUYDEP} = b_2 + b_4 DURAT, \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Inserting the figures derived from the regression analysis in Table 3 above, we express this as

$$\frac{\delta OPPORT}{\delta BUYDEP} = 0.217 - 0.528\ DURAT, \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3)$$

Figure 2: The Effect of Asymmetric Buyer Dependence on Supplier Opportunism at Different Levels of Relationship Duration

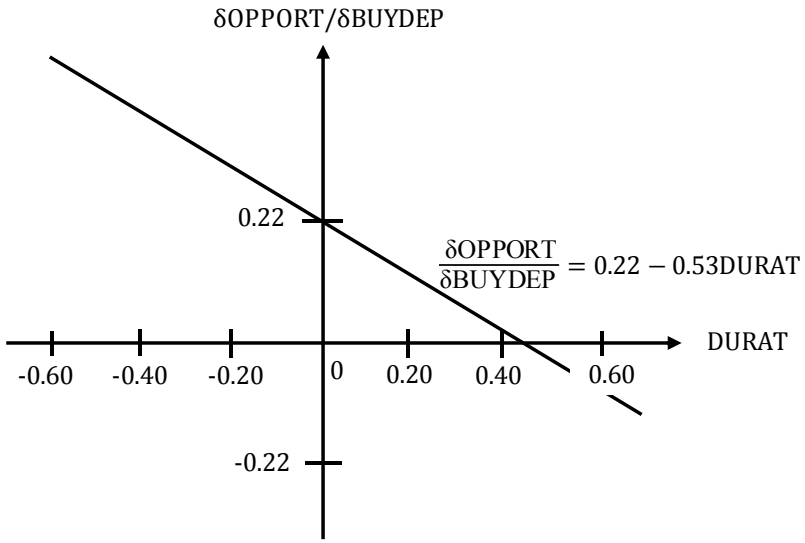

Figure 2 shows a non-monotonic effect of relationship duration on the association between asymmetrical buyer dependence and supplier opportunism. For values below 0.41 in the logarithmic scale, when relationship is immature, asymmetrical dependence has a positive effect on supplier opportunism; however, this association becomes negative when the relationship duration increases over time, hence enabling trading partners to share common values and develop business confidence. This level corresponds to the upper quartile of relationship duration scale in our dataset and indicates the impotency of asymmetric dependence on opportunism when buyer-seller relationship has taken effect over time where exchange parties tend to identify with one another and look out for each other.

DISCUSSION AND IMPLICATIONS

According to Extant literature, the inherent volatility in the availability of critical resources compels firms to shift from discrete transactions that are inherently fraught with adversarial inclinations to relational exchanges (Dwyer *et al*., 1987). In the latter, exchange partners stand a better chance of benefiting from shared goals and mutual complementarities. Better still, relational exchange promotes relational norms and shared values (Morgan & Hunt, 1994) that further foster the development of trust in an exchange relationship. Nonetheless, as exchange relationship evolves over time, exchange partners learn more about each other, hence developing a set of shared norms, values and trust in the process. In this regard, trust holds the firms together and safeguards against the potential opportunistic exploitation (Buvik *et al*., 2014) of parties in the exchange relationship.

The findings of this study are consistent with the predictions of TCA and RCT whereby trust was found to subsume significantly opportunistic inclinations of accommodation establishments against the tour operators. Specifically, trust was negatively related to accommodation establishments' opportunism at $b_1 = -0.351$, $p < 0.01$. This finding corroborates with the existing work by, for example, Morgan and Hunt (1994; 1997), Yenidogan *et al*. (2011), and Cavusgil, Deligonul and Zhang (2004).

Yet, asymmetrical dependence creates room for opportunistic manipulation by the dominant party in an exchange relationship especially when one party depends on another party for critical resources as such dependence empowers the less dependent party (Gaski, 1984; Dwyer *et al*., 1987; Bucklin & Sengupta, 1993; Ganesan, 1994). This disparity in power structures renders the exchange relationships susceptible to opportunistic expropriation (Buvik & Reve, 2002), less stable and infested with conflicts (Rokkan & Haugland, 2002; Dwyer *et al*., 1987). More importantly, power asymmetry results into dissatisfaction on the weaker party in an exchange relationship (Anderson & Narus, 1984) causing inter-firm squabbles.

Specifically, this study has established that tour operators depend on accommodation establishments for their constant supply of bed-nights. Such dependence arises as the available bed nights secured from a specific supplier cannot be easily replaced by other suppliers taking into account the cost implications, desired quality of services and location advantages. As bed nights availability represents the critical resource the tour operators require to thrive and achieve their business goals (Emerson, 1962), it is unfortunate that such resource is not owned by the tour operators. As such, they have to manage proactively their task environment to ensure a constant flow of resources (Pfeffer & Salancik, 1978).

The study findings in this regard reveal that most of the accommodation establishments are located in strategic tourist attraction areas. This advantageous

strategic position perpetrates the potential for opportunistic expropriation because tour operators have to take their clients to these suppliers anyway. So long as accommodation establishments consist of a chain of properties replacing them with other suppliers will cost the tour operators significant amounts of money and time one way or another. The findings in this study is in line with TCA and RDT predictions in that, asymmetrical dependence creates power on the party who is endowed with critical resources which the other needs to survive. Such power may be exercised by the dominant party to extract quasi-rent at the expense of dependent party.

Buyer dependence was found to be positively associated with accommodation establishments' opportunism and was significant at $b_2 = 0.217$, $p < 0.05$, which supports H_2. Notwithstanding this asymmetrical dependence of tour operators on accommodation establishments, relational contracting theory informs that, as the buyer-supplier relationship develops over time, exchange partners tend to identify with one another and work together for mutual gain. Consequently, relational norms and shared values emerge and take effect (Dwyer *et al*., 1987) and act as point of reference for successive future encounters (Rokkan *et al*., 2003). As Bucklin and Sengupta (1993) point out, prior history of business encounters enables exchange parties to evaluate each other's potentialities and develop necessary relationship that promotes their business interest; and consequently, the norms that govern inter-firm transactions and safeguard against opportunistic expropriation by exchange partners. Although asymmetrical resource dependence gives rise to power (Gaski, 1984; Bucklin & Sengupta, 1993; Buvik & Reve, 2002), a well-established relationship subsumes the power disparity in an exchange relationship, thus dissipating opportunistic tendencies of exchange parties.

The finding in this work confirms the above line of argument. As the duration of relationship between tour operators and accommodation establishments increases, the positive association between the former's asymmetrical dependence and the latter's opportunism dissolves significantly at, $b_4 = -0.528$, $p < 0.01$. The implications here is that for every unit increase in relationship duration, the association between asymmetrical tour operators' dependence and accommodation establishments' opportunism wanes away by 0.41 (refer to Figure 2 above). Specifically, this association moves in a non-monotonic fashion along the range of relationship duration whereby it is strong and positive in newly-established relationships (Deeds and Hill, 1999), because of immature relational norms (Buvik & Burki, 2010). However as the prior history of relationship increases, relational norms take form and safeguard against accommodation establishments' opportunism. Put differently, increased dependence in a well-established relationship actually lowers opportunism due to shared experience and informal practices that emerge over time (Buvik *et al.*, 2014; Wang *et al*., 2013). This empirical finding corroborates with the work by Buvik and Haugland (2005), which found that relationship duration is vital for a vulnerable exchange party facing asymmetrical dependence, and Deeds and Hill (1999) who established that relationship duration is positively associated with

opportunism but became negatively associated with opportunism over time. Opportunistic behaviour perpetrates channel conflicts, distrust and premature termination of inter-firm relationship. It is, therefore, imperative for business partners to look out for each other and foster win-win situations.

Conclusion

This study zeroed in on the empirical and methodological gaps in attempt to gain more insight into buyer-supplier relationship in the service industry setting. Specifically, this study brought to light the interplay of the three theoretical paradigms, namely; 1) Transaction cost analysis, 2) Relational contracting theory; and 3) Resource dependence theory. In particular, these theories are scantly explored in the service industry unlike in the manufacturing setting. Thus extending these theories in the service setting contributes to the body of knowledge by bridging both the aforementioned methodological and empirical gaps.

Buyer-supplier relationship is especially way too important to ensure businesses thrive amid an ever changing business environment. Taking into account the importance of sustainable inter-firm relationship in enhancing supply chain longevity, firms in an exchange relationship need to refrain proactively from opportunistic exploitations and engage in mutually beneficial actions. As individual firms are not self-sufficient in resources at their disposal, they invariably depend on other external firms for critical resources they need to meet their own business goals. However, in the absence of interpersonal and inter-firm trust and where relationship duration is immature, dependence of one firm on another firm exacerbates the potential for opportunistic exploitation. The findings in this empirical work confirm that inter-firm trust significantly dissipates opportunism. Moreover, regardless of asymmetrical power distribution between buyers and sellers in the exchange relationship we found that longer relationship duration attenuates the potential for opportunistic exploitation. The three hypotheses in study were tested and found to corroborate the predictions in the existing literature, thus extending the same in the service setting.

To practitioners, this empirical work casts a glimpse of light on the need to embrace on and promote a win-win behaviour in an exchange relationship and frown up on all acts that could rather affect negatively the going relationship and, thus, increase the cost of transactions. Although one could obtain redress from a court of law once taken advantage of, firms inevitably depend on each other to thrive in an ever competitive and highly volatile business environment. Therefore, an all-for-one and one-for-all relationship matters.

Limitations and Future Research

This study has used a relatively small sample size of only 81 responses, which may impair the generalisability of the findings. The reason for a small sample size is reflected in the short timeframe that was available for data collection.

Besides, it would be uneconomically feasible to approach all tour operators who are scattered all over Tanzania. However, future studies could expand on the data set to be able to ensure external validity of the findings. Furthermore, this study is grounded on a cross-sectional design, which does not account for relationship dynamics over time. Future studies could embrace upon longitudinal design that permits the study of relationship dynamics over time. Such study could further corroborate evidence in the existing literature.

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