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Antecedents to Opportunism: The Case of Tour Operators and Accommodation Establishments in the Tanzania's Tourism Industry

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List of Abbreviations

AVE	Average Variance Extracted
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
GDP	Gross Domestic Product
EFA	Exploratory Factor Analysis
HAT	Hotel Association of Tanzania
IFI	Incremental Fit Index
KIATO	Kilimanjaro Association of Tour Operators
KMO	Kaiser-Meyer-Olkin
LDCs	Least Developed Countries
MNRT	Ministry of Natural Resources and Tourism
MSA	Measure of Sampling Adequacy
OLS	Ordinary Least Square
RCT	Relational Contracting Theory
RMSEA	Root Mean Square Error of Approximation
TANAPA	Tanzania National Parks
TATO	Tanzania Association of Tour Operators
TCA	Transaction Cost Analysis
TCT	Tanzania Confederation of Tourism
TUTSO	Tumaini Tour Operators Society
UNCTAD	United Nations Conference on Trade and Development
URT	United Republic of Tanzania
USAID	United States Agency for International Development
US $	United States Dollar
VIF	Varience Inflation Factor
WTTC	World Travel and Tourism Council
WTO	World Tourism Organisation
ZATO	Zanzibar Association of Tour Operators

Abstract

Purpose: To investigate the impact of trust, prior relationship duration, purchase volume, asymmetric buyer transaction-specific investment and buyer dependence on supplier opportunism in the tour operator–accommodation establishment's dyadic relationship.

Design/methodology/approach: A list of licenced tour operators from the Ministry of Natural Resources and Tourism constituted the sampling frame. The repondents answered all questions with regard to one of their most important suppliers. A total of 81 responses were collected. Moderated multiple regression analysis was used to test the hypotheses.

Findings: Trust dissipates supplier opportunism. Moreover, the effect of buyer dependence on supplier opportunism is non-monotonic over the range of relationship duration. Meanwhile, the effect of asymmetric buyer transaction-specific investment on supplier opportunism moves in a non-monotonic fashion over the range of purchase volume.

Research limitations/implications: Relatively small sample size, only 81 responses, may impair generalizability of the findings. Furthermore this study is grounded on a cross-sectional design, which does not account for relationship dynamics. Future studies could embrace longitudinal design to overcome such barrier.

Theoretical implications: Asymmetrical dependence and transaction-specific investment in a buyer-seller relationship tend to exacerbate opportunistic exploitation by the less dependent counterpart. When the buyer's bargaining power is high, the positive association of asymmetric buyer transaction-specific investment and supplier opportunism significantly weakens. A well established buyer-seller relationship significantly dissipates the positive association of asymmetric buyer dependence and supplier opportunism.

Managerial implications: Opportunism presents a real threat in the business context. However little seems to be kown to the management. This study has clearly delineated antecedents to opportunism. Opportunistic behavior perpetrates channel conflicts, distrust and premature termination of inter-firm relationship. It is therefore imperative for business partners to keep an eye out for each other in order to promote a win-win situation.

Key words: Supplier opportunism; Asymmetric dependence; Trust; Relationship duration; Asymmetric transaction-specific investment; Tourism industry; Tour operator; Accommodation establishment; Tanzania; Transaction cost analysis; Resource dependence theory; Relational contracting theory.

CHAPTER 1

INTRODUCTION

1.1 Background Information

The growth in travel and tourism industry can be traced back as far as 1978 when the United States of America deregulated its airline industry (Kazda and Caves 2000). This deregulation revolutionized the development of the travel and tourism industry which enhanced mobility and influx of tourists in destinations of interest. As the need for travel increased so did the market for tourism product which resulted into an increase in economic and social benefits ensuing from spending in the destination countries. As Youell (1998) points out, tourism receipts in 1994 overtook both crude petroleum and motor vehicle to become the world's number one export earner. Today earning from world tourism industry amounts to US$ 7.6 trillion, meanwhile its contribution to world GDP grew by 9.8% as of 2014 (WTTC, 2015) supporting nearly 277 million people in employment globally. This is in line with what Youell (1998) termed as multiplier effect of tourism, meaning that income earned from tourism activities is circulated in the local economy hence boosting its overal income.

As Welford, Ytterhus and Eligh (1999) point out, tourism industry is an important source of income for many countries. Thus Tanzania's tourism industry is not an exception to the foregoing benefits; as Tanzania is one of the least developed countries (LDCs) it regards tourism as an important economic growth driver because of its enormous contributions in the areas of foreign exchange earnings, overall state revenue and improving social welfare of people in the destination areas (Dieke, 2003). However, Goodwin (2006) notes that, the net foreign exchange earnings from this industry are far less than the gross receipts.

Notwithstanding active involvement of governments in formulating policies and strategies to enhance their tourism sectors, there has been a significant leaching of earnings which emanates from repatriation of revenues, wages and imports leaving the third-world destinations with a meagre return from the exploitation of their natural resources. As the result, efforts directed towards the attainment of environmental sustainability and economic growth, are barred (Yilmaz and Bititci, 2006).

Tanzania's tourism industry is made up of many intermediaries whom together form tourism industry's value chain (see Figure 2.2). The channel intermediaries span from tour

operators, travel agents, accommodation establishments (i.e. hotels and lodges), catering, handicrafts traders, retailing and other related industries (Youell, 1998). Despite these intermediaries being distinct organizations they do not exist in isolation. Each one of them plays a catalytic role in enhancing tourists' experience. That is, there is a mutual interdependence among the different actors in the value chain as some are buyers of tourism services and products while others are sellers of the same. However in an ever-changing business environment the intermediaries strive to do whatever it takes to thrive. Coupled with different business orientations, missions and resource endowment, the intermediaries may resort to act in ways that are consistent with self-interest seeking with guile (Williamson 1985).

To deal with this problem organizations are moving away from adversarial relations embedded in discrete transactions to relational transactions (Dwyer, Schurr and Oh, 1987) that are governed by relational norms and shared values (Macneil 1980). Notwithstanding the fact that organizations are not self-sufficient in resources they endow (Pfeffer and Salancik, 1978; Emerson, 1962), they depend on other organizations for input they need to survive. Resource dependence of one organization on another gives rise to power (Bucklin and Sengupta, 1993) and may result into lock-in situation that enhances moral hazard where a weaker party stands a chance of being taken advantage of (Williamson, 1975).

Depending on the nature of transaction and circumstances surrounding each exchange there may be an inclination of the trading partners to put their interests first at the expense of their counterparts (Williamson 1985). Furthermore, unilateral investment creates dependence trap and encourages expropriation of quasi-rent at the expense of focal investor (Rokkan, Heide and Wathne, 2003).

However RCT informs that, as relationship grows and exchange partners get to know each other better, trust and rapport build up. More and more successful contacts foster relational norms and shared values between exchange partners. The norms therefore act as a cushion that serves to attenuate opportunism in an exchange relationship because they emerge to govern the way transactions are conducted (Dwyer et al., 1987; Joshi, 1998; Heide and John, 1992).

Thus this thesis sets about investigating the dyadic relationship between tour operators and accommodation establishments by converging TCA, RCT, and RDT. The central theme of this study is set forth in the subsection below.

1.2 Research Problem

This thesis is concerned with the study of supplier opportunism which is characterized by behaviors such as deceit, avoidance of responsibilities, haggling and false promises against the tour operators who are the buyers of accommodation services in the Tanzania's tourism industry. These behaviors are a reflection of exchange hazard (opportunism) as noted by (Rindfleisch et al., 2010; Park and Ungson, 2001; John, 1984; Williamson, 1985).

The concept of buyer-seller relationship is vastly explored in the marketing literature (Dwyer et al., 1987; Wang et al., 2013; Buvik and Grønhaug, 2000; Rokkan et al., 2003; Buvik and Reve, 2002; Buvik and Haugland, 2005). Extant literature informs that buyer-seller relationships entail considerable exchange hazards (Wang et al., 2013; Park and Ungson, 2001). One of the exchange risks occurs when an exchange partner chooses to pursue their own interest at the expense of their counterpart in an exchange relationship because of differing business motives and priorities. This behavior of self-interest seeking with guile is what the extant literature refers to as opportunism (Williamson, 1975: 1985; Wathne and Heide, 2000; Rindfleisch et al., 2010). Opportunism assumes different forms such as adverse selection, passive opportunism and active opportunism (Wathne and Heide, 2000), and is potent of degrading exchange performance (Crosno and Dahalstrom, 2008). As Parkhe (1993) and Pilling, Lawrence and Donald (1994) point out, opportunistic behavior between value chain members may result into a premature termination of relationship or at least suboptimal ralationship outcomes.

In light of the potential exchange hazards that are embedded in buyer-seller relationships, this study sets about examining the antecedents to opportunism by specifically focusing attention on a dyadic buyer-seller relationship between tour operators and accommodation establishments in the Tanzania's tourism industry. We confront and assess the interplay among the three theoretical paradigms TCA, RDT, and RCT in an effort to understand the antecedents of accommodation establishments' opportunism vis-a-vis the tour operators. Therefore this study seeks to address the following research questions:

- What factors influence opportunistic behavior of accommodation establishments as perceived by the tour operators?
- What factors deter accommodation establishment's opportunistic behavior towards the tour operators?

1.3 Objectives of the Study

Primarily this study seeks to examine buyer-seller relationships in the service industry. In particular the relationship between tour operators and accommodation establishments forms the unit of analysis in this study. Thus the specific objectives are:

(a) to examine the role interpersonal and interorganizational trust play on opportunism in the tour operator-accommodation establishment relationship;
(b) to examine the moderating effect of relationship duration on the association between tour operators' dependence and accommodation establishments' opportunism; and
(c) to examine the moderating effect of volume of purchase on the association between tour operators' unilateral specific investment and accommodation establishments' opportunism.

1.4 Justification for the Study

Tourism is one of the major sectors that contribute to poverty alleviation in Tanzania (WTO, 2004) especially in rural areas where three-quarters of its population is found (Zoss, 2009). As UNCTAD (2008) pointed out, tourism industry has the potential for significant direct and indirect employment effects. Moreover, UNCTAD (2008) revealed that tourism requires about 44% of its inputs from other sectors such as transport and agriculture. This means that, tourism has the potential for creating more direct and indirect jobs and consequently contribute to the development of other economic activities in the country through income multiplier effect (Youell, 1998), thus boosting the overall economy of Tanzania. Nonetheless tourism industry is relatively labor-intensive –typical of service industry, thus investments in tourism tend to generate a larger and more rapid increase in employment than equal investment in other economic activities (Jamieson, Goodwin and Edmunds, 2004).

Amid the ever-growing number of international travellers, different organizations in destinations need to rearange their business goals and priorities so as to enhance visitors' experience. Additionally value creation in the eye of travellers cannot possibly be achieved by organizations working in isolation. It is the interactions of different firms such as travel agents, tour operators, accommodation establishments, government authorities among others, that when put together enhance value creation. With an ever-growing tourism industry, new firms are expected to emerge and so are new relationships, warranting the

need to study inter-firm relationships. Nonetheless, buyer-seller relationships have not been sufficiently explored in the service industry (Ng, 2007) as is the case in the manufacturing industry the fact that invoked our interest in this study.

1.5 Scope and Delimitation of the Study

Tourism value chain in Tanzania consists of a number of actors spanning from entertainment, transport such as air lines and travel agents, accommodation such as hotels and lodges, tour operating companies, retail stores and catering and beverage. Notwithstanding this diversity, this study primarily focuses on the dyadic buyer-seller relationship between tour operating companies and accommodation establishments in the tourism value chain. In this light this study extends transaction cost theory, relational contracting theory, and dependence theory in the tourism industry.

Due to limited time and financial resources this study covered a sample of tour operators drawn from only two regions out of the twenty-five regions in Tanzania. These are: Dar Es Salaam and Arusha. These regions were chosen on merit, as they represent high concentrations of tour operators and accommodation establishments. Nonetheless these regions boast a lot of natural resources both flora and fauna which form major tourist attractions.

1.6 Organization of the Study

This study consists of nine chapters. Chapter one presents a brief introduction and background to Tanzania's tourism industry. The chapter goes on to describing the research problem and relevance of this study. Chapter two presents tourism industry's current trends, service characteristics and relevance of Tanzania as a research setting. Chapter three presents a theoretical framework and a thorough review of relevant theories partinent to this study. These theories will then be used to develop conceptual framework for this study in chapter four. Chapter four presents the conceptual model. In this chapter hypotheses are developed and argued for in light of TCA, RCT and RDT. Chapter five describes research design and the methodology adapted in this study. Chapter six presents definitions and operationalization of variables. Chapter seven presents measurements assessment and data validation where screening, validity and reliability tests are carried out. Chapter eight presents regression model and tests of hypotheses in this study. Finally chapter nine presents summary of findings and discussions. Nonetheless, limitation and implications are also presented including recommendations for future directions.

1.7 Summary

This chapter has presented the background to the study followed by the research problem, objectives, justification, scope and an outline of the study. The research gap is based on limited contribution of TCA studies in service industry particularly in the context of developing world. The next chapter presents an overview of the tourism industry in Tanzania.

CHAPTER 2

TOURISM INDUSTRY IN TANZANIA

2.1 Introduction

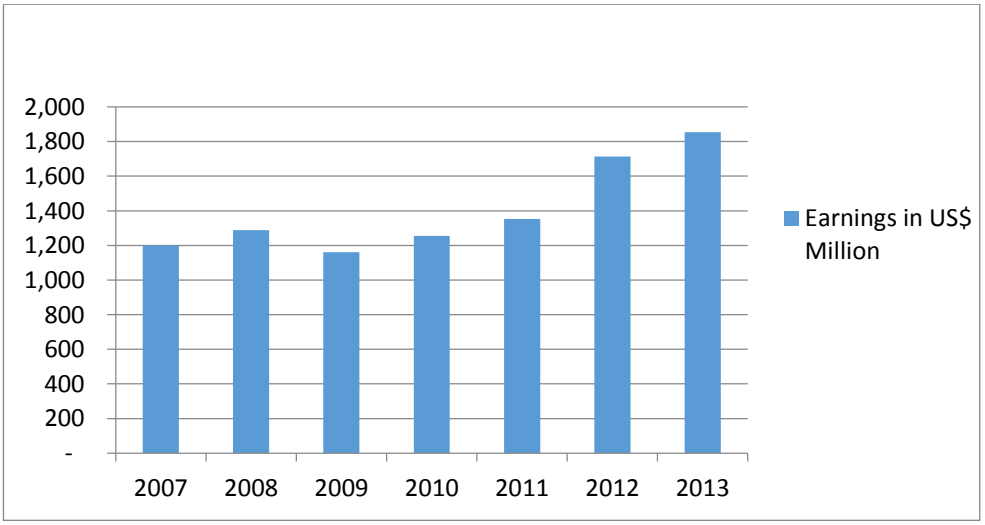
This chapter presents a brief overview of the overall trends in the world tourism industry; it also sheds light on the current trends in the Tanzania's tourism industry. Insights about tour operators and accommodation establishments are also highlighted. The chapter also presents tourism industry's service characteristics as well as industry's value chain. The chapter culminates by discussing the relevance of Tanzania as the research setting.

2.2 Tourism Industry's Overview

According to the UNWTO (2013)'s report, the world tourism industry's growth surpassed its projected 5% growth, with 52 million more tourists crossing international borders despite the shaky global and geopolitical crises, thus outstripping other major economic sectors like mining and crude oil. Tourism is deemed the single largest and most dynamic industry in the world economically and environmentally.

The ripple effect of the growth in the world tourism industry is felt in the Tanzania's tourism industry as well. Tanzania once known as a sleeping giant in tourism surpassed the 1 million visitors mark in 2013 beating the ever-dominant neighboring Kenya, earning an estimated record of US$ 1.85 billion (MNRT, 2013). Refer to Figure 2.1 below which demonstrates tourism trends in Tanzania in terms of its overall contribution to the country's GDP from foreign earnings for the past seven years.

Figure 2.1 Foreign Earnings Contribution to GDP from Tourism Industry

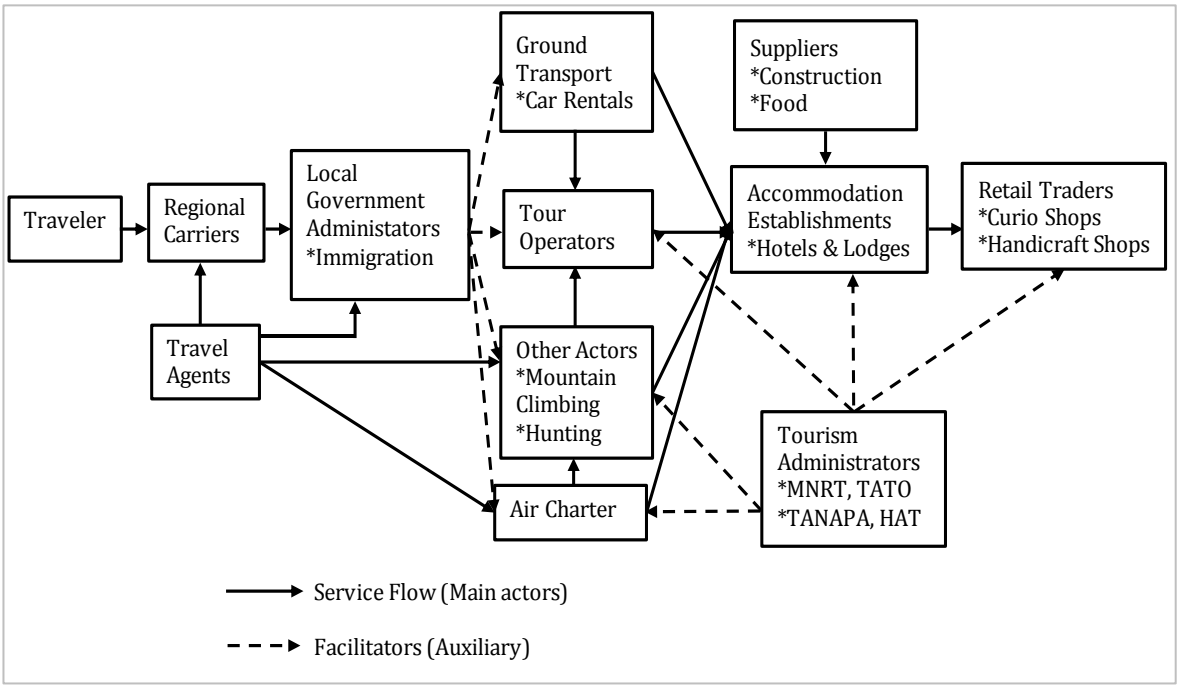


Source: Authors' own illustration based on data from MNRT (2013)

Endowed with natural beauty, Tanzania is the haven of tourism, benefitting the country in many aspects. The country encompasses some 945,234 square kilometres of which 25% of the total surface area hosts the vast riches of wildlife national parks and game protected areas, 15 National Parks, 1 conservation area –Ngorongoro Conservation Area, 28 game reserves and 44 game controlled areas, Mt. Kilimanjaro and the majestic spice islands of Zanzibar, historic and scenic sites of never-ending wonders of the world (MNRT, 2013). These resources have put the tourism sector in the country on its feet, which significantly contributes to the GDP through foreign exchange earnings surpassing gold as the main contributor to Tanzania's GDP (Daily News, 2014).

Nonetheless the travel and tourism sector has contributed to direct employments of over 402,500 people, which is a total of 3.8% of total employment for Tanzania with a projection of 500,000 by the year 2024 (WTTC, 2015) making both direct and indirect jobs reaching a total of 1,196,000 representing 11.2% of the total employment (WTTC, 2015). The key players of the industry include tour operators, who play a significant role in linking tourists to destinations, travel agents, tourism associations, for instance TATO and HAT, accommodation establishment companies, retail traders and also the government acting as the tourism administrator, making the sector a perfect competition in nature considering ease of entry and number of players. Figure 2.2 below demonstrates major and auxiliary actors the industry's value chain.

Figure 2.2 Tanzania's Tourism Industry Value Chain



Source: Authors' own illustration based on literature review

As portrayed in Figure 2.2, value creation takes place from the actors involved in the physical distribution such as regional carriers and travel agents, through to immigration, tour operators, local air and ground transport, accommodation establishments and finally, where travelers expend at their own discretion on souvenirs further down the chain before they exit the country. Tourism administrators and government agencies play part in collecting taxes and ensuring a level playing field for the actors in the supply chain. These actors put together, enhance tourists' experience.

2.2.1 Tour Operators

Youell (1998) describes tour operators as intermediaries in the tourism value chain who buy in bulk from suppliers of tourism services and products and then break the bulk into small, manageable packages that are then offered for sale to prospective tourists. Thus, the tour operators bridge the gap in the value system by bringing together producers and consumers of tourism products and services (Moutinho 2000), refer to Figure 2.2 above.

Nonetheless, the tour operators act as a linking pin in the value system by arranging for transfers to and from the airport, preparing tour itineraries, setting up accommodation bookings and game safaris and they also own their own vehicles, though there is a good segment that do not own their own cars but rather hire the transport from car rentals. In as far as everything is prearranged for the visitors, they invariably observe rather than experience the true foreignness of their destination (Van Der Merwe, 2003).

Some of the giant tour operators in Tanzania include: Leopard Tours, Ranger Safaris, Abercrombie & Kent, and Mount Kilimanjaro Safari Club among others. Tour operators in Tanzania fall under private sector and majority of companies are family owned, however there is also a large portion of foreign-owned companies. Majority of tour companies are a member of TATO, however other associations such as TUTSO, ZATO and KIATO also exist.

2.2.2 Tour Operators' Services

The tour operators are most often than not mistaken for travel agents. However the two intermediaries differ from each other in terms of the range of services they cater for in their respective positions in the value chain. Distinctively, tour operators are wholesalers in the tourism distribution channel whereas travel agents serve as travel retailers. At retail level travel agents offer a wide range of services and products including; foreign package

tours, car hire, visa and passport applications, flight-only sale, theatre bookings, rail tickets, coach holidays and tickets and travel insurance (Youell, 1998).

Moutinho (2000), further points out that, tour operators' ability to combine travel products and offer them to prospective customers at comparably lower prices than what would normally be available to individuals, provides travel economy and convenience to a significant segment of tourists. For all practical purposes tour operators provide a wide range of services to both business and leisure segments of tourists.

Meanwhile the former concerns tourists who travel on business for instance attending trade fairs, exhibitions, meetings, conferences or incentive travel, the latter segment concerns travelling for leisure such as taking a holiday at home or abroad, or travelling for health and fitness, sports, culture and religion (Youell, 1998). The tour operators are well equiped to cater for the needs of these segments by tailoring products and services they offer to the needs of their varied customer groups. For instance a schedule for travelers on business[1] meeting could be: arranging for their transport to and from hotel, and also fixing in game tour before the travelers depart the country. On the other hand the schedule for leisure travellers[2] is much detailed as stipulated in the itenerary as these are in no hurry.

Moreover, as the tour operators take clients on tours they come in contact with them thus developing good rapport with them. Besides the tour operators hire either permanent or freelancing, tour guides who are well trained and versed in the industry in order to enhance the tourists' experience. The tour guides, guide the tourists through the country while showing them around; meanwhile the tourists receive plenty of information about the country's history and current social-political situation.

The tour guides play a catalytic role in enhancing tourists' experience as they can speak different languages and so can they adapt to the language of a particular group of tourists thus enhancing better communication. Nonetheless, the guides are knowledgeable about safety procedures and precautions in whether the visitors are in transfers, town tours or game tours. As Van Der Merwe (2003) puts it, because everything is pre-arranged for the tourists, it is a healthy alternative to their venturing alone in a country.

[1] Business and professionals travelers account for 6% of share of international arrivals in Tanzania (MNRT 2013)
[2] Leisure travelers account for 81% of share of international arrivals in Tanzania (MNRT 2013)

2.2.3 Tour Operators Relationship with Accommodation Establishments

This part forms the main subject of this study. Tour operators and accommodation establishments have the potential of forging mutually beneficial relationships with each other. In Tanzania, the tour operators mostly do business with game lodges, hotels, campsites, farms, motels, guest houses and hostels. Despite these numerous categorizations of accommodation establishments, it appeared that tour operators in Tanzania seem to trade more with lodges, hotels and camps than with the rest of the other categorizations. However this study does not focus attention on any particular categorization of these establishments other than for the identfication of most important supplier of accommodation services a particular tour operator trades with. As tour operators make regular bookings with accommodation establishments for current tours as well as tours that will take place in the future, they develop buyer-seller relationship in time.

As accommodation establishments are located in strategic tourist resorts, this proximity advantage gives them an upper hand against small tour operators who are comparably weaker in terms of bargaining power. Dependence issues may also arise and perpetrate opportunistic exploitation on the part of accommodation establishments. However, in order to enhance a win-win situation tour operators and accommodation establishments need to look out for each other.

2.3 Tourism Industry's Service Characteristics

2.3.1 Perishability

Service by its very nature cannot be stored, thus service capacity that goes unutilized is perished for good. Furthermore intermediaries in the tourism industry cannot hold inventory as demonstration of their commitment (Ng, 2007; Bateson, 1995). As USAID, (2007) points out, holiday packages are only saleable up to the date of the flight departures especially when one organizes fixed date trips. Thus bed-night capacity in a hotel that is not occupied is wasted as it cannot be stored for consuption in the following day. However to deal with this potential problem, intermediaries have resorted to practising yield management with multiple pricing, segmentation strategies and even overbooking in order to maximize yield and reduced unused capacity (Lee and Ng, 2001).

2.3.2 Intangibility

Tourism products are intangible and are bought blind because they cannot be experienced, felt, tried or seen by consumers before they are actually consumed. For instance tour operators have reverted to preparing brochures which present their products in pictures and words thus helping them market and sell their products and services. Notwithstanding this, USAID (2007) argues that brochures do not invariably portray an impression of how a particular client will experience the product on consumption, thereby complicating the role of channel intermediaries in selling service products than selling and distributing physical goods (Ng, 2007).

2.3.3 Simultaneous Production and Consumption

Package holidays suffer from inseperability as clients get involved in the service process. This is due to the fact that service is performance, meaning that one party experiences it while another party performs it simultaneously. As a matter of fact, channel intermediaries in the tourism industry distribute tangible representation of a promise that service will be available for consumption at some point in the future time (Ng, 2007). However the tendency of several parties getting involved in the product –from the tour guide to the hotel attendants can have an effect on the outcome of the experience on the part of the tourists (USAID, 2007).

2.3.4 Service Inconsistency

Services are not standardized due to their heterogeneity nature. As Ng, (2007) puts it, heterogeneity of service fosters lack of standard of delivery of service product. Holidays by their very nature are varied –for instance tourists from Norway visiting lake Manyara national park in Tanzania almost invariably will have a different experience whether they came in January through March –a period of high season or October through December –a period of low season, whether they toured with the same tour operator, stayed in the same hotels and ate at the same restaurants (USAID, 2007).

Reflecting on these characteristics, it is evident that channel conflicts are inevitable should the main source of income (tourists) raise complaints of their dissatisfaction. It is therefore imperative for channel actors to embrace an attitude of ‘all-for-one and one-for-all’ to achieve their rather differring business motives while serving the clients to their satisfaction.

2.4 Relevance of Tanzania as a Research Setting

Tanzania is among the least developed countries in the world; however it is emerging as one of the fastest growing economies in Africa (KPMG, 2014). Nonetheless some sectors such as tourism have emerged to boost economic growth through foreign income earnings as well as direct effects of employment opportunities to the locals (WTO, 2004; UNCTAD, 2008). The profound positive multiplier impact of tourism on economic growth affects other economic sectors (Youell, 1998), such as agriculture, transport and construction. In this regard tourism industry needs to be looked at in great depth by practitioners and government agencies so that proper policies are enacted that will benefit the wider population hence alleviate poverty.

As the tourism industry is expanding rapidly (WTTC, 2015), complex inter-firm relationships are expected to emerge. Thus there is the potential for conflicts, self-serving behavior of channel actors and overly asymmetrical dependence among others. All these factors are relevant in an ever-growing economy such as Tanzania. In this regard Tanzania justifies being the relevant research setting. Besides, findings in this research serve to corroborate existing evidence from similar studies conducted in the developed world. Nonetheless it is expected to contribute in the formulation of policies and regulations that will govern buyer-seller relationships in the Tanzania's tourism industry. Specifically, by enacting policies and business practices that encourage a level playing field for actors in the tourism industry. Importantly, this study focuses on the exchange relationship between tour operators –hereafter the buyers, and accommodation establishments –hereafter the suppliers.

2.5 Summary

This chapter has presented and discussed tourism trends in Tanzania. In particular growth patterns and forecast have been presented. The chapter also discussed various issues surrounding the business of tour operators including their relationship with accommodation establishments. The chapter has pointed out key marketing issues of relevance in the tourism industry including service characteristics. The Tanzania's tourism value chain which typically reflects major actors in the tourism industry in Tanzania has also been presented. The chapter has also presented the relevance of Tanzania as a research setting. The next chapter presents theoretical background that is relevant for this study.

CHAPTER 3

THEORETICAL BACKGROUND

3.1 Introduction

This chapter presents literature review and discusses theoretical perspectives that are relevant to this study. Three theoretical perspectives inform this study namely; Transaction Cost Analysis (TCA), Relational Contracting Theory (RCT), and Resource Dependence Theory. The three theoretical perspectives are used to develop the conceptual model of this study. Relevant constructs regarding antecedents to opportunism in a buyer-seller relationship are derived from these theoretical perspectives.

3.2 Transaction Cost Analysis

The origin of TCA goes back as far as 1930s. It was first propounded by Ronald Coase and John Commons who posited that transactions can be governed in different ways, however each governance structure differs from one another based on their respective transaction costs (Coase, 1937; Commons, 1934). Following the contributions laid down by Coase and Common, TCA was further developed by other economists such as Oliver Williamson (Rindfleisch and Heide, 1997). Since then TCA has become one of the most dominant theoretical paradigm for economists, theorists and other audiences, especially in the marketing discipline and organizations in the business-to-business domain.

TCA theorists contend that, transaction costs assume different forms, as they may be direct costs or opportunity costs emanating from foregone alternative transaction. Nonetheless they posit that, transaction costs arise ex ante when establishing agreements such as when drafting and negotiating terms of exchange or ex post when monitoring exchange partner's performance and enforcing agreements so that exchange partners act according to contractual stipulations (Joshi and Stump, 1999; Rindfleisch and Heide, 1997; Williamson 1985).

According to Williamson (1985; 1979) each transaction has its own set of characteristics and that using external market mechanism as governance structure of eceonomic activity results into transaction costs. However extant literature on TCA informs that exchange relationships may be governed through market mechanism where demand and supply forces determine the price, or through non-market mechanisms such as hierarchy and

hybrid governance structures (Rindfleisch et al., 2010; Buvik and Haugland, 2005; Buvik and Grønhaug, 2000; Bello, Dant and Lohtia, 1997; Heide, 1994; Williamson, 1991).

The use of price merchanism as a governance structure in a transaction is argued to be efficient as it reduces transaction costs because of relative ease with which a buyer can switch to an alternative supplier in case of poor perfomance. As Rindfleisch and Heide (1997) put it, the costs of conducting economic exchange in a market may exceed the costs of organizing the exchange within a single firm –vertical integration. In this regard the exchange hazards are attenuated on the strength of symmetrical information –perfect information between a buyer and seller. However Williamson (1975) points out that market merchanism may fail due to certain characteristics that are embedded in a transaction such as uncertainty and transaction-specific investment which render market merchanisms inefficient means of organizing exchange (Heide, 1994) and therefore a need for non-market mechanisms arises.

Hierarchy governance structure involves vertical integration where relationships are mediated through authority structures such as the use of rules, procedures, standard operating procedures, incentive systems and monitoring mechanisms (Wang et al., 2013; Rindfleisch et al., 2010; Heide, 1994). On the other hand, hybrid governace mechanism involves bilateral adaptations by exchange parties aimed at achieving a common objective (Heide, 1994). Such adaptations create dependence trap as a result of small number conditions and presence of high switching costs (Buvik and Grønhaug, 2000). In this regard a weaker exchange party may become a victim of opportunistic behaviour by a stronger party (Rokkan et al., 2003).

More recently a wave of studies conducted on plural forms of governance has been observed (Rindfleisch et al., 2010). These studies affirm that plural forms of governance arise in business-to-business transactions characterised with multiple exchange hazards such as adaptation, performance evaluation, and safeguarding problems (ibid.). The presence of aforementioned exchange hazards in a business-to-business relationship renders application of single governance structure by exchange parties inefficient as single governance modes are likely to result into increased transaction costs (Rindfleisch et al., 2010; Heide and Wathne, 2006).

3.2.1 Behavioral Assumptions

The behavioral assumptions that underly TCA include opportunism and bounded rationality. These assumptions are described in detail in the next two subsections:

3.2.1.1 Opportunism

The extant literature through the foundation of the transaction cost analysis has been able to develop opportunism construct, however much of the focus has been on strategies for controlling opportunism that arises in interfirm relationships, forgetting the main opportunism label (Wathne and Heide, 2000). Nonetheless, Wathne and Heide (2000) further argue that the consequence of missing out on the opportunism label itself has rendered the strategies of tackling opportunism ineffective. As Wang et al., (2013) put it, opportunism has the potential of degrading performance hence the emergence of channel conflicts due to dissatisfaction. It is the compatitive erosion which results from opportunistic behavior that has motivated many scholars to study drivers of opportunism (Wang et al., 2013). Eventhough extant literature on TCA generally views opportunism as a fixed exogenous condition; there has been a growing number of recent studies which view opportunism as an endogenous condition that needs to be explained (Wang et al., 2013; Wathne and Heide, 2000; Anderson, 1988; John, 1984).

- **Opportunism Defined**

The real definition of opportunism still remains controversial as the complexity of the phenomenon has not been fully explored and researched in the extant literature. Williamson (1985) defines opportunism as self-interest seeking with guile and ranges from lying, stealing, cheating and all kinds of deceit, and due to nature, humans have the tendency of acting in accordance with self-interest. He further describes it as to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse (Williamson, 1985).

Maitland, Bryson and Van Den Ven (1985) bring about the problem of cooperation, which links interest from sociologists and organization theorists as the point of departure in defining opportunism and further observe that opportunism neither is ubiquitous nor is it very unusual. From a marketing perspective, opportunism can be generalized in behaviors such as falsification of expense reports, breach of distribution contracts, bait-and-switch tactics, quality shirking and violation of promotion agreements (Wathne and Heide, 2000).

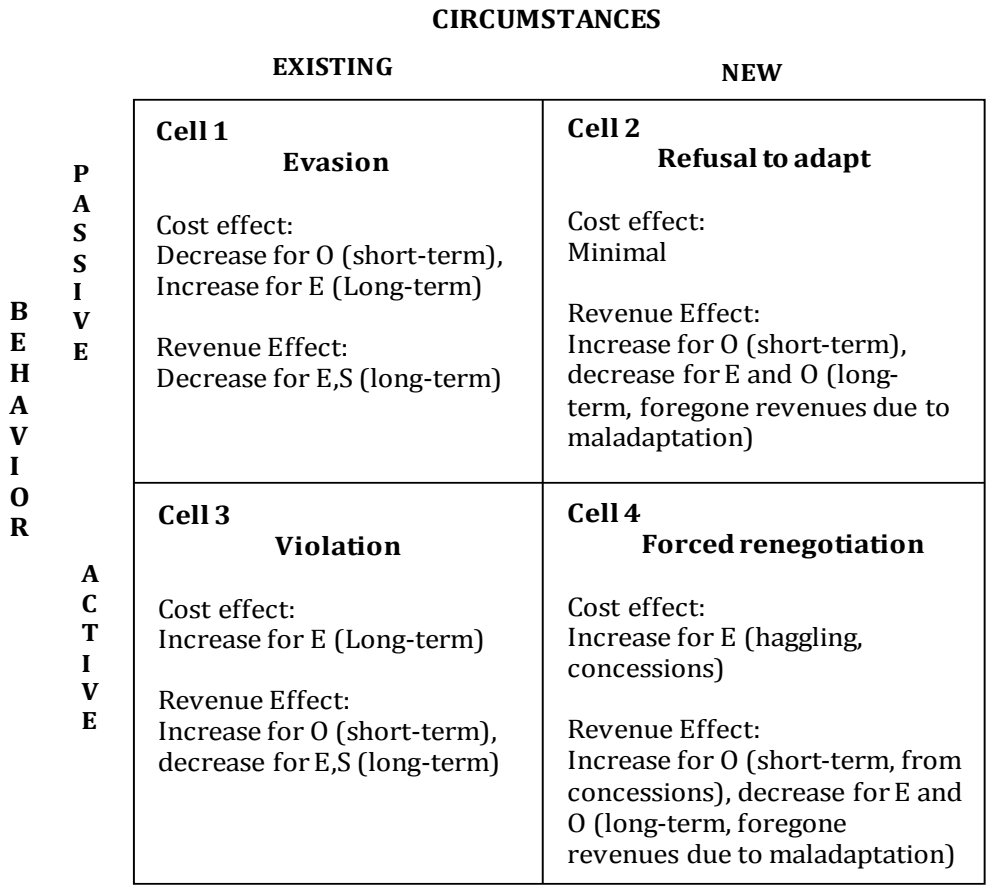
Wathne and Heide (2000) argue that opportunistic behaviors have practical implications, in that if the risk of opportunism is high, substantial resources will have to be used on control and monitoring, which could be deployed for other economic usage. Wathne and Heide (2000) have brought forward three major factors contributing to the complexity of defining and understanding the opportunism phenomenon. These include few studies that have measured opportunism, the unresolved questions pertaining to the conceptual definition of opportunism construct and lastly the broad range of potential behaviors that define opportunism, leaving more room for more research and exploration of the phenomenon.

According to TCA literature exchange parties may behave opportunistically against each other given a chance (Barney, 1990) and if they can get away with it, and if it is profitable to do so (Wang et al., 2013; Rindfleisch et al., 2010; Williamson 1985). It is therefore difficult to know who is trustworthy a priori, (Barney, 1990). Interestingly, scholars and researchers have different conceptualizations on the opportunism phenomenon. Williamson (1985) describes active and passive forms and both ex ante and ex post types of opportunism. Ex ante and ex post opportunism have been adopted from the insurance literature under adverse selection and moral hazard, respectively (Williamson, 1985).

Barney and Ouchi (1988), also point out three types of opportunism namely; adverse selection, moral hazards, and hold up. According to these authors adverse selection is an ex ante opportunism that arises when there is information asymmetry thus exchange parties cannot establish the true attributes of their counterparts a priori which affect their future performance. On the other hand moral hazard emanates from information asymmetry about the true attributes of an exchange partner with respect to their current performance capabilities (ibid.). Accordingly hold up situation represents opportunistic behavior that arises from unilateral idiosyncratic investment in an exchange relationship. Thus this investment creates an incentive of an investor being taken advantage of (Wang et al., 2013).

Nonetheless, building on the work of Williamson (1985), Wathne and Heide (2000) expounded on the two categories of opportunistic behaviors, which are active and passive opportunism, regarding to whether a party either engages in or refrains from some actions, and whether the above mentioned take place within existing or new circumstances. Below is a presentation of the forms of opportunism in the existing and new circumstances as summarized by Wathne and Heide (2000).

Figure 3.1 Forms of Opportunism



O = Party engaging in opportunistic behavior; E = Exchange partner; S = System -other parties

Source: Adapted from Wathne and Heide (2000)

Wathne and Heide (2000) analyze the relationships of transactions from a dual perspective of creating joint value and claiming a share of the wealth created, concluding that any form of opportunistic behavior has the potential to restrict value creation and wealth redistribution. The table above depicts four cells as a result of opportunistic behavior given two circumstances.

Cell 1, a cross-section between passive opportunism and existing circumstances is aimed at cost saving, and include a range of actions like shirking and evasion of obligations of particular transactions. This may only last on a short-term basis. In the long run, for instance quality shirking creates customer dissatisfaction hence adversely affecting revenues, which is the joint value of the parties involved in transactions.

Cell 2 depicts passive opportunism under new circumstances, increasing short term revenues for the party that acts opportunistically. The phenomenon here takes the form of

inflexibility or refusal to adapt. The direct cost effect is minimal however, and the inflexibility of one party ends up hurting all parties involved in the exchange (Wathne and Heide, 2000).

Cell 3 demonstrates active opportunism under existing circumstances. According to Wathne and Heide (2000), one party engages in behaviors that were explicitly or implicitly prohibited in the course of the transactions. A clear example is violation of territory distribution restrictions, leading to costly monitoring and control strategies. The party that acts opportunistically increases its revenues on short term while decreasing on the long term the revenues of the exchange partner involved (Wathne and Heide, 2000).

Cell 4 shows active opportunism under new circumstances. In this scenario, one party uses the circumstances arising to extract concessions from the exchange partner. The mechanism applied here is aimed to redistribute the wealth to act in favor of the opportunistic party (Wathne and Heide, 2000). There are also the costs and revenue effects. On the costs side, there is increase of haggling and bargaining costs on the exchange partner. The revenue effect is two-sided, increasing revenue for the opportunistic party in the short term, while decreasing exchange partner's long term revenues due to maladaptation. Therefore, opportunism may lead to opportunity costs (Wathne and Heide, 2000).

Furthermore opportunism is arguably enhanced by certain characteristics that are embedded in a transaction such as behavioral uncertainty which increases information asymmetry (Wang et al., 2013; Ouchi, 1980). Wathne and Heide (2000) assert that behavioral uncertainty presents transactional hazards as it may result into a lock-in situation where a focal firm cannot leave the relationship without sustaining some economic loss, thus (Wang et al., 2013; Carson, Madhok and Wu, 2006) increasing incentives for exchange partners to act opportunistically. In this light a focal firm locked-in an exchange relationship has an option of only staying in the relationship and persevere opportunistic behaviors of the corresponding partner (Wathne and Heide, 2000). As John (1984) affirms, the potential to engage in opportunism in a long term relationship is likely and is dictated by the extent to which the relationship can easily be terminated and economic feasibility of doing so. The harder it is to exit the relationship (i.e. dependence trap) and the higher the cost associated with switching to alternative sources, the more prone an investor is to opportunism.

While Joshi and Stump (1996) have found opportunism to be the source of dysfunctional conflict in an exchange relationship that undermines quality relationship, Gassenheimer (1996) found out that opportunism negatively influence satisfaction, thus weakening relationship continuation (Parkhe, 1993)

In this regard TCA literature proposes safeguarding/governance mechanisms that act as deterrent towards opportunistic behavior in a buyer-seller relationship thus enhancing good performance, relationship continuation, and satisfaction. While vertical integration is suggested as one of the governance mechanism (Williamson, 1991), it is a costly alternative due to resource requirement and red tape procedures associated with carrying operations internally (Harrigan, 1985). On the other hand, hybrid governance merchanism has been found to have a significant impact on exchange hazards. For instance Buvik (2002) studied the impact of inter-firm coordination (i.e. hybrid) on transaction costs in the presence of specific investment. Likewise Stump and Heide (1996) examined the manufacturer's governance mechanisms such as incentives and monitoring that have potential of attenuating supplier's opportunism. Though market mechanism is just as an effective means of deterring opportunism in a buyer-seller relationship, it seems to be effective in the presence of symmetrical information and discrete transactions. However with firms developing specialized knowledge and capabilities in resources they endow that others require for survival, discrete transactions may not hold water and thus exchange partners may engage in guileful behavior. Thus central to this study is the antecedents to opportunism in the buyer-seller relationship with specific focus on service industry.

Opportunism is the central theme of this study and is the dependent variable. It is treated as such in the succeeding chapters.

3.2.1.2 Bounded Rationality

According to Rindfleisch and Heide (1997), bounded rationality is the assumption that men have constraints on their cognitive competencies, therefore limiting their rationality that affect the process of decision making. Bounded rationality can be illustrated with the fact that man has no capability of processing large amounts of information and his inability to predict future events, exacerbates contractual incompleteness (Grover and Malhotra, 2003; Rindfleisch and Heide, 1997).

Therefore the TCA framework acknowledges bounded rationality, which when considered with other factors like costs of planning, adapting and monitoring, assigns transactions to the relevant governance structures (Williamson, 1985).

3.2.2 Dimensions of a Transaction

3.2.2.1 Asset Specificity

Specific investments are important in marketing strategies and in firms' relations, as they possess value-creation properties (Gosh and John, 1999). As Rokkan et al., (2003) put it, specific investments enhance considerable value in buyer-seller relationships due to its ability to dissipate opportunism (i.e bonding effect) (Wang et al., 2013). Specific investments are durable tangible and intangible investments that firms incur in order to facilitate specific buyer-seller transactions (Williamson, 1985; Buvik and Grønhaug 2000). Extant literature on transaction specific investment posit on the strength of idiosyncratic nature of these investments with a particular supplier, where there is the potential loss of value should the assets be redeployed in alternative investments (Wang et al., 2013; Rokkan et al., 2003; Buvik and Reve, 2002; Buvik and Andersen, 2002).

Put differently, specific investments are referred to as, the degree to which transactions need to be supported by transaction-specific assets that cannot be redeployed to an alternative use without significance depreciation of value of the asset, hence exposing the focal investors to opportunistic expropriation ensuing from lock-ins, and dependence on the counterparty (Rokkan et al., 2003). The lock-in situation renders the focal firm susceptible to opportunistic behavior because its unilateral investment generates a value that is worthy of expropriation (Wang et al., 2013) or idiosyncratic investment in the relationship renders the focal firm unable to respond to the partner's opportunistic behaviour (Jap and Ganesan, 2000; Williamson 1985).

When asset specificity becomes substantial, terms of trade will move from conventional market to small number conditions, prompting the need for safeguards such as contracting (hybrid governance) or hierarchical governance (Williamson, 1975).

According to Williamson (1985), asset specificity takes on importance in relation to bounded rationality/opportunism and in the presence of uncertainty. It is nonetheless true that, asset specificity is the big locomotive to which transaction cost economics owes much of its predictive content. Specifically, the main factor responsible for transaction cost differences is the variations in asset specificity (Riordan and Williamson, 1985). If this

condition is neglected, nonstandard contracts and monopoly preoccupation of earlier contract traditions will emerge (Williamson, 1985).

Rokkan et al., (2003) discuss of the inherent dilemma asset specificity holds by exploring both the exploitation and value creation with regard to opportunistic behaviors. Because specific investments cannot be redeployed in other economic exchange relations, the focal receiver has the potential to expropriate the investments' value, exposing the investor into risks, a state that discourages investment (Williamson, 1985; Rokkan et al., 2003). The outcome is either to tolerate the behavior and incur economic losses or end the relationship and incur high switching costs.

Nevertheless, specific investments lead to value creation, resulting to improved coordination among exchange parties, thereby subsuming opportunism. Where the extent of returns is sufficiently productive, specific investments may create a bonding effect (Rokkan et al., 2003). The effects of specific investment on the receiver depend on the future time dimension (extendedness) and norms, that tend to shift expropriation towards bonding effect (Rokkan et al., 2003).

Extendedness is the expectation that a relationship will continue for a favourably indeterminate time. Due to the lock-in effect created by specific investments, many receivers have the potential of acting opportunistically at investors' expense (Wathne and Heide, 2000). From a prisoner's dilemma perspective, defecting results into greater pay-offs at the expense of investor, given a limited time frame. However many exchange parties focus on significant expectation of future interactions (Riordan and Williamson, 1985), therefore as the time frame becomes infinite, parties tend to focus on long-term payoffs. Thus cooperation is vital due to parties' authority to reward or punish actions, given the future payoffs are sufficiently valuable (Rokkan et al., 2003).

According to Rokkan et al., (2003) economic exchange revolves around the norm of solidarity, which has a knock-on effect on opportunistic behavior. Norms prescribe the code of conduct in a relationship, therefore a weaker norm of solidarity will promote opportunism, but strong norms change the receiver expropriations to bonding. Rokkan et al., (2003) concluded that buyer-specific investments have a positive effect on expropriation for low levels of solidarity norms but higher levels of solidarity norms produced bonding effect.

Transaction-specific investments tend to have lower value in alternative use thus resulting in potentially appropriable quasi-rents (Yenidogan, 2013). Extant literature informs six kinds of specific investments; site specificity –for instance when a tour operator relocates its premises near a major supplier of accommodation services so as to rationalize processes and close monitoring; physical asset specificity –as in extension of accommodation establishment's capacity tailored to a specific relationship with a tour operator; human asset specificity –consisting of specialized training, skillset, knowledge as in the case of accommodation establsihment training its staff in language to specifically handle clients from aspecific tour operator; dedicated assets, brand name capital, and temporal specificity (Williamson 1985; 1991; Lohtia, Brooks and Krapfel, 1994).

Transaction-specific investment is of particular interest in this study and it will be treated in the subsequent chapters as an antencedent to opportunism.

3.2.2.2 Uncertainty

Uncertainty has been generally described as an individual's perceived inability to predict something accurately because they lack sufficient information or because of the inability to filter out irrelevant data (Milliken, 1987; Buchko, 1994). Due to the dynamic economic and technological dimensions, uncertainty arises; bringing about adaptation problems (Buvik and Grønhaug, 2000). Researchers have regarded uncertainty as a vital factor in cases when firms choose governance mode.

Uncertainty poses a transactional problem of a somewhat different nature. It is a property of the decision environment within which transactions take place and refers in a general sense to a situation in which the relevant decision contingencies cannot be spelled out ex ante. Specifically, uncertainty is exacerbated in the presence of bounded rationality and opportunism. Some scholars address the two main kinds of uncertainty as environmental uncertainty and behavioral uncertainty.

On the one hand, environmental uncertainty is observed by examining the response of firms' returns to general economic uncertainty, which is an un-diversifiable risk. On the other hand, behavioral uncertainty can be described as the possible opportunistic behavior of the economic agents, which is much more attributable to opportunism (Williamson, 1985).

Williamson (1979) argues that, high environmental uncertainty leads to problems of writing comprehensive and costly contracts, creating adaptation problems due to inability

of parties to specify all uncertainties in a contract. Therefore, with high levels of uncertainty and limited cognitive capabilities of humans, anticipating future events becomes more impossible.

According to Buvik and Grønhaug (2000), external uncertainty has a positive association with dependence which results from lack of self-sufficiency of resources between parties without cross-holdings. The concept is related to unpredictability of the environment, and can be based on different perspectives of conceptualizations and operationalization.

3.2.2.3 Frequency of Transactions

The frequency of transactions is a non-negligible dimension of transactions and has primary influence on a firm's efficacy of alternative interfirm coordination arrangements (Buvik, 2000; Buvik and Grønhaug 2000), with a knock-on effect on the level of contractual safeguarding (Buvik and Haugland 2002) on the introduction of asset specificity. This concept is simply defined as the number of times a transaction takes place within a buyer-supplier dyad. Colbert and Spicer (1995) combined volume and frequency as the 'extent' of transaction. Despite its significance, there is little explicit commentary on this transaction dimension in the extant literature (Rindfleisch and Heide 1997).

According to Williamson (1985), three frequency classes exist and include one-time, occasional and recurrent frequencies, but the author focuses most on the latter two categories. The larger volumes of transactions incorporate the justification for better governance structures in order to reduce costs of transactions (Colbert and Spicer, 1995). Furthermore, Williamson (1985) and Buvik (2000) posit that, the cost of specialized governance structures will be easier to recover for large and recurring transactions, making the frequency of transactions a relevant dimension in the TCA framework.

Cell 1 in Figure 3.2 demonstrates low frequency of transactions given high asset specificity which brings about efficacy problems due to underutilisation of special government arrangements leading to administrative diseconomies of scale in terms of set-up costs (Buvik, 2000).

Cell 2 in Figure 3.2 portrays high frequency of transactions coupled with the employment of specific assets which influence the specialised governance efficacy (Buvik 2000) for the purpose of safeguarding the investments at risk (Williamson 1985), with the aim of avoiding a lock-in situation as a result of existing inter-firm dependence.

Cell 3 in Figure 3.2 portrays low asset specificity coupled with high transaction frequencies. The products are standardized in nature and appeal to many buyers, therefore the extent of opportunism dissipates due to collective insurance of the market as a form of governance mechanism (Buvik 2000).

Cell 4 in Figure 3.2 demonstrates low asset specificty and low frequency with the need of subtle governance implications, the possibility of aggregating the demands of similar but independent transactions is suggested (Williamson 1985). Market governance is the most appropriate form of governance coordination because it is difficult to obtain administrative economies of scale advantages as the result of occasional order frequencies (Buvik 2000). The figure below illustrates the different frequency of exchange scenarios with the employment of asset specificity.

Figure 3.2: Frequency of Exchange and Asset Specificity

SPECIFICASSET		FREQUENCY OF EXCHANGE: LOW	FREQUENCY OF EXCHANGE: HIGH
	HIGH	Occasional purchasing of customized equipment **Cell 1**	Recurring purchasing of customized components **Cell 2**
	LOW	Occasional purchasing of standard equipment **Cell 4**	Recurring purchasing of raw materials **Cell 3**

Source: Adapted from Buvik (2000)

It follows that, administrative economies of scale is achieved as transaction frequencies increase. There is also a positive association between order frequency and asset specificity which in turn positively affect cooordination activities in order to safeguard the specific investments made (Williamson 1985; Buvik 2000).

3.3 Relational Contracting Theory

Relational Contracting Theory (RCT) postulates that when firms in an exchange relationship conduct business repeatedly over a long period of time, there tends to emerge inter-firm relationships that accrue from such engagements, such inter-firm relationship develops relational norms, trust and shared values that safeguard the relationship against

the potential opportunistic exploitation inherent in exchange parties (Bradach and Eccles, 1989; Buvik and Halskau, 2001; Granovetter, 1985). Moreover, the theory predicts that prior business engagements in an exchange relationship is expected to develop certain relational norms, behaviors, and trust that invariably govern the manner in which manufacturers and suppliers interact with each other in an exchange relationship (Buvik and Reve, 2002; Macneil, 1978).

According to Moorman, Deshpande and Zaltman, (1992), trust refers to the willingness to rely on an exchange partner in whom one has confidence. Thus existence of trust in an exchange relationship reduces the need for contractual safeguarding against unprecedented future events. However it is important to note that trust emanates from exchange relationships that occur over time. Thus duration of relationship is an important construct (Buvik and Halskau, 2001; Lusch and Brown, 1996).

3.3.1 Relationship Duration, Trust, Relational Norms and Opportunism

This subsection is of particular relevance to this study, the variables trust and relationship duration will receive special treatment in our research model and subsequent discussions.

In the relational exchange theory, the core element of business relationships is the prior duration or link duration which strongly identifies with relational governance (Burki and Buvik, 2010). The prior history of relationship leads to elvolment of relational norms, trust and shared values, which in time subsume opportunistic behavior of exchange parties (Buvik and Halskau, 2001). Specifically, the relationship's status over time acts as the point of reference for establishing on-going terms of trade, inter-firm interactions and contracting practices (Buvik and Halskau, 2001).

However, exchange partners have limited understanding of each other's norms and values in the initial stages of their business relationship, making initial trust very fragile (Heide, 1994; Burki and Buvik, 2010). Nonetheless, Wathne and Heide (2000) argue that, as time goes by, the norms stand as informal agreements even if formal contracts exist because formal contracts are limited due to their finite duration in nature.

Trust, as a relational norm, is generally an important recipe to build enduring relationships. Gradual trust (Burki and Buvik, 2010; Jeffries and Reed, 2000) permits greater flexibility in selection of governance structures where asset specificity is present and also results to closer relationships that require less detailed contracts.

According to Burki and Buvik (2010) relational norms set boundaries on permissible limits on behaviors of partners, hence safeguarding against opportunistic behavior and ex post transaction costs associated with conflicts and the control and monitoring measures for eradicating opportunism. For instance, Joshi and Stump (1999) found out that relational norms have a positive association with both dependence and long-term orientation, which deter opportunism.

The relational contracting theory in relevance to the study is expected to determine the relationship between a tour operator and its significant accommodation establishment due to the business interactions over time. The relationships are expected to have some levels of trustworthy which are expected to deter opportunism even in the presence of formal contracts. Therefore, it is expected that tour operators, in relationships characterized by friendships, trustworthiness and mutual values, face less opportunistic behaviors from the accommodation establishments.

3.4 Resource Dependence Theory

The resource dependence theory (RDT) owes its foundation on early works in the social exchange theory, for example, the power-dependence (Emerson, 1962) that is centered on power and power use. The theory postulates that organizations are faced with constraints from their task environment and therefore proactively strive to manage the constraints and uncertainty resulting from the needed resources. As the result of such interdependencies, many organizations have their primary functions embedded in the activities of other organizations (Pfeffer and Salancik, 1978).

RDT was originally formulated as an alternative to economic theories of mergers and interlocks, focusing entirely on the inter-organizational relations that have lately resulted to market failure (Pfeffer and Salancik, 1978). The theory argues that, some organizations have more power than others because of their particularities in their interdependencies and social stature, for instance the governments as substantial providers of resources and their multiple suppliers, making the government dictate terms in their exchange relations (Pfeffer and Salancik, 1978).

The basic premise of the theory states that, firms confronted with external uncertainty will tend to restructure their exchange relationships by creating formal or informal negotiated environments with other firms such as contracting, joint ventures and mergers (Buvik and Reve, 2002; Buvik and Grønhaug, 2000; Heide, 1994).

The theory limits organization performance to effective considerations by focusing on the ability to satisfy external organizations' demands (Heide, 1994). Some scholars such as (Buvik and Reve, 2002) have combined the RDT with transaction cost analysis to examine the buyers' bargaining power effect on contractual safeguarding of relation-specific investments. The conclusion was that buyer's bargaining power has influence with the safeguarding of relation-specific assets (Buvik and Reve, 2002).

3.4.1 Resource Dependence and Opportunism

According to (Heide, 1994), the lack of self-sufficiency in terms of resources creates both dependence and uncertainty for the firms in need of the resources. Because organizations are open systems that rely on input and output resources for their survival, uncertainty ends up reducing their ability to control the flow of resources leading to adaptation problems and difficulties in information processing (Buvik and Grønhaug, 2000).

Resources are directly proportional to power, and resource dependence is positively correlated with opportunistic behavior. Some studies have analyzed the relationship between resources and power, concluding that organizations controlling resources have power over the actors in need of such resources (Provan, Beyer and Krutbosch, 1980; Nienhuser, 2008); giving more evidence on the RDT assumption that, an organization has more power as it controls more resources (Nienhuser, 2008).

Opportunism involves gaining advantages over other organizations; therefore it can be related to power because one party can influence the decisions of another in favor of its own needs (Provan and Skinner, 1989). Therefore, the power exercised over another is directly linked to the level of dependence regarding their capabilities and responsibilities and the dependence tends to be more pronounced by factors of importance, scarcity and non-substitutability (Rodriguez-Ginorio, 2009).

Power has been described as a property of social relation rather than the attribute of the actor, driven by differences across alternatives (Emerson, 1962; Wolfe and McGinn, 2005), as the potential to change the behavior or overcome some level of resistance of a target (Dahl, 1957) or the deployment of means to achieve intended results (Cobb, 1984).

Buyer-supplier relationships are initiated to achieve significant performances and competitive advantages over rivals (Wang et al., 2013) and are one of the most important resources a company can have because organizations are never self-sufficient. The lack of self-sufficiency in the context of resources creates dependence on the parties controlling

the resources; bringing power-structure asymmetries, prompting dominant partners to expect greater payoffs and opening doors for opportunistic behavior (Yaqub, 2009; Provan and Skinner, 1989).

Nevertheless, any organization, regardless of its dominance or dependence, can engage in opportunistic behavior. Provan and Skinner (1989) explain the aspect of opportunism by focusing on dependence and power and control between dealers and suppliers of farm equipment. The degree of dependence will tend to vary across dealers, for instance due to availability of alternative suppliers and the internal strength of the dealer (Provan and Skinner, 1989). Provan and Skinner (1989)'s conclusions were that; opportunistic behavior by dealers is negatively related to dealer dependence on the supplier and also opportunistic behavior by dealers with supplier has a positive relationship to supplier control over dealer decisions.

However, heavily dependent parties are not likely to act opportunistically for the fear of retaliation by the dominant supplier who has power to take them out of business (Provan and Skinner, 1989). In some exceptions, high dependence could mean high levels of cooperation between parties, resulting to lesser opportunistic behavior in consideration of duration (Provan and Skinner, 1989).

With regard to this study, it is expected that the aspect of power in relation to resource dependence exists in buyer-seller relationships due to the resources each party holds; that is accommodation services for accommodation establishments, and the volume of tourists for the tour operators. Dominant firms; both accommodation establishments and tour operators are expected to use their resource power to maximize their business expectations; therefore bringing the equation of opportunism toward weaker firms. In some cases of high levels of interdependence of resources, it is expected that high levels of cooperation will occur, and have a negative effect on opportunism between tour operators and accommodation establishments.

Buyer dependence and purchasing volume are interesting because we will especially look into the problem of asymmetrical dependence and treat it as an antecedent to opportunism.

3.5 Summary

This chapter has presented and discussed transaction cost analysis, relational contracting theory and resource dependence theory as three main theories that inform this study. Transaction cost analysis informs that bounded rationality, opportunism, specific assets

and uncertainty are presents whenever a transaction takes place. Unilateral specific investments lead to dependence of one exchange partner on the other which increases the propensity of a more powerful exchange partner to act opportunistically towards a weaker party. Relational contracting theory informs that, relationship duration, norms and trust guide the behavior of exchange partners in a buyer-seller relationship thus reducing moral hazards. Moreover, unilateral dependence creates a lock-in condition rendering a focal firm susceptible to opportunistic exploitation by the underinvested party. The next chapter presents conceptual model and its proposed hypotheses.

CHAPTER 4

CONCEPTUAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

4.1 Introduction

The preceding chapter laid down the theoretical foundation upon which this chapter builds. The chapter goes on to developing hypotheses relevant to this study. Based on the theoretical background in the preceding chapter, five independent variables and one control variable are identified and used to establish the conceptual model for this study as portrayed in Figure 4.1. The research model in Figure 4.1 consists of both direct effects and interaction effects as indicated by the arrows. Furthermore the chapter presents a robust discussion of hypotheses developed for possible effects, empirical test of which is presented in chapter eight.

4.2 An Overview of the Research's Conceptual Model

The research model in this study seeks to explore the antecedents to opportunism in a tour operator-accommodation estabishment relationship in the Tanzania's tourism industry by empirically testing the influence of independent variables: trust (TRUST); buyer dependence (BUYDEP); relationship duration (DURAT); purchase volume (PURCHVOL); and buyer transaction-specific investment (BUYSPEC) on the dependent variable: supplier opportunism (OPPORT). The model also includes one control variable; percentage of annual accommodation needs a tour operator obtains from a specific supplier (ACNEED) based on its potential influence on the perceived latter's opportunism.

We delineate a priori that only an overview of the possible effects is given as evidenced in Figure 4.1. Specifically we focus attention on three hypotheses (H_1, H_2, and H_3) and one control variable to cast a glimpse of light on the research problem at hand. It follows that we expect a negative association exists between the level of both inter-personal and inter-firm trust and supplier opportunism (H_1) in Figure 4.1. Trust is the product of past successful encounters, that is, exchange parties have consistently been able to discharge their responsibilities. It is the past experience that makes exchange parties reliable and trustworthy. Exchange partners turn to act in a manner that protects the interest of all parties involved in the exchange thus dissipating potential opportunistic expropriation.

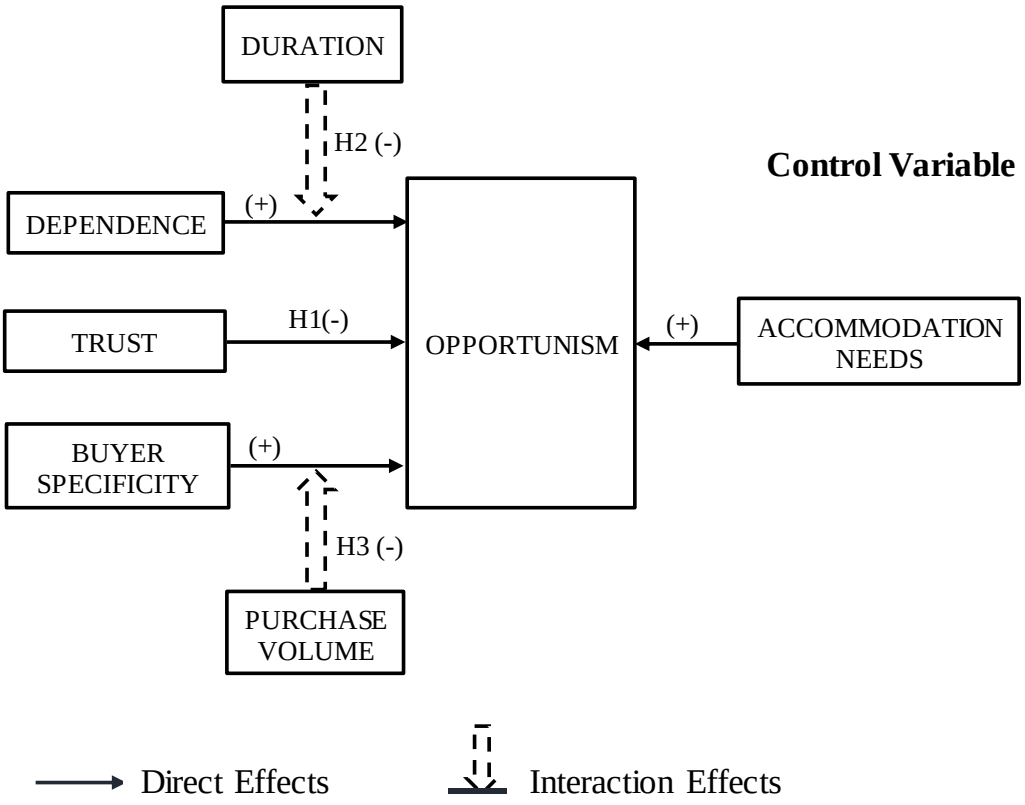
On the other hand hypothesis (H_2) concerns the interplay between relationship duration and asymetrical buyer dependence on supplier opportunism. The proposed negative

association follows the reasoning that, as buyer-seller relationship evolves over time relational norms, shared values and trust emerge, these act as the cushion against opportunistic exploitation that would otherwise be perpetrated by asymmetrical dependence.

Moreover, hypothesis (H_3) concerns the interplay between annual purchase volume and unilateral buyer-held transaction-specific investment on supplier opportunism. The proposed negative association follows the reasoning that, a substantial annual purchasing volume creates relative dependence on the part of the supplier such that opportunistic expropriation that would otherwise be enforced by asymmetrical specific investment by the buyer is attenuated.

The control variable (ACNEED) is expected to influence supplier's opportunism in as far as dependence is concerned, hence the positive effect.

Figure 4.1: Research Model



Source: Authors' own formulation based on literature review

4.3 Research Hypotheses

The research hypotheses below are developed based on determined factors under buyer-supplier relationship in the tourism network. Literature review on transaction cost analysis (TCA), resource dependence theory (RDT) and relational contracting theory (RCT) together with insights from exploratory desk review on the Tanzania's tourism industry made it possible the development of the underlying hypotheses in this study.

4.3.1 Dependent Variable

Supplier Opportunism (OPPORT)

Williamson (1975) who is the father of TCA defines opportunism as 'self-interest seeking with guile.' Though opportunism itself as a concept is very broadly explored in a buyer-seller relationship, there seems to exist different categorization of kinds of opportunism in the extant literature. For instance Wathne and Heide (2000) identify three kinds of opportunism: adverse selection which represents ex-ante opportunism where an exchange partner purposely withholds information of subject matter in a transaction before a relationship is entered (Akerloff, 1970); strong form opportunism which occurs when an exchange partner breaches explicit or implicit terms of agreements stated before relationship was entered into; and moral hazard which represents passive form opportunism and occurs when an exchange partner misconstrues, distorts information, disguises or misleads the other party in order to protect its own interest, quality shirking or failing to fulfill promises or obligations stated in the contract (Wathne and Heide, 2000; John, 1984; Williamson, 1985).

Barney and Ouchi, (1988) on the other hand categorize opportunism forms as adverse selection –where an exchange party's true attributes cannot be established a priori due to information asymmetry; moral hazard –where an exchange party's current performance capabilities cannot be established by the focal firm due to information asymmetry; and hold-up –which arises from unilateral idiosyncratic investments that create the potential for exploitation by the focal receiver.

According to extant literature opportunism presents a biggest setback to supply chain integration (Ellram, 1991). Nonetheless opportunism is a well-debated topic in the academic literature (Wathne and Heide, 2000; Rokkan and Buvik, 2003; Rokkan et al., 2003; Crosno and Dahlstrom, 2010; Joshi and Stump 1999; Morgan and Hunt, 1994; Sabel, 1993; Barney and Ouchi, 1988). Thus opportunism construct in this study is

designed to capture the degree to which accommodation establishments behave in ways consistent with self-interest seeking in relation to tour operators. Such behaviors include; overpromising, haggling of costs and avoidance of responsibilities, false accusation and deliberate withholding of information.

4.3.2 Independent Variables

4.3.2.1 The Association between Trust and Supplier Opportunism

For a buyer-supplier relationship to flourish there needs to be mutual understanding and consistent discharge of exchange partners' duties and responsibilities. Such consistency creates confidence in the exchange partner which consequently builds up trust. The need for trust in the service industry is of particular importance due to the increased risks and uncertainty which ensue from the extent to which an exchange partner is unable to evaluate service attributes before it is actually purchased (Parasuraman, Zeithaml and Berry, 1985).

Trust emanates from good rapport between exchange partners, and is the product of successful past buyer-supplier interactions which induce the willingness of an exchange partner to rely on its counterpart (Moorman et al., 1992). Specifically trust in a business relationship does not emerge overnight; it is cultivated over time through many exchange encounters. Thus good history of prior encounters leads to exchange partners developing interpersonal and inter-organizational trust between them (Heide, 1994; Dwyer et al., 1987; Anderson and Weitz, 1989).

Once trust is established in an exchange relationship it sets a boundary on the permissible behavior of exchange partners (Burki and Buvik, 2010), increasing tolerence for exchange partner's behavior (Doney and Cannon, 1997; Håkansson and Sharma, 1996; Ganesan, 1994) consequently dissipating the opportunistic tendencies inherent in exchange parties, thereby enabling them to look out for one another. As Anderson and Narus (1990) put it, exchange partners are expected to perform actions that enhance positive outcomes for their organizations and do away with unexpected actions that may bring forth negative payoffs.

Nonetheless Heide (1994) posits that, inter-organization trust acts as a form of governance mechanism against opportunism in exchange transactions that are characterized by dependence and uncertainty. Following this line of reasoning, we argue that the presence of trust in the tour operator–accommodation establishment relationship is expected to attenuate the latter's opportunism. Thus this study hypothesizes that:

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

4.3.2.2 Interaction Effects

4.3.2.2.1 Buyer Dependence, Relationship Duration, and Supplier Opportunism

- **Buyer Dependence (BUYDEP)**

Organizations are viewed as open systems (Buvik and Grønhaug, 2000). An open system receives inputs at one end, processes them and gives out output at the other end. Nevertheless open system interacts with external environment for constant flow of resources into and out the system. However organizations as open system have finite amount of resources they endow something that renders them dependent on other organizations for certain critical resources they need to survive (Pfeffer and Salancik, 1978; Dwyer et al., 1987).

As organizations are not self-sufficient in economic resources they invariably enter into exchange relationship in order to reduce environmental uncertainty by exchanging resources for mutual benefit (Bucklin and Sengupta, 1993; Buvik and Grønhaug, 2000). Such exchange relationship may result into one partner becoming heavily reliant on their counterpart in such a way that should the relationship be terminated prematurely by the less dependent party the more dependent party will incur significant transaction costs searching, qualifying and switching to alternative supplier(s).

Depending on the distribution of power structure between the transacting parties, asymmetrical dependence (Emerson, 1962) may create moral hazards where the party that perceives itself in a stonger position exploits their weaker counterpart. Majority of accommodation establishments in Tanzania are located in strategic tourist resorts such as game parks and important historical towns. Tour operators who are the main buyers of accommodation services from these establishments are locked up in a dependence trap because one way or the other they have to take their clients to these establishments for the reasons such as high availability of bednights, good reputation, high quality of services and satisfying clients' reguirements based on the recommendations from other clients. Having this competitive advantage in mind the accommodation establishments may resort to expoit exchange situations at the expense of the tour operators. Thus the more dependent a tour operator is on a particular accommodation establishment the more likely they run the risk of being taken advantage of by their counterpart.

The tour operators asymmetrical dependence on accommodation establishments creates the potential for inter-organizational conflicts (Rokkan and Buvik, 2003) due to power shift and alteration of an exchange party's behavior 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 and Narus, 1984; Lacoste and Johnsen, 2015).

Notwithstanding this, the establishment of relational norms may serve to moderate the opportunism on the part of the accommodation establishment that arises from asymmetrical power-dependence structure (Rokkan and Buvik, 2003) between tour operators and accommodation establishments. As Bucklin and Sengupta (1993) and Heide and John (1990) affirm, a long and stable prior history of relationship builds trust and commitment between exchange parties, which in turn promotes effective communication, information sharing and joint pay-offs (Dwyer et al., 1987; Ring and Van de Ven, 1992).

- **Relationship Duration (DURAT)**

The advocates of relational contracting theory argue that, lasting relationship between exchange parties is the key element that fosters desired outcomes (Anderson, 1995; Anderson and Narus, 1990; Dwyer et al., 1987). Furthermore relational contracting theorists view contracts as form of governance mechanism which include many complex aspects of interactions between different firms (Heide, 1994; Macneil, 1980). As more interactions occur, buyer-seller relationship starts to form. Over time the relationship takes effect due to relational norms and shared values of organizations in an exchange relationship (Heide and John, 1990; Macneil, 1980).

As relationship evolves over time personal relationship tends to emerge out of shared values, the shared values and relational norms guide the manner in which buyer-seller relationships are organized (Buvik, Andersen and Grønhaug, 2014; Buvik and John, 2000; Macneil, 1980). Nonetheless Pfeffer and Salancik (1978) point out that, norms are an important recipe for maintaining a stable and regular relationship. This is due to the fact that norms create expectations about behaviour that are at least shared by a group of decision makers (Heide and John, 1992).

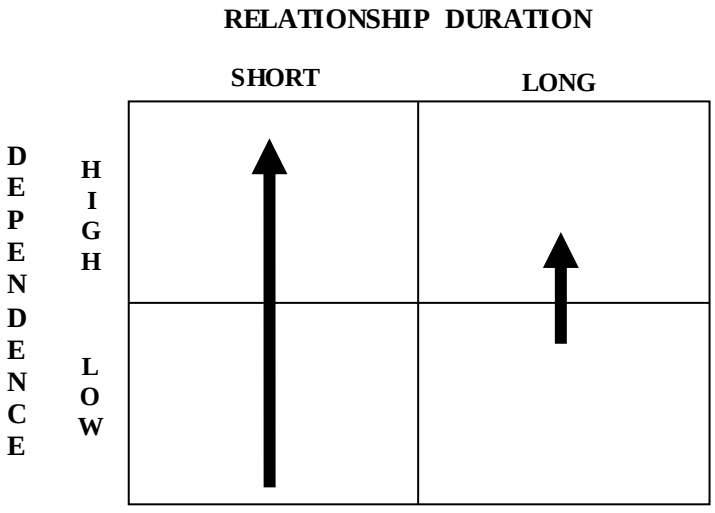
The shared norms such as trust and personal relationship established in time then act as a reference point for acceptable behaviour of trading partners thus counteracting

opportunistic inclinations of the exchange parties (Buvik and Reve, 2002; Buvik and Halskau, 2001; Buvik and Burki, 2010; Bradach and Eccles, 1989; Stinchcombe, 1987).

In light of the preceding discussions we affirm that the presence of a well established exchange reationship, relational norms emerge; and these in turn build up trust between the exchange parties (Dwyer et al., 1987), guide the way in which transactions are organized and may create strong social bonds (Barney and Hansen, 1994). Thus, the prior length of relationships attennuates adversarial tendencies in an exchange reationship because exchange parties have had time to eveluate each others' capabilities and develop personal relationships necessary to complement their general similarities and core mission of their existence (Bucklin and Sengupta, 1993).

Following this argument we expect that in the presence of a well established relationship between tour operators and accommodation establishments' opportunism is weakened regardless of the extent to which the tour operators are dependent upon accommodation establishments. Specifically we argue that tour operators who have been in a longer buyer-seller relationship with accommodation establishments perceive the latter as being less opportunistic as relationship duration is expected to reduce accommodation establishments' opportunism. Figure 4.2 below illustrates this argument.

Figure 4.2: Moderating Effect of Relationship Duration and Tour Operators' Dependence on Accommodation Establishments' Opportunism



Note: ↑ indicates the extent of opportunism

Figure 4.2 above illustrates the moderating effect of relationship duration on the influence of tour operator's dependence on accommodation establishment's opportunism. In the first column; when relationship duration is reltively short i.e a new born relationship, increased tour operator dependence on accommodation establishment strongly increases the latter's opportunism as indicated by a long vertical arrow. On the contrary, the second column depicts that when tour operator-accommodation establishment relationship has matured - lasted a long time, increasing tour operator's dependence increases accommodation establishment's opportunism at a much lower level. Reduced opportunism could result form well established and internalized relational norms, trust, and business assurance (i.e. constant flow of resources) on the part of accommodation establishment that have accrued with time. Consider the matrix in figure 4.3 below for further explanation.

Figure 4.3: Matrix of Tour Operators' Dependence, Relationship Duration and Accommodation Establishments' Opportunism

DEPENDENCE	RELATIONSHIP DURATION: SHORT	RELATIONSHIP DURATION: LONG
HIGH	**Very high** Supplier opportunism **Cell 1**	**Low** Supplier opportunism **Cell 2**
LOW	**Low/Modest** Supplier opportunism **Cell 3**	**Very low** Supplier opportunism **Cell 4**

Cell 1 portrays a situation where a tour operator who has just had a new born relationship with accommodation establishment and is highly dependent on the latter perceives accommodation establishment's opportunism as being very high. Opportunism may stem from the fact that the accommodation estabishment has high capacity of rooms and is located in a strategic tourist resort such that it would be very difficult for the tour operator to replace them at least in the short run without incurring significant transaction costs.

Cell 2 depicts a scenario where a highly dependent tour operator has a long prior history of dealing with a particular accommodation establishment such that the latter's opportunism is significantly dampened because both tour operators and accommodation establishments

have developed strong social bonds (Barney and Hansen, 1994) as the result of embedded relational norms and trust that have accrued with time. Increased tour operator's dependence over time echoes consistent availability of bednights and high level of integrity and honesty on the part of accommodation establishment. Thus regardless of tour operator's high dependence on accommodation establishment, in the presence of long prior history of relationship the perceived accommodation establishment's opportunism is low.

Cell 3 reveals that when the tour operator-accommodation establishment relationship is at its infancy stage, where the tour operator's dependence on the latter is low, the perception of the tour operator on supplier's opportunism is that accommodation establishment's opportunism is low/modest, consistent with Deeds and Hill (1999)'s argument that exchange parties experience lower levels of opportunism early in their relationship. Additionally, at this point in time, a tour operator may happen to have several options available at their disposal and is still learning about and weighing the supplier's performance capabilities.

Cell 4 in the presence of a well established tour operator-accommodation establishment relationship where a tour operator level of dependence on the accommodation establishment is low, then the low tour operator's dependence is said to increase accommodation establishment's opportunism but at a much lower level. This means that a tour operator who has been highly dependent on accommodation establishment over the years is likely to perceive the latter as being subtly opportunistic over time. Following the foregoing discussions and reasoning we hypothesize that:

H_2 The association between buyer dependence and supplier opportunism is significantly reduced when the relationship duration increases.

4.3.2.2.2 Buyer Transaction-Specific Investment, Purchase Volume and Supplier Opportunism

- **Buyer Transaction-Specific Investment (BUYSPEC)**

Extant literature on TCA describes transaction-specific investments as investments that are tailored to support a specific buyer-supplier relationship. These investments will lose value wholly or partially should they be redeployed into other alternatives (Buvik and Andersen, 2002; Buvik and Reve, 2001). These idiosyncratic investments in an exchange relationship may create bonding or expropriation effect (Rokkan et al., 2003). The bonding effect occurs when the idiosyncratic investment creates value (Gosh and John, 1999) in an

exchange relationship by allowing the transacting parties to efficiently coordinate their activities and explore complementarities of the asset (Rokkan et al., 2003; Jap 1999; Williamson, 1996) thereby acting as the source of competitive advantage (Dyer and Sing, 1998). On the other hand expropriation effect refers to vulnerabilities which are associated with asymmetrical specific investment by a focal investor which renders them susceptible to potential exploitation by the receiver (Rokkan et al., 2003; Williamson, 1985; Anderson, 1988; Buvik and Reve 2002). However transaction-specific investment attenuates opportunistic behavior of the trading partners when there are bilateral credible commitments by both exchange partners (Rokkan et al., 2003). As Williamson (1985) puts it reciprocal investment leads to creation of mutually reliable relationship.

In tour operator-accommodation establishment relationship, asymmetrical investment is observed where the tour operators have unilaterally adapted their billing routines to the specific order entry system of their major suppliers and specific investments in information technology dedicated to interactions with a particular supplier. These render them vulnerable to opportunistic exploitation by the receiver. However we argue that this association is weakened in the presence of large purchase volume of the tour operators.

- **Purchase Volume (PURCHVOL)**

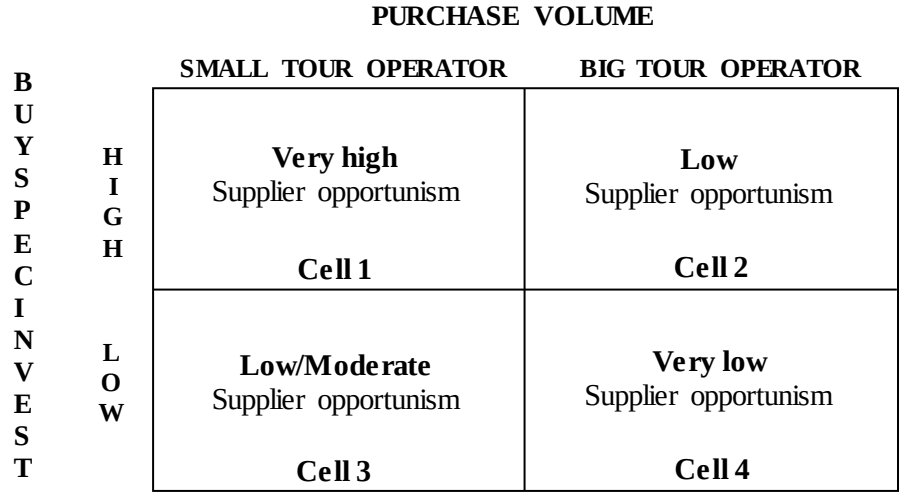
The number of transactions and volume of purchase influence the firm's efficacy as it demonstrates the importance of interfirm transactions in a buyer-seller relationship (Buvik and Grønhaug, 2000; Cai, Yang and Hu, 2010). In discrete transactions purchase volume tends to be overall small and thus its potency in attenuating opportunism is marginal. This is particularly the case when small tour operators with low bargaining power/low structural power interact with big accommodation establishments who possess high bargaining power/structural power. The problem in such interactions is safeguarding specific assets for the weak actor with low bargaining power/structural power (Buvik and Reve 2002). However when tour operator's volume of purchase increases in the course of transacting repeatedly with their most important supplier, they become integrated with the supplier (Cai et al., 2010) partly on the strength of recurrent transactions, and by and large on the strength of mutual dependence (Heide, 1994) that arises from the high volume of purchase a tour operator brings in, and the amount of bednights that particular tour operator secures from the specific accommodation establishment. This has an economic implication as pointed out by Cai et al., (2010), large puchase volume that is concentrated on one particular seller enables the same to reduce transaction costs relating to searching and

selling to new customers. Nonetheless negotiation, contracting, monotoring and conflict resolution costs associated with engagements with other firms in the open market are done away with (Cai et al., 2010; D'Aveni and Ravenscraft, 1994). Most importantly concentration of purchase/orders by the tour operator on a specific accommodation establishment promotes relational norms and cooperation between them thus exchange hazards associated with opportunistic behaviour (Heide, 1994) of exchange partners in particular accommodation establishment are attenuated.

Certainly, the high volume of purchase signifies a greater cost of terminating the exchange relationship (Cai et al., 2010; Zaheer and Venkatraman, 1995) thus the tour operator gains a substantial bargaining power relative to accommodation establishment because of a significant amount of business they bring in to the latter. The source of power stems from the ability of the tour operators to award additional business, and coercion of cancelling or reducing the amount of subsequent business (Cai et al., 2010) they bring in to a specific accommodation establishment. Notwithstanding this however, accommodation establishments may behave opportunistically towards tour operators with small annual purchase volume than towards big tour operators. Accordingly this situation may even worsen in the presence of asymmetrical transaction-specific investment of the tour operators. Moreover, Jones, Hesterly and Borgatti (1997) argue that, concentration of purchase volume increases transaction frequency which in turn enables transacting parties to safeguard exchange relationship effectively. In this regard the volume of purchase of the tour operators acts as a deterrent towards suppliers' opportunism. Specifically, guarantee of future volumes and cashinflows from buyers may enable the suppliers to reduce cost and improve quality (Handfield and Bechtel, 2002).

The presence of unilateral buyer transaction-specific investment may open a door for some kind of opportunism, however such opportunism is counterpowered by large purchase volume. The high volume of purchase by a specific tour operator signifies his importance as a customer and it translates into their size and consequently their bargaining power. Figure 4.4 below further illustrates the foregoing reasoning.

Figure 4.4: Matrix of Tour operators' Purchase Volume, Tour Operators' Transaction-Specific Investment and Accommodation Establishments' Opportunism



In the first column, Cell 1 and Cell 3, demonstrate a situation when a small tour operator with small volume of purchase adapts a unilateral transaction-specific investment with a specific accommodation establishment, the latter's opportunism is said to increase at a much higher rate. That is when a small tour operator's unilateral transaction-specific investment moves from low to high degree ,the accommodation establishment's opportunism becomes very high because unilateral buyer transaction-specific investment locks in the buyer with the specific supplier (Jap and Ganesan, 2000; Williamson 1985) thus creating dependence trap and increasing tour operator's switching cost which enforces accommodation establishment's opportunism because the tour operator cannot respond or make a credible threat (Wang et al., 2013).

In the second column, Cell 2 and Cell 4, illustrate a situation when a big tour operator's unilateral transaction-specific investment moves from low to high, accommodation establishment's opportunism is said to increase at a much lower level. That is; the latter's opportunism moves from very low to low degree. This is explained by the importance of volume of purchase a big tour operator brings in and the consequences of losing them should accommodation establishment behave opportunistically (Cai et al., 2010; Zaheer and Venkatraman, 1995). The larger volume of purchase of a tour operator acts as a counter power against accommodation establishment's opportunism (Buvik and Grønhaug, 2000; Cai et al., 2010). Nonetheless as big tour operators bring in a lot of business to accommodation establishment they facilitate recurrent transactions which breed up relational norms between the exchange partners (Cai et al., 2010) as they do business

repeatedly they cultivate good inter-firm relationship, thus enhancing mutual understanding and joint action between them (Heide, 2003; Zaheer and Venkatraman, 1995). This consequently deters opportunistic tendencies on the part of accommodation establishment.

Besides, high purchase volume reflects relative dependence on the part of accommodation establishment and increased bargaining power on the part of the tour operator (Buvik and Reve 2002). Thus increased tour operator's transaction-specific investment in the relationship with accommodation establishment actually dissipates the latter's opportunism due to mutual dependence (Heide, 1994) where the formers volume of purchase is substantial. Following this reasoning this study hypothesizes that:

H_3 The association between buyer-held transaction-specific investment and supplier opportunism is significantly lowered when the purchasing volume increases.

4.3.3 Control Variable

4.3.2.3.1 Annual Accommodation Needs (ACNEED)

The percentage of total annual accommodation needs of tour operators has a serious implication on the extent to which tour operators depend on accommodation establishments. As Pfeffer and Salancik (1978) put it "concentration of the control of discretion over resources and importance of focal organization's resources to the organization together determine the focal organization's dependence on any given other group of organization". This means that since tour operators do not own their own accommodation facilities, they invariably have to acquire rooms from accommodation establishments should they thrive in their business. We argue that the extent to which the tour operators exercise control over properties of accommodation establishments is low, given the fact that a single supplier of accommodation services serves an endless number of tour operators. The high necessity of accommodation service by tour operators and low control of the same render them susceptible to accommodation establishment's opportunism. Thus high percentage of annual accommodation needs of tour operators is positively associated with accommodation establishment's opportunism.

4.4 Summary

An overview of the research model and hypotheses has been presented in this chapter. Literature review on resource dependence theory (RDT), relational contracting theory (RCT) and transaction cost analysis (TCA) and discussions in the preceding chapters were used to develop research model and formulate hypotheses herein. Three hypotheses one of which represents the hypothesized main effect and the other two interaction effects, have been developed from the research model. Discussion on control variables has also been presented. Research methodology applied in this study is presented and discussed in depth in the next chapter.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 Introduction

This chapter presents the methodological aspects partinent to this study. In particular it gives an overview of the research design and data collection methods. It also presents and discusses sampling procedures and survey instrument development. Moreover, it presents and describes data collection techniques and procedures adopted in this study.

5.2 Research Design

Burns and Grove (2003), define research design as a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings. Moreover, Creswell, (2014), defines research design as being a kind of enquiry within qualitative, quantitative and mixed methods approaches that provide a specific direction for procedures in a research study. Extant literature classifies research design into several categories depending on the fundamental purpose of research (Cresswell, 2014; Malhotra and Birks, 2006; Churchil and Brown, 2004). According to Churchil and Brown (2004), research design can either be descriptive, exploratory, or causal and effects designs. While descriptive design focuses on determining the frequency upon which something occurs or the relationship between two variables, the exploratory design deals with discovering of new ideas and insights concerning the nature of the problem of phenomenal of interest. The causal design on the other hand is concerned with establishing the cause-and-effect relationships (Churchil and Brown, 2004).

Malhotra and Birks (2006) further suggest that descriptive research can either be cross-sectional or longitudinal. According to these authors, cross-sectional research concerns data collection from any given sample of population elements only once, whereas longitudinal research uses a fixed sample of population and measures them repeatedly.

This study adopted some qualitative aspects as well as quantitative aspects of research design. Qualitative aspects were adopted at the preliminary stages where the authors had to conduct face-to-face interview with a few key informants in the tourism industry. Both representatives from accommodation establishments and tour operators were sought in order to tap more insight into the research problem at hand. Furthermore the information gathered from such discussions with key informants enabled the authors to develop question items that reflect the industry’s current practice. On the other hand quantitative

aspects which fall under cross-sectional design inform the main research design of this study. As Malhotra and Birks (2006) put it, cross-sectional design is appropriate in establishing the degree of association between variables and that it falls under descriptive and conclusive research designs. Thus this study has adopted cross-sctional, correlational design in order to test association between independent variables and dependent variable as seen in Figure 4.1 in the preceding chapter.

5.3 Data Collection

In order to test hypotheses in this study and scientifically address the research problem, this study has made use of primary and secondary data. The former represents data collection techniques where data is gathered firsthand from the field by the researcher himself. The latter kind represents data that is collected from already existing published reports through desk reviews. Thus primary data has been collected through questionnaires that the authors of this thesis administered in person. A randomly selected sample of tour operators was approached, and requested to fill out the questionnaires used in this study. As Churchil and Brown (2004), point out a questionnaire may be administered by mail, on the telephone, faxed or even in person.

Secondary data played a critical role in this study as it formed a stepping stone towards establishing theoretical framework and conceptual model utilized herein. It has been an important corner stone for gaining insight into relevant theoretical and conceptual groundings as well as studying the nature of tourism industry in Tanzania. In this regard secondary data was gathered through literary sources such as: books; scholarly journal articles; conference papers; theses; documents and reports from Ministry of Tourism and Natural Resources, tourism associations like TATO, TCT, and HAT; World Bank; United Nations; National Bureau of statistics and other web-based sources. These sources have been used to corroborate empirical findings as well as developing theoretical framework for this study.

5.3.1 Population, Sampling Frame, Sample Size and Sampling Procedures

Churchil and Brown (2004), define population as the totality of cases that conform to some designated specifications. Nonetheless population parameters may be obtained by conducting a census –complete enumeration of population's parameters or by taking a sample –a subset of the population. In this regard Churchil and Brown (2004) suggest five steps in sampling design. These are: (a) definition of the population in question; (b)

selection of the sampling frame; (c) selection of sampling procedures; (d) choosing the sample size; and (e) selection of sample elements.

The population in this study consists of all registered and licensed tour operators on Tanzania mainland. A report obtained from Ministry of Natural Resources and Tourism revealed that there were 384 licensed tour operators (MNRT, 2014). Majority of these tour operators are based in Arusha region which is one of the country' major tourist destination, Dar Es Salaam is the second region with large concentration of tour operators, otherwise the tour operators are scattered all over the country.

- **Sampling Frame**

Churchil and Brown (2004) define a sampling frame as a list of all population elements from which a sample is drawn. Thus in this study the sampling frame consisted a list of 291 registered and licenced tour operators (MNRT, 2014), who are based in Arusha and Dar Es Salaam Regions in the United Republic of Tanzania.

Moreover, extant literature informs two kinds of sampling procedures; probability sampling and non-probability sampling procedures (Churchil and Brown, 2004). While in the former technique the underlaying assumption is that, each member of the target population has a non-zero chance of being included in the sample, the latter technique assumes that each element's probability in the target population is unknown (Churchil and Brown, 2004).

On the one hand, probability sampling technique is further broken down into four components: simple random sampling; stratified random sampling; systematic random sampling; and cluster sampling. On the other hand, non-probability sampling technique falls into: convenience sampling; judgmental sampling; and quota sampling (Churchil and Brown, 2004). Thus, this study employed a simple random sampling technique in selecting representative sample from the sampling frame of 291 tour operators.

- **Sample Size**

This study used a randomly selected sample of tour operators, with focus on two regions which have major concentrations of tour operating companies, Arusha and Dar Es Salaam regions. However extant literature does not give a clear description on the common consensus as to appropriate sample sizes. Scholars like Hussey and Hussey (1997) point out that, there is no ideal or prescribed sample size and that it all depends on the discipline,

the level of confidence expected in the answers, and the anticipated response rate. For instance while Schumaker and Lomax (2004) suggest a reasonable sample of at least 100 elements when using the structural equation model (SEM), Hair et al., (2006) suggest a sample size spanning from 100-150 elements. Lawley and Maxwell, (1971) suggest that a sample should have a ratio of five observation per construct. Hair et al., (2010) suggest a prefarably sample size of 10:1 ratio as acceptable to factor analyse. Nonetheless a rule of thumb exists for calculating a sample size in the multiple regression analysis:

(a) Cases to independent variables ratio; N>50+8m (Tabachnik and Fidell, 2007)

(b) For testing predictor variables; N>104+m (Tabachnik and Fidell, 2007). Where N represents sample size; and m represents number of independent variables.

This study has a total number of six independent variables, thus the minimum sample based on criterion (a) is 50+8*6 = 98. Nonetheless we targeted a total of 100 respondents to foster adequate representative responses that are factor analysable.

5.3.2 Questionnaire Development and Data Collection Techniques

- **Questionnaire Development**

By and large all latent constructs and their corresponding constituent measurement variables were developed on the basis of a rigorous and extensive literature review. Moreover, the survey instrument development process also incorporated inputs from the supervisor –as an experienced researcher and target respondents (tour operators). Critique from the experienced researcher was sought after to ensure adequacy, clarity, and completeness of measurement variables as recommended by (De Villis, 2003; Dillman, 1978). Furthermore, in order to tap tourism industry's domain, face-to-face interviews were conducted in the exploratory phase where interview guide was used to gather preliminary information. The aim was to gain an understanding of the industry and clarify the nature of the research problem. The face-to-face interviews enabled the authors to pinpoint relevant variables that are partinent to this study. Further to this it afforded this study to adapt similar constructs used in previous researches to the research problem at hand to fit the context of Tanzania's tourism industry.

Prior to data collection exercise, the questionnaire was pre-tested for content validity (Chen, Paulraj and Lado, 2004). Respondents were approached and requested to pre-review the questionnaire's structure, readability, ambiguity, and completness as recommended by Dillman, (1978). These respondents who were actually managers in their

respective companies provided valuable information that enhanced further improvements on ambiguous and inappropriate vocabulary as recommended by Hunt, Sparkman, and Wilcox (1982) which enabled us to fine-tune the survey instrument accordingly. Lastly, the final questionnaire was developed by incorporating feedbacks from experienced researcher and practitioners. The instrument was in English language (see Appendix 1). Respondents were requested to grade all items using a 7-point likert scale, anchored from 1-'strongly disagree, to 7-'strongly agree', with regard to one of their most important suppliers of accommodation services.

The survey instrument consisted of three main parts. Part 1 sought to gather background information on the respondents and their major suppliers. Part 2 had multi-item, seven point likert scale anchored from 1-strongly disagree to 7-strongly agree which sought to measure the relevant constructs in this study. Part 3 had single-item measures as well as general questions both open-ended and closed-ended designed to capture the various aspects of tour operator-accommodation establishment's dyadic relationship.

- **Data Collection Procedures and Techniques**

This study adopted a key informant technique to collect data as suggested by (Seidler 1974). The exploratory study revealed that tour consultants, operations managers, general managers, owners and marketing managers deal with day-to-day operation management responsibilities. These individuals were knowledgeable about the relationship between the focal firm (tour operator) and partner firms (accommodation establishments) and thus well qualified to be key informants.

Data collection for this study was conducted through survey with questionnaire being the main tool. As Churchill (1999) suggests a questionnaire can be administered by mail, telephone or in person through face-to-face interview. In this study questionnaires were administered in person through face-to-face interviews. The choice of this technique stemmed from the fact that Tanzania like many African nations has underdeveloped information system infrastructure thus the administration of questionnaires by mail would likely result into very low response rate. Moreover, administration of questionnaires through telephone was out of the question due to high costs associated with the process given the fact that the questionnaire had 54 questions. The length of the questionnaire and associated costs rendered telephone interviews inconvenient as it would likely have resulted into a very low response rate.

The authors of this study visited individual tour operators from the period of 19 January 2015 through 27 February 2015. We then held face-to-face interviews with either the owners, managers (marketing and operations) or tour consultants whom we believed had sufficient knowledge and experience on the relationship with their most important suppliers of accommodation services. Nonetheless any one among the aforementioned informants assisted in the filling out of the questionnaires based on their availability at the time of visiting notwithstanding the fact that we established contact with key informants a priori.

- **Response Rate**

The informants were requested to identify one of thier most important suppliers of accommodation services and then relate all the subsequent questions to the relationship with this specific accommodation establishment (see Appendix 1). The response rate for this study was 81%, as we were able to collect 81 responses out of 100 that we targeted in the first place. Such a high response rate was afforded by personal interview which we embraced in this study. As pointed out early on, face-to-face interview is renowned to yield a high response rate (Malhotra and Birks, 2006).

5.4 Summary

In this chapter the methodology used in this study has been presented and discussed. Cross-sectional quantitative design has been delineated as the main research strategy in this study. Furthermore thorough discussions on questionnaire development, data collection procedures and techniques have also been presented. The next chapter presents descriptions and operationalizations of the primary latent constructs used in this study.

CHAPTER 6

DEFINITIONS AND OPERATIONALIZATION OF VARIABLES

6.1 Introduction

This chapter presents a measurement model adapted in this study. It follows that different constructs are defined and their respective measures delineated. All perceptual items are operationalized on a 7-point likert scale while non-perceptual items are measured using single item scale. Nonetheless all measurement items have been adapted from previous research works and modified accordingly to fit the context of this work.

6.2 Measurement

Measurement entails the assignment of numerals to objects according to established rules (Kerlinger, 1986). Thus this study operationalized all constructs based on the recommendations from Churchill (1979), which set out guidelines for designing measures of constructs used in a study. Reflecting on such recommendations, this study carried out extensive literature review to capture the domain of the constructs used to formulate hypotheses herein. Nonetheless, measurement items from previous research were adapted and modified to fit the context of this study. Specifically, multi-item scales were used to operationalize all the constructs except for percentge of annual accommodation needs, relationship duration, and annual purchase volume which were operationalized using single item scales. Peter (1979) posits that, multi-item scale allows measurement errors to scale out against each other, thus increasing scale reliability because they are much more rigorous in capturing construct's domain than is the case with single item scales (Grover and Malhotra, 2003). As De Vellis, (2003) points out, poor measurement may undermine the validity of conclusion on a research; it is therefore advisable that measurement process be carried out well from start of research in order to foster a better research conclusion. Unlike multi-item scales, all single items scales will not be subjected to validity tests as they are ratio scales (Buvik and Haughland, 2005; Rokkan et al., 2003; Buvik and Grønhaugh, 2000).

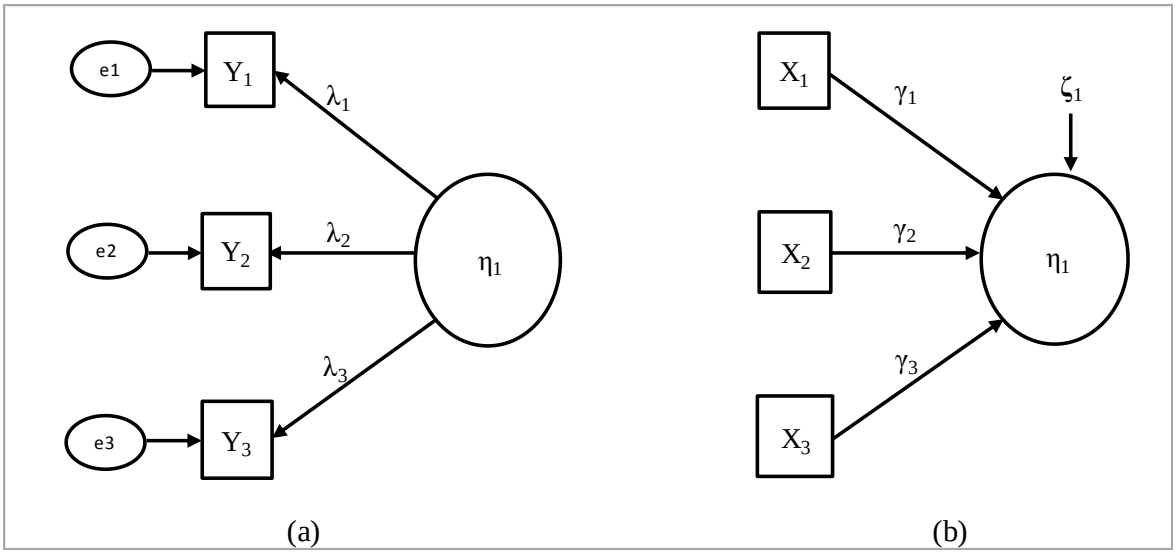
6.3 Measurement Model

Extant literature informs two kinds of measurement models; reflective and formative models (Hair et al., 2010; Bollen and Lenox, 1991; Jarvis, Mackenzie and Podsakoff, 2003). According to Bollen (1989), reflective measurement model represents construct's

manifestations or reflections in such a way that variations in the construct itself result into variation in its measures. Meanwhile Hair et al., (2010) contend that reflective measurement model is based on the notion that measurement variables are caused by the latent construct, and that measurement error stems from latent construct's inability to fully explain the measurement variables (Hair et al., 2010). On the contrary formative measures represent causal measurement model and are not considered latent but rather indices where each indicator is a cause of the construct (Hair et al., 2010), moreover, variables are viewed as causes of constructs whereby the construct is created or influenced by its measures (Hair et al., 2010; Fornell and Bookstein, 1982). However in order to measure a latent construct, Jarvis et al., (2003) proposes the use of either reflective or formative measurement models as both models make use of multiple indicators.

Furhermore, in the reflective measurement model the direction of causality starts from construct to measures while in the formative measure the direction of causality is from measures to construct (Jarvis et al., 2003). Nonetheless in reflective model, possible correlations among the observed measures are due to construct. This ensures reliability as measures are expected to portray internal consistency. On the contrary, in formative measurement model internal consistency is not expected, for the direction of causality starts from item to construct thus the model demands criterion reliability and it accounts for error at the construct level (Jarvis et al., 2003) (see Figure 6.1). Thus, this study has operationalized all constructs as latent variables where all variables have been measured as reflective scales (see Appendix 3).

Figure 6.1: Measurement Models: (a) Reflective Model; and (b) Formative Model



Source: Bollen and Lenox (1991)

6.4 Measurement Process

In this section each variable is defined and all question items that make up a particular latent construct are listed. This study has one dependent variable; supplier opportunism (OPPORT) and five independent variables: purchase volume (PURCHVOL), buyer dependence (BUYDEP), trust (TRUST), relationship duration (DURAT), buyer transaction-specfic investment (BUYSPEC); and one control variable; percentage of annual accommodation needs (ACNEED).

6.4.1 The Dependent Variable

- **Supplier Opportunism (OPPORT)**

Supplier opportunism is used as the dependent variable, which is influenced by the aforementioned independent variables. 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 eight items which are anchored from ‘‘1= strongly disagree to 7= strongly agree.’’ Thus the following items have been used to measure supplier’s opportunism as perceived by the buyer.

OPPORT 1	This supplier sometimes makes false promises regarding the availability of rooms by issuing service voucher beyond its actual capacity of bednights
OPPORT 2	This supplier sometimes disguises its efforts to improve on its service standards
OPPORT 3	Occasionaly, this supplier is unwilling to accept responsibilities regarding waiving cancellations of our bookings
OPPORT 4	Sometimes this supplier expects us to pay for more than our fair share of the costs
OPPORT 5	This supplier occasionally makes false accusation regarding failure to check in our clients
OPPORT 6	Sometimes this supplier fails to provide proper notification in time regarding last minute outbooking of our clients to alternative accommodation

OPPORT 7 This supplier sometimes uses unexpected events to extract extra payment from our company

OPPORT 8 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

6.4.2 The Independent Variables

- **Trust (TRUST)**

Trust as a latent construct was measured using a 7-point likert scale, anchored from ‘‘1= strongly disagree to 7= strongly agree.’’ This construct is made up of nine items adapted from Kumar, Scheer and Steenkamp (1995); Morgan and Hunt (1994); Moorman et al., (1992); and Ganesan (1994).

TRUST 1 This supplier considers our well-being when making important decisions on block allocation

TRUST 2 This supplier fulfils promises it makes to our company regarding bookings and reservations

TRUST 3 We trust that this supplier follows guidelines stated in our formal agreements

TRUST 4 The conflicts resolution with this supplier extends to informal agreements (gentlemen’s agreements)

TRUST 5 This supplier is a friend because of his truthfulness

TRUST 6 I trust in this supplier that his future decisions and actions will not adversely affect my company

TRUST 7 This supplier has high levels of integrity and honesty with regard to my company’s business dealings

TRUST 8 This supplier always keeps the promises it makes to our company

TRUST 9 This supplier considers our welfare when making important decisions such as extension of release period

- **Buyer Dependence (BUYDEP)**

This construct is adapted from previous research work by Kumar, Scheer and Steenkamp (1998) and Heide (1994), and is made up of six items which are anchored on a 7-point likert scale from ‘‘1= strongly disagree to 7= strongly agree.’’

BUYDEP 1	There are many competitive suppliers offering similar accommodation services as this supplier
BUYDEP 2	Our company is very dependent on this supplier because of its high level of service standards
BUYDEP 3	Our company is very dependent on this supplier due to its high availability of bednights
BUYDEP 4	It would be very difficult to replace bednights our company secures from this supplier
BUYDEP 5	This supplier offers our company very favourable rates
BUYDEP 6	It will cost us significant amount of money and time if the relationship with this supplier should be terminated and replaced with other suppliers

- **Buyer Transaction-Specific Investment (BUYSPEC)**

This construct is made up of six items which are anchored from ‘‘1= strongly disagree to 7= strongly agree.’’ The measurement items were adapted from previous research work by Anderson and Weitz (1992); Buvik and Haugland (2005); and Rokkan et al., (2003).

BUYSPEC 1	In order to secure allotment of rooms from this supplier, our company places a substantial downpayment in advance
BUYSPEC 2	Our company has developed specialized order entry routines adapted to this supplier
BUYSPEC 3	We have adapted our billing routines to the specific order entry system of this supplier
BUYSPEC 4	Our company has invested in quality assurance program required by this supplier to ensure that it meets our required service standards
BUYSPEC 5	Our company has made significant investment in information technology dedicated to the interactions with this supplier

BUYSPEC 6 If our company switched to a competitor of this supplier we would lose a significant part of invenstment that we have made for adapting to this supplier

- **Percentage of Total Annual Accommodation Needs (ACNEED)**

This construct represents concentration of exchange. It is operationalized as a single item scale adapted from previous research work by Rokkan et al., (2003). The construct is measured by a single open-ended question:

What percentage (0%-100%) of your company's total annual accommodation service needs is provided by this supplier?_____%.

- **Relationship Duration (DURAT)**

Relationship duration 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 operationalized by computing the natural logarithm of the actual duration in years. The construct is measured by a single open-ended question:

How long have you been doing business with this supplier?_____Years

- **Annual Purchase Volume (PURCHVOL)**

Purchase Volume was operationalized as a single item scale. The construct was adapted from previous research by Buvik and Grønhaug (1999); and Buvik and Haugland (2005). This construct was measured as a natural logarithm of the total annual dollar value expended by a particular tour operator in buying accommodation services from its most important supplier. The construct is measured by single open question:

How much in terms of monetary value did your company buy from this supplier during the last year? _____US$

6.5 Summary

In this chapter each construct was defined and its respective measures delineated. Nonetheless operationalization and measurement of variables were discussed. Evaluation of measurement models was made and question items for both independent and dependent variables were presented. In the next chapter reliability and validity tests are presented and thoroughly discussed.

CHAPTER 7

MEASUREMENTS ASSESSMENT AND DATA VALIDATION

7.1 Introduction

This chapter presents an assessment of data quality and validation of the same for further analysis. Descriptive statistics are run to see to it that the parametric assumptions of regression analysis are met. Specifically descriptives are run to determine linearity, and normality of the data. Exploratory and confirmatory factor analyses are performed and scale validity and reliability tests are presented.

7.2 Data Screening and Cleaning

7.2.1 Assessment of Missing Data

The first action we performed was identifying any missing data in the data set. In this study in the 81 questionnaires we collected, there has not been any missing data. This is attributable to the data collection technique we adopted in the first place –administering the questionnaire in person, in a one-on-one interview style. This enabled us to ensure all question items were filled out before parting with the respondents.

7.2.2 Assessment of Outliers, Skewness and Kurtosis for Normality Check

We went on to check for the presence of outliers in the data set. According to Kline (2011), outliers are scores that are different from others in a data set. They are observations with extreme value on either one variable –univariate outliers or an unusual combination of scores on two or more variables –multivariate outliers which distort statistics (Tabachnick and Fidell, 2007). There is not a common consensus as to the definition of extreme observation however the rule of thumb is that any observation with scores more than three standard deviations from the mean are considered as being outliers (Kline, 2011). Furthermore Kline 2011 suggests that if the outlier(s) is to be retained then it has to be converted to a value that equals the next most extreme score falling within three standard deviation of mean. Another alternative is to transform mathematically a variable with outliers (Kline, 2011). Hair et al., (2010) suggest that, either dependent or independent variables or both can be transformed mathematically so that the variables become more suitable to portraying the relationship.

As a rule of thumb, for small samples with 80 or fewer observations, outliers typically are defined as cases with standard scores of 2.5 or greater (Hair et al., 2010). Thus in this

study data screening and cleaning were done in light of the suggestions by Kline (2011) and Hair et al., (2010). We normalized the perceptual observations in all reflective measures by winsorizing extreme observations to the value that equalled the next extreme observation that fell within three standard deviations of the mean. Outliers with actual values such as duration of relationship which ranged between 3 and 33 years; and purchase volume which ranged between US$ 8,000 and 12,000,000 were transformed mathematically into natural logarithm to ensure normality (Kline, 2011; Tabachnick and Fidell, 2007). The transformations resulted into scores ranging between 1.10 and 3.50 for DURAT; and between 8.99 and 16.30 for PURCHVOL.

We also assessed all observations for skewness and kurtosis. Based on the rigorous data cleaning steps we undertook in light of recommendations from Kline (2011) and Hair et al., (2010). All observations fall within the acceptable range i.e. within ±3 standard deviations of the mean for skewness indices and within 10 for kurtosis indices (Kline 2011). See Appendix 2.

7.3 Descriptive Statistics

Gaur and Guar (2006), describe descriptive statistics as numerical and graphical methods used to describe and summarize statistical data Descriptive statistics are used to analyze the characteristics of a sample and assess variables for potential violation of assumptions that guide statistical techniques undertaken in a study (Glavee-Geo, 2012). Specifically, Pallant (2007) suggests that it is imperative to subject a data set to descriptive analysis before further validation or analyses are performed. Accordingly the numerical method includes: measures of central tendency such as mean, median, and mode and normality; measures of variability such as variance, standard deviation and range; and measures of skewness and kurtosis. Thus the descriptive statistics in this study as presented in Tables 7.1 and 7.2 below have been computed after controlling for outliers as described in the preceding subsection on data screening and cleaning.

Table 7.1: Descriptive Statistics of Sample Characteristics

	N	Minimum	Maximum	Mean	Std. Deviation
DURAT	81	3	33	10.91	6.440
PURCHVOL	81	8000	12000000	880103	1809961
ACNEED	81	12	90	51.15	18.03

Table 7.2: Descriptive Statistics of Constructs

	N	Minimum	Maximum	Mean	Std. Deviation
OPPORT	81	1.00	4.75	2.57	0.97
TRUST	81	3.17	7.00	5.56	0.97
BUYDEP	81	2.00	6.67	4.63	0.99
BUYSPEC	81	1.00	4.00	1.44	0.72
DURAT	81	1.10	3.50	2.24	0.56
PURCHVOL	81	8.99	16.30	12.38	1.66
ACNEED	81	12.00	90.00	51.15	18.03
BUYDEP x DURAT	81	4.03	21.54	10.42	3.74
BUYSPEC x PURCHVOL	81	9.39	50.13	17.80	9.02

7.4 Scale Reliability

Reliability refers to whether scores to items on an instrument are internally consistent in terms of their responses across constructs, stability over time, and whether there was consistency in test administration and scoring (Creswell, 2014). It is an extent to which multiple measurements of a variable or a set of variables are consistent in terms of what they are designed to measure (Hair et al., 2010). Extant literature informs different methods of assessing constuct reliability such as: test-retest –which measures consistency between responses at two points in time, to ensure that they are not varied across time periods hence their reliability (Hair et al., 2010); internal consistency –which entails the use of Cronbach's alpha (Cronbach, 1951), commonly used to assess reliability of variables in a summated scale (Hair et al., 2010).

Cronbach alpha values range between 0 and 1 with values close to 1 indicating greater reliability (Pallant, 2011). However the use of Cronbach alpha is criticized (Henseler, Ringle and Sinkovics, 2009; Hattie, 1985), for it is highly influenced by the number of variables constituting a summated scale –as the number of observed variables goes up so does the reliability (Hair et al., 2010) and therefore it is biased (Chen et al., 2005). Considering the short fall associated with using Cronbach alpha Hair et al., (2010) clearly point out that there is not a single item that perfectly measures a concept and therefore it is imperative to rely on a series of diagonstics to assess internal consistency.

Notwithstanding this criticism, this study has made use of Cronbach alpha to assess internal consistency of variables hence reliability of constructs as recommeded by Pallant (2011). Furthermore composite reliability has also been computed per recommendations laid down by Hair et al., (2010) with an intention of providing a more robust evidence of

constructs' reliability. Table 7.3 presents reliability statistics which have been derived from EFA and CFA where all significant items-total correlations were used to compute Cronbach alpha for summated scale of each construct, meanwhile significant factor loadings were used to compute composite reliability for each construct likewise. Otherwise all scale items with cross loadings and factor loading below 0.40 criterion threshold were left out from futher analysis.

Table 7.3: Construct Reliability Scores

Construct	**Items**	**No. of items**	**Cronbach alpha (α)**	**Composite reliability**
OPPORT	OPPORT 4,5,7,8	4	.638	0.640
TRUST	TRUST 2,3,4,5,6,7	6	.901	0.910
BUYSPEC	BUYSPEC 3,4,5,6	4	.811	0.829
BUYDEP	BUYDEP 3 4,6	3	.574	0.581

As depicted in table 7.3 above the Cronbach alpha for TRUST and BUYSPEC constructs are way above the recommended criterion threshold of 0.70 (Hair et al., 2010; Nunnally, 1967) however the Cronbach alpha for OPPORT and BUYDEP constructs are slightly below this recommended criterion threshold i.e. 0.64 and 0.57 are < 0.70. Notwithstanding this, these constructs' Cronbach alpha are within acceptable threshold as recommended by Bucklin and Sengupta (1993) and Yenidogan (2011), that is all of the scales have Cronbach alpha greater than 0.50. In addition reliability coefficients below 0.70 criterion threshold are not uncommon in the extant literature. It is evident that previous studies have also used reliability threshold below 0.7 (Buvik and John, 2000; Chen, Paulraj and Lado, 2004). Therefore the data collection instrument is satisfactorily reliable (Pallant, 2011) on the strength of the high internal consistency of the measurement instrument.

7.5 Validity

Validity is the degree to which the evidence that supports the interpretations of data is correct and the manner in which interpretations used are appropriate (Moskal, Leydens and Pavelich, 2002). It is the extent to which measurement scale correctly represents the concept of study (Hair et al., 2010). According to Hair et al., (2010) several forms of validity are known to exist: construct, convergent, discriminant and face validity. We take turns to explain these concepts.

- Construct validity: refers to the extent to which observed variables accurately represent the theoretical unobserved construct the variables are designed to capture

in the first place (Hair et al., 2010; Churchill, 1979). This means that the constructs tap the theoretical abstraction.

- Convergent validity: is an extent to which a set of observed variables which represent a theoretical latent construct share the highest proportion of variance in common (Hair et al., 2010; Churchill, 1979). This means that observed variables representing a single factor are highly correlated.
- Discriminant validity: is the extent to which observed variables uniquely represent a single common latent construct which is truly distinct from all other latent constructs in terms of how it correlates with other constructs in the model (Hair et al., 2010; Churchill, 1979). That is latent constructs are distict from each other and uncorrelated and that variables which measure individual latent construct highly correspond with this construct and not the other constructs.
- Face validity: refers to the extent to which the content of observed variables is coherent with the definition of the latent construct based on researcher's own judgement (Hair et al., 2010).

7.5.1 Construct Validity

Shuttleworth (2009) and Churchill (1979) suggest that construct validity be established by investigating convergent and discriminant validity. As Dunn, Seaker and Waller (1994) posit, both convergent and discriminant validity are robust in capturing the domain of construct validity. Specifically, all measures used in this study were adapted from previous research; however they were modified to fit the context of the research problem at hand. Nonetheless, as pointed out early on, each construct in the questionnaire was developed by carefully incorporating inputs from experienced researcher and practitioners in the Tanzania's tourism industry, thus meeting the requirement for establishing content validity (Hawkins, Pohlen and Prybutok, 2013).

7.5.2 Discriminant Validity

We performed EFA with varimax rotation on all perceptual measures to establish discriminant and convergent validity (Churchill 1979; Chen and Paulraj, 2004; Buvik and Haugland, 2005). Individual items with high factor loadings loaded onto factors which corresponded to the conceptualized constructs, this signifies the measures captured what they were intended to in the first place. The KMO measure of sampling adequacy (MSA) was 0.78 –middling (Hair et al., 2010), indicating that inter-item correlations are explained

by common factors (Buvik and Haugland, 2005). The Bartlett's test of sphericity is higly significant (B-test: 622.9; p = 0.00) that is Chi-square value of 622.9 at the degree of freedom 136 and significant at $p < 0.05$. This indicates that the data are factor analyzable.

Table 7.4: Exploratory Factor Analysis (n=81)

Rotated Component Matrix[a]

CONSTRUCTS	FACTOR1 TRUST	FACTOR2 BUYSPEC	FACTOR3 OPPORT	FACTOR4 BUYDEP
TRUST2	**.823**	-.030	-.317	.099
TRUST3	**.848**	.008	-.263	-.007
TRUST4	**.658**	.089	-.093	-.163
TRUST5	**.839**	-.278	-.156	-.024
TRUST6	**.796**	-.350	.019	.160
TRUST7	**.833**	-.186	-.077	.159
BUYSPEC3	-.059	**.745**	-.033	.132
BUYSPEC4	-.040	**.842**	.125	-.143
BUYSPEC5	-.177	**.841**	.051	-.045
BUYSPEC6	-.129	**.741**	.055	-.222
OPPORT4	-.070	.137	**.765**	-.224
OPPORT5	-.219	-.039	**.576**	.211
OPPORT7	-.131	.037	**.606**	.212
OPPORT8	-.175	.057	**.681**	-.041
BUYDEP3	-.110	.133	-.175	**.738**
BUYDEP4	.055	-.203	.331	**.673**
BUYDEP6	.182	-.192	.091	**.681**
Eigen value	5.09	2.63	1.71	1.43

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

[a]Rotation converged in 5 iterations.

Nonetheless EFA gives preliminary evidence of both convergent and discriminant validity portrayed in Table 7.4 above, as the loadings of measures of a single unique construct are greater than loadings of measures of different constructs. The result of EFA gives out a four-factor solution whose factor loadings range between 0.576 and 0.848 all of which are above 0.50 recommended criterion threshold (Hair et al., 2010), hence significant for all practical purposes. Nonetheless all items loading below 0.40 criterion threshold were disregarded for further analysis following the recommendations laid down by Pallant (2011). Thus the factor loadings of the 17 items accounted for 63.85 per cent of the total variance explained.

Furthermore we ran CFA in AMOS 22 and then computed the average variance extracted (AVE) from standardized factor loadings. We then compared the AVE with inter-item squared correlations as shown in Table 7.5 below. The average variance extracted (AVE)[3] was found to be higher than the squared multiple correlations (highest shared variance) among the different constructs in each case confirming Fornell and Larcker's (1981) criterion for strong evidence of discriminant validity.

Table 7.5: Discriminant Validity; Squared Inter-construct Correlation (R^2) and Average Variance Extracted (AVE)

	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
1. OPPORT	1	.13	.02	.02	.04	.11	.00	.01	.00
2. TRUST		1	.01	.08	.11	.07	.01	.08	.05
3. BUYDEP			1	.05	.02	.01	.08	.49	.04
4. BUYSPEC				1	.05	.00	.00	.09	.93
5. DURAT					1	.38	.11	.62	.01
6. PURCHVOL						1	.05	.28	.04
7. ACNEED							1	.15	.00
8. BUYDEP x DURAT								1	.03
9. BUYSPEC x PURCHVOL									1
AVE	**.31**	**.63**	**.34**	**.55**	-	-	-	-	-

The results in Table 7.5 above depict AVE values ranging between 0.31 and 0.63, with trust (TRUST) and buyer specific investment (BUYSPEC) surpassing the recommended 0.50 or above criterion threshold (Hair et al., 2010) while supplier opportunism (OPPORT) and buyer dependence (BUYDEP) falling behind the 0.50 criterion threshold at 0.31 and 0.34 respectively. However Janssens et al., (2006) suggest that AVE values below 0.5 can still be accepted provided that the construct reliability is strong. Specifically Chen and Paulraj (2004) suggest that AVE values above 0.30 criterion threshold are acceptable. Hence the AVE values for these two constructs are satisfactory (Jansens et al., 2006; Chen and Paulraj, 2004) and therefore all the constructs in this study support discriminant validity.

Notwithstanding the recommendations by Hair et al., (2010) that items with own loadings below 0.50 be dropped, we retained (BUYDEP3) whose loading was 0.30, far below this

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

criterion threshold, however acceptable (Buvik and John, 2000). Furthermore it was necessary to retain this item for model identification in AMOS 22 and to maintain content validity of the construct –having items that adequately reflect the construct (Salema, 2014; Li et al., 2005).

7.5.3 Convergent Validity

Convergent validity has been deployed to assess the extent to which multiple indicators that were used to measure a construct correlate with each other. The preliminary findings in EFA as depicted in Table 7.5 above confirm the existence of convergent validity, as each construct's Eigen value exceeds the criterion threshold of 1.0 (Chen and Paulraj, 2004; Hair et al., 2010). The Eigen value for the factors ranged between 1.43 and 5.09. Furthermore the output of CFA as illustrated in Table 7.6 below reveals that, the factor loadings of observed variables for each latent construct are all significant; that is, *t*-values are > 2 (Chen and Pauraj, 2004; Hair et al., 2010). Nonetheless all own factor loadings are quite large and exceeded the recommended criterion threshold of 0.50, and thus confirming convergent validity (Hair et al., 2010; Anderson and Gerbing, 1988; Yen and Hung, 2013; Tam, 2011) with an exception of a constituent variable in buyer dependence (BUYDEP3) whose own factor loading is way below this threshold. However, own factor loadings below this criterion threshold are not uncommon in the extant literature. For instance Buvik and John (2000) used 0.30 as a rule of thumb threshold for own factor loadings, Chen et al., (2004) recommend own factor loadings greater than 0.30. In this regard BUYDEP3 shows a marginally acceptable factor loading at 0.30. Nonetheless its *t*-value is significant at ($p < 0.05$).

On the other hand composite reliability (CR)[4] for OPPORT, TRUST and BUYSPEC are well above 0.60 recommended criterion threshold (Yen and Hung, 2013; Bagozzi and Yi, 1988) each 0.64, 0.91 and 0.83 respectively, with an exception of buyer dependence BUYDEP whose composite reliability is slightly below the recommended threshold thus demonstrating marginally acceptable CR of 0.58 which is evidently on the verge of the recommended criterion threshold of 0.60 (Bagozzi and Yi, 1988). It follows that the convergent validity is supported.

[4] Composite reliability (CR) = (Sum of standardized loadings)^2/[(Sum of standardized loadings)^2 + (Sum of indicator measurement error)].
It refers to the amount of variation a theoretical latent construct explains in the observed variables to which it is related (Hair et al., 2010).

Table 7.6: Measurement Model Confirmatory Factor Analysis (CFA) Results (*n*=81)

Construct	**Factor loading (*t*–value)[b]**	**Seven-point likert-scale type-items with end points strongly disagree and strongly agree**
Supplier Opportunism OPPORT: 4 items $X^2(2) = 3.31$, $p = 0.19$ CFI = 0.96; IFI = 0.97 RMSEA = 0.09 α = 0.64; CR = 0.64	0.588[a]	OPPORT8: 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
	0.514 (3.139)	OPPORT7: This supplier sometimes uses unexpected events to extract extra payment from our company
	0.562 (3.305)	OPPORT5: This supplier occasionally makes false accusation regarding failure to check in our clients
	0.554 (3.278)	OPPORT4: Sometimes this supplier expects us to pay for more than our fair share of the costs
Trust TRUST: 6 items $X^2(9) = 42.63$, $p = 0.00$ CFI = 0.90; IFI = 0.90 RMSEA = 0.22 α = 0.90; CR = 0.91	0.854[a]	TRUST7: This supplier has high levels of integrity and honesty with regard to my company's business dealings
	0.823 (9.164)	TRUST6: I trust in this supplier that his future decisions and actions will not adversely affect my company
	0.862 (9.909)	TRUST5: This supplier is a friend because of his truthfulness
	0.526 (4.960)	TRUST4: The conflicts resolution with this supplier extends to agreements (gentlemen's agreements)
	0.818 (9.081)	TRUST3: We trust that this supplier follows guidelines stated in our formal agreements
	0.836 (9.406)	TRUST2: This supplier fulfils promises it makes to our company regarding bookings and reservations
Buyer specific investment BUYSPEC:4 items $X^2(2) = 8.09$, $p = 0.02$ CFI = 0.95; IFI = 0.95 RMSEA = 0.20 α = 0.81; CR = 0.83	0.731[a]	BUYSPEC6: If our company switched to a competitor of this supplier we would lose a significant part of invenstment that we have made for adapting to this supplier
	0.848 (6.709)	BUYSPEC5: Our company has made significant ivestment in information technology dedicated to the interactions with this supplier
	0.780 (6.384)	BUYSPEC4: Our company has invested in a quality assurance program required by this supplier to ensure that it meets our required service standards
	0.591 (4.896)	BUYSPEC3: We have adapted our billing routines to the specific order entry system of this supplier
Buyer dependence BUYDEP: 3 items CFI = 1.00; IFI = 1.00 RMSEA = 0.30 α = 0.57; CR = 0.58 Trivial fit for three-item scale	0.607[a]	BUYDEP6: It will cost us significant amount of money and time if the relationship with this supplier should be terminated and replaced with other suppliers
	0.751 (2.844)	BUYDEP4: It would be very difficult to replace bednights our company secures from this supplier
	0.298 (2.060)	BUYDEP3: Our company is very dependent on this supplier due to its high availability of bednights

[a]Fixed variable.

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

7.6 Assessment of the Hypothesized Measurement Model

We employed AMOS 22 to run CFA in order to assess how well our hypothesized model fits the data and ensure unidimensionality. The CFA results as depicted in Table 7.6 confirm an adequate fit of our model to the data. All standardized loadings were significant at $p < 0.05$. Nonetheless each parameter behaved as expected with regard to their associations as reflected in their signs (refer to Appendix 3). The overall model indicates relatively adequate fit considering various fit statistics (Bollen and Long, 1993). We obtained a significant Chi-square statistic (X^2 =161 d.f = 113, p = 0.02), the significant p-value which indicates problems with the fit (Hair et al., 2010) results from the sensitivity of Chi-square to sample size (Kline, 2011; Bryne, 2010; Hair et al., 2010). However further assessment of the normed Chi-square ratio (CMIN/DF) provides a ratio of 1.4:1 far below the recommended criterion threshold of 3:1 (Hair et al., 2010). Moreover, a number smaller than 2.0 is considered very good (ibid.). Nonetheless other fit indices, CFI= 0.91, IFI = 0. 92 were all within the recommended criterion threshold of not less than 0.90 (Bryne, 2010; Hair et al., 2010), GFI = 0.81 also represented a reasonable fit (Chau 1997; Lie et al., 2005), on the other hand RMSEA = 0.07, was well below the recommended criterion threshold of 0.08 (Hair et al., 2010). Put together these multiple fit criteria support to the model fit and further analysis of the conceptualized theoretical relationships.

7.7 Summary

In this chapter data screening and cleaning were performed. Preliminary assessment of the data including descriptive statistics has been presented. The results of reliability and validity tests have been presented. Several arguments concerning reliability and validity issues pertinent to this study have been raised and addressed. The assessment of the overall conceptual model has been carried out and found to be satisfactory for actual model fit in the regression analysis. In the next chapter data analysis and empirical findings are presented and discussed.

CHAPTER 8

HYPOTHESES TESTS AND EMPIRICAL FINDINGS

8.1 Introduction

This chapter extends discussions made in the preceding chapter by performing further data analysis. In particular the chapter presents the results of a hierarchical regression analysis. It also presents tests of hypotheses developed early on in chapter four. Interaction terms are clearly delineated. Nonetheless the chapter presents findings from empirical tests of the hypotheses.

8.2 Regression Model

In order to test this study's hypotheses we developed an OLS-regression model which was meant to assess the main effect of trust (TRUST), and interaction effects of relationship duration (DURAT), buyer dependence (BUYDEP), buyer transaction-specific investment (BUYSPEC) and buyer's volume of purchase (PURCHVOL) on supplier's opportunism (OPPORT). The rationale for our choice of Ordinary Least Square regression (OLS) as a regression technique is based on recommendations of Gujarati (2003). Nonetheless the application of OLS as a principal regression analysis technique is not uncommon in the extant literature as it has been extensively used to assess existing relationship between dependent variable and independent variables and also interaction effects (Buvik et al., 2014; Rokkan et al., 2003; Salema 2014). Therefore the regression model is presented as follows:

$$\begin{aligned} \text{OPPORT} \quad = \quad & b_0 + b_1\text{TRUST} + b_2\text{BUYDEP} + b_3\text{BUYSPEC} + b_4\text{DURAT} \\ & + b_5\$\text{PURCHVOL} + b_6\text{ACNEED} + b_7\text{BUYDEP x DURAT} \\ & + b_8\text{BUYSPEC x }\$\text{PURCHVOL} + \varepsilon \end{aligned}$$

$$\ldots \text{Equation}(8.1)$$

Where:

OPPORT = Supplier opportunism; TRUST = trust; BUYDEP = buyer dependence; BUYSPEC = buyer transaction-specific investment; DURAT= relationship duration; and PURCHVOL = annual purchase volume, are independent variables: ACNEED = percentage of annual accommodation needs is a control variable; BUYDEP x DURAT and BUYSPEC x $PURCHVOL, are interaction terms;

b_0 = Constant: b_1, b_2, b_3, b_4, b_5, b_6, b_7, b_8 = regression coefficients: and ε = Error term.

In order to assess the effect of interaction terms in regression Equation 8.1 above we have taken the partial derivative of buyer specific investment (BUYSPEC) and buyer dependence (BUYDEP) with respect to supplier opportunism (OPPORT) in accordance with Rokkan et al., (2003) and Buvik et al., (2014). We first off considered the partial effect of the buyer asymmetrical dependence on supplier opportunism in the presence of a well established prior history of buyer-seller relationship. The partial derivative is presented in Equation 8.2 below:

$$\frac{\delta \text{OPPORT}}{\delta \text{BUYDEP}} = b_2 + b_7 \text{DURAT}$$

... (Equation 8.2)

Secondly we considered the partial effect of asymmetrical buyer-held transaction-specific investment on supplier opportunism in the presence of high annual puchasing volume. The partial derivative is presented in Equation 8.3 below:

$$\frac{\delta \text{OPPORT}}{\delta \text{BUYSPEC}} = b_3 + b_8 \text{PURCHVOL}$$

... (Equation 8.3)

8.3 Estimation Results

8.3.1 Correlation Matrix

In as far as the overall regression model in Equation 8.1 consists of two interaction terms; there exists a potential problem of multicollinearity (Buvik et al., 2014). Multicollinearity is the extent to which independent variables are highly correlated with each other –can be explained by other variables such that is difficult to ascertain the direct effect that a single independent variable has on a dependent variable owing to their interrelationships (Hair et al., 2010). A rule of thumb is that, correlations among independent variables of 0.90 or higher echo the potential problem of multicollinearity (Hair et al., 2010; Pallant, 2011). In this light, Hair et al., (2010) point out that multicollinearity is harmful because it suppreses the R^2 that can possibly be achieved, stifles estimation of regression coefficients and negatively affects the statistical significance tests of regression coefficients (ibid.).

To ensure the potential problem of multicolinearity is circumvented, extant literature suggests the use of tolerance and variance inflation factor (VIF) (Hair et al., 2010; Peng and Lie, 2012). In tolerance method a Pearson's correlation coefficient for each independent variable is computed and then deducted from one (i.e. $1 - R^2$), the higher the

tolerance the lower is the potential for the existence of multicollinearity (Hair et al., 2010; Pallant, 2011). The recommended criterion threshold for tolerance is the value equals to or above 0.10 (Hair et al., 2010; Pallant, 2011). VIF on the other hand is the second method of assessing potential multicollinearity among independent variables and is the inverse of tolerance. The generally agreed upon criterion threshold for VIF is any values equal to or below 10 (Hair et al., 2010; Pallant, 2011).

To overcome the potential problem of multicollenearity among independent variable in our model we mean-centered all independent variables that made up interaction terms in light of the research work by Rokkan et al., (2003) and Buvik et al., (2014). As Robinson and Schumaker (2009) point out, centering of independent variables constituting interaction terms enhances a more meaningful interpretation of the results. Moreover, mean-centering of the main independent variable and moderator variable enables the interpretation of regression coefficient of the focal independent variable on the dependent variable when the moderator variable is at its mean value (Rokkan et al., 2003) meanwhile the interpretations of the interaction effects do not change (ibid.). Table 8.1 below presents correlation matrix, descriptive statistics and collinearity diagnostics.

Table 8.1: Correlation Matrix, Descriptives Statistics and Collinearity Diagnostics

	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
1. OPPORT	1.0	-.37	.14	.13	-.21	-.33	.05	-.29	-.12
2. TRUST		1.0	.10	-.29	.32	.27	.11	.03	-.12
3. BUYDEP			1.0	-.22	.13	.10	.29	.13	-.17
4. BUYSPEC				1.0	-.22	-.04	-.06	-.09	-.08
5. DURAT[b]					1.0	.62	.33	.12	-.21
6. PURCHVOL[b]						1.0	.22	.29	-.22
7. ACNEED							1.0	-.02	.04
8. BUYDEP x DURAT								1.0	-.02
9. BUYSPEC x PURCHVOL									1.0
Mean	2.57	5.56	.00[a]	.00[a]	.00[a]	.00[a]	51.15	.07	-.04
Std. Deviation	.97	.97	.99	.72	.56	1.66	18.03	.55	1.04
Tolerance		.82	.82	.81	.52	.54	.79	.88	.86
VIF		1.21	1.22	1.23	1.91	1.84	1.26	1.14	1.16

[a]Mean-centered variables

[b]Transformed variables into natural logarithm

Furthermore we scanned the residuals for potential heteroscedasticity, no particular pattern seemed to have appeared (Hair et al., 2010; Buvik et al., 2014), (see Appendix 4c).

8.3.2 Regression Analysis

Regression analysis deployed in this study includes (i) main effects (ii) control effect and (iii) interaction effects.

The research model in this study constitutes the effects of independent variables and interaction terms. In this light we ran a hierarchical regression analysis using SPSS 22 in order to delineate the impact of interaction terms on the overall predictive power of the research model. As Robinson and Schumaker (2009) put it, a hierarchical regression model clearly delineates the interpretation of both main and interaction effects which may not be provided by a single regression model containing both main variables and interaction terms. Then in order to make a clear comparison and interpretation of the results of the separate regression Model 1 and Model 2 as presented in Table 8.2 below, we made use of *F*-value for each model (see Appendices 5a and 5b).

Recall that all variables entering interaction terms were mean-centered in order to overcome the potential problem of multicollinearity. In this regard both VIF and Tolerance statistics were within the recommended criterion threshold of < 10 and > 0.10 respectively.

In Model 1 supplier opportunism (OPPORT) was regressed on trust (TRUST), buyer dependence (BUYDEP), buyer transaction-specific investment (BUYSPEC), relationship duration (DURAT), annual purchase volume (PURCHVOL) meanwhile controlling for percentage of annual accommodation needs (ACNEED). As depicted in Table 8.2, Model 1 provides adequate prediction of supplier opportunism (OPPORT) by explaining 18% of the variance with $R^2_{\text{Adj}} = 0.18$, significant at $p < 0.05$.

Model 2 incorporates contributions of two interaction tems; buyer dependence and relationship duration (BUYDEP x DURAT); and buyer transaction-specific investment and annual purchase volume (BUYSPEC x PURCHVOL). The overall goodness of fit for the estimated regression Model 2 is significant with $F(8,72) = 4.36$, $p < 0.05$, and $R^2_{\text{Adj}} = 0.25$ (see Appendix 5a and 5b), that is, Model 2 gives adequate explanation of variation in supplier opportunism (OPPORT) with an explanatory power of 25%. Such good fit indicates that our model gives an adequate description of the data set (Buvik et al., 2014). The inclusion of the two interaction terms in our model further enforced the model's overall explanatory power by 7% which justifies the inclusion of both main effects and interaction terms in our model. The contribution of interaction terms is indicated in the significant *F*-change statistic where; $F(2,72) = 4.414$, $p < 0.05$ (see Appendix 5a). This suggests that our estimated model adequately predicts the moderating effects of

relationship duration and annual purchase volume on supplier opportunism. Nonetheless both Model 1 and Model 2 have significant *F*-values at $p < 0.05$ implying that the inclusion of independent variables and interaction terms significantly explains variations in supplier opportunism. Based on the foregoing discussions it can safely be concluded that our estimated model fits the data pretty well.

Table 8.2: Hierarchical Regression Analysis: Dependent Variable –Supplier Opportunism (OPPORT)

Independent Variables	**Hypotheses**	**Unstandardized Coefficients**	**Standardized Coefficients**	***t*-value**
CONSTANT (b_0)		4.00		5.77[a]
TRUST (b_1)		-0.30	-0.30	-2.73[a]
BUYDEP (b_2)		0.18	0.19	1.71[b]
BUYSPEC (b_3)		0.11	0.08	0.76[d]
DURAT (b_4)		0.08	0.04	0.31[d]
PURCHVOL (b_5)		-0.18	-0.31	-2.37[a]
ACNEED (b_6)		0.01	0.09	0.80[d]
Model 1 Fit:	$R^2 = 0.244$, $R^2_{Adj} = 0.183$, $F(6,74) = 3.980$, $p = 0.002$, $n = 81$			
CONSTANT (b_0)		4.16		6.22[a]
TRUST (b_1)	H_1 (-)	-0.33	-0.33	-3.13[a]
BUYDEP (b_2)		0.17	0.17	1.56[c]
BUYSPEC (b_3)		0.03	0.03	0.24[d]
DURAT (b_4)		-0.03	-0.02	-0.12[d]
PURCHVOL (b_5)		-0.14	-0.24	-1.85[b]
ACNEED (b_6)		0.01	0.10	0.95[d]
BUYDEP x DURAT (b_7)	H_2 (-)	-0.41	-0.23	-2.22[b]
BUYSPEC x PURCHVOL (b_8)	H_3 (-)	-0.18	-0.19	-1.85[b]
Model 2 Fit: $R^2 = 0.327$, $R^2_{Adj} = 0.252$, $F(8,72) = 4.364$, $p = 0.000$, R^2-change = 0.083, F-change (2,72) = 4.414, $p < 0.05$ $n = 81$				

[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]Significant at $p < 0.10$ for *t*-values greater than 1.28 one tail

[d]Not significant

Nonetheless 33% of variations in the dependent variable OPPORT can be explained by independent variables: TRUST, BUYDEP, BUYSPEC; control variable: ACNEED and the interaction terms: BUYDEP x DURAT and BUYSPEC x PURCHVOL.

8.4 Test of Hypotheses

By susbstituting the figures in Table 8.2 above, we can reformulate the regression equation as follows:

$$\begin{aligned} \text{OPPORT} \quad = \quad & 4.16 - 0.33\text{TRUST} + 0.17\text{BUYDEP} + 0.03\text{BUYSPEC} - 0.03\text{DURAT} \\ & - 0.14\$\text{PURCHVOL} + 0.01\text{ACNEED} - 0.41\text{BUYDEP x DURAT} \\ & - 0.18\text{BUYSPEC x } \$\text{PURCHVOL} + \varepsilon \end{aligned}$$

$$\ldots \text{Equation}(8.4)$$

The regression model in Equation 8.4 demonstrates the relationship between dependent variable supplier opportunism (OPPORT) and (i) independent variables: trust (TRUST), buyer dependence (BUYDEP), buyer held transaction-specific investment (BUYSPEC), relationship duration (DURAT), annual purchasing volume ($PURCHVOL) (ii) control variable: percentage of annual accommodation needs (ACNEED) (iii) two interaction terms: buyer dependence and relationship duration (BUYDEP x DURAT) and asymmetric buyer-held transaction-specific investment and annual purchase volume (BUYSPEC x $PURCHVOL).

The effect of trust (TRUST) on supplier opportunism (OPPORT) is negative and significant (b_1 = -0.33, t = -3.13, $p < 0.01$, one tail). Hence hypothesis H_1 is supported. On the other hand hypotheses H_2 and H_3 relate to interaction terms BUYDEP x DURAT and BUYSPEC x $PURCHVOL respectively. The output of the regression analysis in Table 8.2 above indicates that both interaction terms are negative and significant, with (b_7 = -0.41, t = -2.22, $p < 0.05$) for H_2; and (b_8 = -0.18, t = 1.85, $p < 0.05$) for H_3, thus supporting hypotheses H_2 and H_3.

The interpretation of hypothesis H_2 is that, as the relationship between tour operators and accommodation establishment becomes well established over time, the positive association between tour operators' dependence and accommodation establishments' opportunism is significantly weakened.

Meanwhile the interpretation of hypothesis H_3 is that, the positive association of tour operators' unilateral transaction-specific investment on accommodation establishments' opportunism is significantly reduced when tour operators' annual purchasing volume in dollar value becomes substantial. The control variable in this study has no significant effect on supplier opportunism however it demonstrates the expected sign. Further analysis of the interaction terms is provided underneath.

8.4.1 Interpretation of Interaction Effects

As pointed out early on, we mean-centered all independent variables that made up the interaction terms as recommended by Kline (2011) and Jaccard and Wan (1996) in order to overcome the potential problem of multicollinearity. The practice of mean-centering the product terms is evident in the previous research work by Buvik et al., (2014), Wang et al., (2013), Rokkan et al., (2003), and Buvik and Grønhaug (2000). The presence of multicollinearity can thus render correlations between interacting terms and their constituent variables inflated (Kline, 2011) leading to artificial results. Thus by mean-centering, the main effect of a variable constituting the interaction terms is taken when the variable with which it interacts is at their mean level (Buvik et al., 2014; Rokkan et al., 2003).

8.4.1.1 BUYDEP x DURAT

We first off, performed a partial derivative of supplier opportunism (OPPORT) with respect to buyer dependence (BUYDEP) based on the regression model estimated in Equation 8.4 above, the result of which is presented in Equation 8.5 below.

$$\frac{\delta \text{OPPORT}}{\delta \text{BUYDEP}} = 0.17 - 0.41\text{DURAT}$$

... (Equation 8.5)

Following the result presented in Equation 8.5 a graph depicted in Figure 8.1 was plotted. The graph below, demonstrates the plot of partial derivative of supplier opportunism with respect to buyer dependence over the range of relationship duration. The graph portrays a negative slope of the moderator variable suggesting that, buyer dependence (BUYDEP) becomes more negatively related to supplier opportunism (OPPORT) as relationship evolves over time.

Recall that we expressed relationship duration as the natural logarithm of the number of years the relationship has lasted, which is Ln(Year). It follows that, the illustration below is in logarithmic scale.

Figure 8.1: The Effect of Asymmetric Buyer Dependence on Supplier Opportunism at Different Levels of Relationship Duration

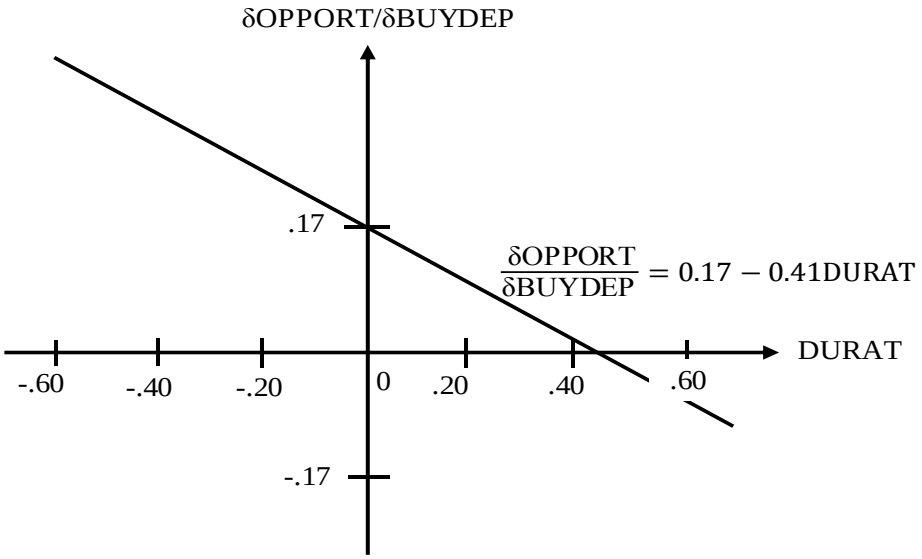


Figure 8.1 above portrays the estimated main effect of asymmetric buyer dependence on supplier opportunism when relationship duration is at its mean value; that is at 2.24. The exact value at the relationship duration's intercept is 2.65 [i.e. mean value + 0.41].

Our empirical findings demonstrate that, the effect of asymmetric buyer dependence on supplier opportunism is non-monotonic over the range of relationship duration. This means that in relationships with relatively short prior history (i.e. newborn relationships) the increase in buyer's dependence on the supplier enforces the latter's opportunism. Specifically asymmetric buyer dependence has a positive effect on supplier opportunism in the relationship duration range below 2.65. This level corresponds to 14 years when the partial derivative of supplier opportunism with respect to asymmetrical buyer dependence equals zero (i.e. asymmetrical buyer dependence has no impact on supplier opportunism). However as the prior history of relationship between buyer and seller increases over time, the relationship becomes well established hence the association between buyer's dependence and supplier's opportunism becomes negative. That is the positive effect of buyer dependence on supplier opportunism declines to zero when relationship duration is 14 years old, and it even becomes strongly negative when the relationship duration exceeds 14 years. Nonetheless this level corresponds to the upper quartile of relationship duration scale in our data set and signifies considerable low levels of opportunism where asymmetric buyer dependence is paired with relationship duration. This provides an empirical support for hypothesis H_2.

8.4.1.2 BUYSPEC x PURCHVOL

Furthermore we performed a first partial derivative of supplier opportunism (OPPORT) with respect to buyer held transaction-specific investment (BUYSPEC) based on the regression model estimated in Equation 8.4 above, the result of which is presented in Equation 8.6 below:

$$\frac{\delta \text{OPPORT}}{\delta \text{BUYSPEC}} = 0.03 - 0.18\text{PURCHVOL}$$

... (Equation 8.6)

Likewise following the result presented in Equation 8.6, the graph depicted in figure 8.2 was plotted. The graph portrays a negative slope of the moderator variable suggesting that an increase in annual purchase volume in a buyer-seller relationship attenuates the positive effect of buyer-held transaction-specific investment on supplier opportunism.

Figure 8.2: The Effect of Asymmetric Buyer-held Transaction-Specific Investment on Supplier Opportunism at Different Levels of Annual Purchase Volume

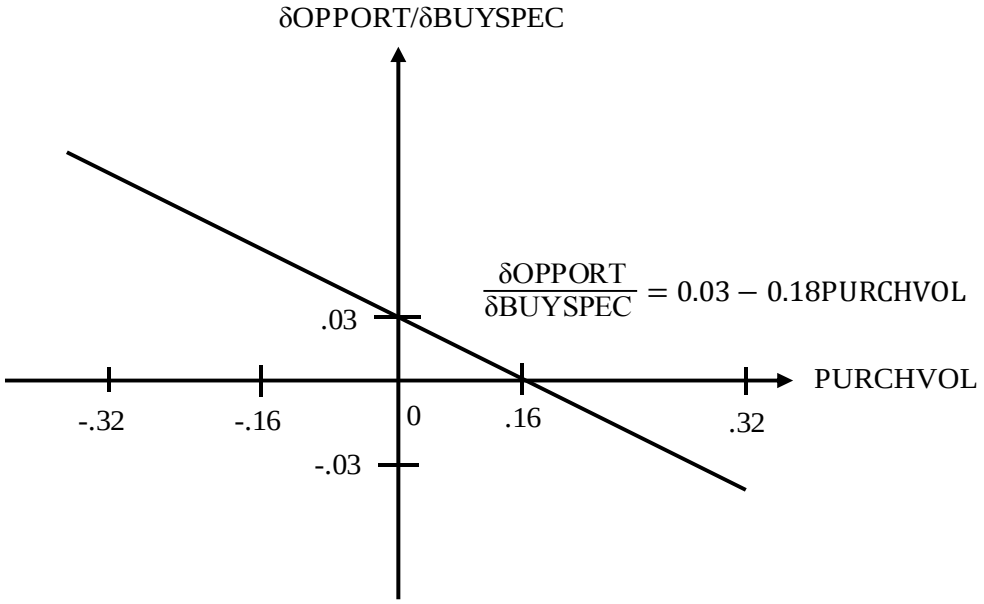


Figure 8.2 above portrays the estimated main effect of asymmetric buyer-held transaction-specific investment on supplier opportunism when purchasing volume is at its mean value; that is at 12.37 in the logarithmic scale. The exact value at the purchase volume's intercept is 12.53 [i.e. mean value + 0.16].

Specifically, Figure 8.2 above demonstrates that, for low levels of purchase volume, increases in buyer unilateral transaction-specific investment have a positive influence on

supplier opportunism. However this association changes in a non-monotonic way over the range of purchase volume. As the level of purchase volume becomes substantial, the association between unilateral buyer-held transaction-specific investment and supplier opportunism becomes negative when purchase volume exceeds the level of 12.53.

Put differently, for very small annual purchasing volumes, increasing buyer transaction-specific investment increases supplier opportunism. However as the annual volume of purchases increases this association becomes negative. Specifically this association is positive for purchasing volumes below the level of 12.53 in the logarithmic scale, which corresponds to US$ 278,000, and turns negative for purchasing volumes exceeding this level. Furthermore this level corresponds to the upper quartile of the purchase volume scale in our data set, and it demonstrates the impotency of supplier opportunism when asymmetrical buyer-held transaction-specific investment intertwines with large purchasing volume. This reasoning supports hypothesis H_3 in our model.

8.5 Summary of Hypotheses Test

Table 8.3: Summary of Hypotheses and Results

Hypothesis	Coefficient	*t*-value	Findings
H_1: There is a negative association between the level of trust and opportunism in the tour operator-accommodation establishment relationship.	-0.33	-3.13[a]	Supported
H_2: The association between buyer dependence and supplier opportunism is significantly reduced when the relationship duration increases.	-0.41	-2.22[b]	Supported
H_3: The association between buyer-held transaction-specific investment and supplier opportunism is significantly lowered when the purchasing volume increases	-0.18	-1.85[b]	Supported

[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

8.6 Summary

In this chapter OLS reqression technique has been utilized to derive the estimated regression model used in this study. Furthermore the chapter has presented the outcome of a hierarchical regression analysis of the estimated supplier opportunism and subsequent tests of hypotheses. All hypotheses (H_1, H_2 and H_3) in this study have been strongly supported. The next chapter presents a summary of findings and gives a thorough discussion in light of the relevant theoretical underpinnings.

CHAPTER 9

SUMMARY, DISCUSSIONS, IMPLICATIONS, LIMITATIONS AND FUTURE DIRECTION

9.1 Introduction

This chapter is the culmination of foregoing discusions in the previous chapters. It brings together discussions raised in the previous chapters albeit in a nutshell with regard to the relevant theories. The chapter further presents and gives a thorough discussion on the key findings of this study in light of the research questions and objectives of this study. Theoretical and managerial implications are also presented, not to mention the limitation of this study and suggestions for future directions.

9.2 Summary of the Findings

The main objective of this study was to identify and discuss the key antecedents of suppliers' opportunistic behavior towards their buyers in the tourism industry setting. Nonetheless this study sought to investigate the moderating role of purchase volume and relationship duration with respect to supplier's opportunism given high levels of focal buyer's dependence and unilateral transaction-specific investment. It is hoped that the findings in this study will help policy makers and management practitioners to better rearrange inter-firm relationships, because in an ever-changing business environment relationships matter as they evolve to represent some kind of competitive advantage.

Furthermore Table 8.1 above gives a blueprint of a hierarchical regression analysis however, the key findings of this study are presented in Table 8.4 above. The overall goodness of fit for our estimated model was good with $R^2 = 0.327$, $R^2_{Adj} = 0.252$, $F(8,72) = 4.364$, $p = 0.000$, R^2-change = 0.083, F-change (2,72) = 4.414, $p < 0.05$ $n = 81$.

Three hypotheses (H_1, H_2 and H_3) were formulated in this study and all have been strongly supported as pointed out early on. All the three hypotheses conformed to relevant theoretical reasoning and had expected signs. The control variable, percentage of annual accommodation needs was not significant however it had the expected sign as well. All the constructs entering interaction terms had expected signs and were significant i.e BUYDEP significant at $p < 0.10$; with $b_2 = 0.17$ and $t = 1.56$, PURCHVOL significant at $p < 0.05$; with $b_5 = -0.14$ and $t = 1.85$ with an exception of DURAT and BUYSPEC which were not significant. The respective signs indicate that our findings conform to the existing

empirical work and relevant theories that inform this study which include TCA, RCT and RDT.

Specifically, the findings in this study suggest that, asymmetrical dependence in an exchange relationship renders a weaker party vulnerable to opportunistic behaviors from their counterpart, this association is found to be positive and significant. Notwithstanding the asymmetrical tour operators' dependence on accommodation establishments, the presence of a well established relationship between tour operators and ccommodation establishments weakens the latter's opportunism. This is due to the fact that a long prior history of relationship between tour operators and accommodation establishments enhances social bonds and shared values that govern the way each transaction is carried out. Therefore this association was found to be negative and significant. On the other hand, trust was found to negatively influence accommodation establishmets' opportunism towards tour operators. Meanwhile unilateral transaction-specific investment creates value claiming problems and exposes tour operators to opportunistic exploitation by the accommodation establishments, however the annual purchase volume represents a stake that acts a counterpower towards the latter's opportunism, and this association was found to be negative and significant.

9.3 Discussions and Implications

9.3.1 Theoretical Implications

The primary focus of this thesis centered on drawing empirical evidence from the buyer-seller relationship in the service industry in light of TCA, RDT and RCT. Specifically, we zeroed in on assessing the interplay beween these theories in an attempt to provide a better understanding and empirical test of the antecedents of supplier opportunism in the Tanzania's tourism industry. In particular this discussion sets off by first bringing into perspective the role interpersonal and interorganizational trust plays in attenuating opportunistic exploitation in the tour operator-accommodation establishment relationship. Then the discussion goes on to introducing the core results of the interaction terms accruing from RCT, RDT and TCA. Specifically we bring to light these three theories in a nutshell and provide empirical test of hypotheses we developed in the first place, taking into consideration these theoretical underpinnings.

Extant literature informs that as the result of inherent volatility in the availability of critical resources, firms move from discrete transactions –infested with adversarial exploitations to

more relational exchanges (Dwyer et al., 1987), where exchange partners stand a chance of benefiting from shared goals and mutual complementarities. Accordingly, relational exhanges promote relational norms and shared values (Morgan and 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, developing a set of shared norms, values and trust in the process. Such business trust safeguards against opportunistic exploitation (Buvik et al., 2014) of either counterpart in the exchange relationship.

The finding in this thesis is consistent with the predictions of TCA and RCT where trust was found to significantly dissipate opportunistic tendencies of accommodation establishments towards tour operators. Specifically trust was negatively related to accommodation establishments' opportunism at $b_1 = -0.33$, $t = -3.13$, $p < 0.01$. This finding corroborates the work done by Morgan and Hunt (1994; 1997); Yenidogan et al., (2011); and Cavusgil, Deligonul and Zhang, (2004), among others.

As pointed out early on, asymmetrical dependence creates a room for opportunistic manipulation by the party who perceives himself to be in a stronger position in an exchange relationship. Nonetheless, extant literature on RDT posits that when one party depends on another party in an exchange relationship for critical resources, such dependence empowers the less dependent party (Gaski, 1984; Dwyer et al., 1987; Bucklin and Sengupta, 1993; Ganesan, 1994). This disparity in power structures renders exchange relationships susceptible to opportunistic expropriation (Buvik and Reve, 2002), less stable and infested with conflicts (Rokkan and Haugland, 2002; Dwyer et al., 1987). More importantly, power asymmetry results into dissatisfaction on the weaker party in an exchange relationship (Anderson and Narus, 1984). Not to mention the fact that exchange conflicts increase transaction costs and negatively affect relationship continuity.

Specifically this study found out that tour operators invariably depend on accommodation establishments for the constant supply of bednights. Such dependence ensues from the fact that, the available bednights secured from a specific supplier cannot be easily replaced by other suppliers taking into consideration cost implications, quality of services and location advantage. As bednights availability represents the critical resource the tour operators require to survive and achieve their business goals, such resource is not within the realm of tour operators' ownership. As such they revert to depending on accommodation establishments. This line of reasoning is consistent with Emerson (1962)'s argument that

an exchange party relies on another on the basis of key resources (i.e. bednights) that the other party in the exchange relationship is endowed with (which in fact empowers the latter) which the other party requires to achieve its goals and the extent to which such resources can be secured from alternative avenues. As Pfeffer and Salancik (1978) put it, "it is uncertainty and dependence that compel organizations to proactively manage their task environment to ensure a constant flow of resources."

The finding reveals that most accommodation establishments are located in strategic tourist attraction areas. This strategic positioning gives them an edge over the tour operators because year in year out the latter will have to take their clients to these accommodation establishments any way. And as long as accommodation establishments consist of a chain of properties replacing them with other suppliers will cost the tour operators significant amount of money and time one way or the other. The finding in this thesis is consistent 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 accomplish its business mission. Such power may be used to extract quasi-rent at the expense of dependent exchange partner. The main effect of buyer dependence was found to be positively associated with accommodation establishments opportunism and was significant at $b_2 = 0.17$, $t = 1.56$, $p < 0.10$. Notwithstanding this, no hypothesis was developed regarding this main effect.

Notwithstanding this asymmetrical dependence of tour opeartors on accommodation establishments, relational contracting theory informs that, as the buyer-supplier relationship develops over time, exchange partners are bound to identify with one another, sinking their differences and look out for each other. Such spirit of togetherness emanates from relational norms and shared values (Dwyer et al., 1987) that emerge in the course of repeated business encounters and which are the product of the past (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 interfirm transactions and safeguard against opportunistic expropriation by exchange partners.

While asymmetrical resource dependence gives rise to power (Gaski, 1984; Bucklin and Sengupta, 1993; Buvik and 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 this 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, $b_7 = -0.41$, $t = -2.22$, $p < 0.05$; which means that for every unit increase in relationship duration the association between asymmetrical tour operators dependence and accommodation establishments opportunism wanes away by 0.41. Specifically, this association moves in a non-monotonic fashion along the range of relationship duration where it is strong and positive in newly established relationships (Deeds and Hill, 1999), because of immature relational norms (Buvik and Burki, 2010). However as the prior history of relationship increases, relational norms take effect and safeguard against accommodation establishment's 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 is consistent with work by Buvik and Haugland (2005) which found out that relationship duration is of paramount importance for a vulnerable exchange party who faces asymmetrical dependence, and Deeds and Hill (1999) who found out that relationship duration is positively associated with opportunism and then becomes negatively associated with opportunism over time.

On the other hand, transaction-specific investments are known to play a pivotal role in marketing relationships. This is due to their potential for value creation by bonding the exchange parties together; and value claiming problems (Ghosh and John, 1999) by exposing the focal investor to opportunistic expropriation by the receiver (Rokkan et al., 2003). The bonding effect accrues from the value specific investments create in an exchange relationship (Ghosh and John, 1999; Rokkan et al., 2003), this kind of value could be; rationalized business routines and processes that save time between exchange parties hence reduce transaction costs.

Value proposition occurs where benefits accruing from relationship specific investments are greater than the cost of redeploying such investments elsewhere. Notwithstanding this however, Ghosh and John (1999) argue that specific investments create value claiming problems. This proposition is closely related to Rokkan et al., (2003)'s argument that specific investments may lead to exploitation of an exchange partner by its counterpart. Since the nature of these assets is so unique that redeploying them in alternative uses (Williamson 1985) is not at the disposal of the focal investor, the receiver is bound to

exploit such situation by extracting quasi-rents from such unilateral investments (Buvik and Reve, 200; Rokkan et al., 2003; Wang et al., 2013).

The finding in our work is consistent with predictions in the extant literature. Tour operators' unilateral transaction-specific investment has been found to have a positive association with accommodation establishments' opportunism. Specifically we found out that, tour operators' adaptations to specific order entry routines and billing system; investment in time and resources directed towards quality assurance initiatives; investment in information technology that rationalizes interactions between the former and their suppliers, render the former susceptible to opportunistic expropriation (Rokkan et al., 2003) by the latter due to lock-in effect of such lopsided investments. Coupled with the nature of service industry that promises are the essence of exchange relationship where the product is experience (Ng, 2007), there exist potential risks of quality shirking, renegotiation and price manipulation on the part of accommodation establishments.

However asymmetrical transaction-specific investments promote receiver's opportunism depending on circumstances surrounding an exchange relationship. In this regard we hypothesized that in the presence of large annual purchasing volume from tour operators the positive association of the unilateral transaction-specific investment and accommodation establishment's opportunism is significantly lowered. This is because the large purchasing volume represents large stakes (Buvik and Haugland, 2005; Cai et al., 2010), that accommodation establishments cannot afford to lose as to them it represents a huge sale of available bednights. In this regard we found out that, large tour operators who have invested in transaction-specific investments experience low opportunism from accommodation establishments than do small tour operators because the latter lack the economic efficacy that is embedded in large annual purchasing volume.

The large purchasing volume acts as a counterpower against accommodation establishments' opportunistic inclinations thus shifting power structure/bargaining power in favor of the tour operators (Buvik and Haugland, 2005), thereby creating interdependence between tour operators and accommodation establishments (Cai et al., 2010).

The findings in this study support predictions in TCA and RDT. That is for firms to thrive through volatile business environment fraught with cut-throat competition, there needs to be a reliable flow of input and output. However to achieve this objective firms seek resources from other organization as themselves are not self-sufficient in their own right

(Pfeffer and Salancik, 1978; Emerson 1962), in so doing they invariably have to adapt their processes in order to secure such scarce and out of reach resources. In this study the main effect of annual purchase volume was found to be negative and significant meaning that big tour operators represent strategic customers (Kraljik, 1983) to accommodation establishments and thus create a kind of dependence on the part of the latter (Ramayah, Lee and In, 2011; Cai et al., 2010), which transfers bargaining power to the former (Buvik and Reve, 2002) and consequently constrains opportunistic behavior (Heide, 1994) of accommodation establishments.

Thus opportunistic exploitation arising from asymmetrical transaction-specific investment is contingent upon the distribution of power structures between accommodation establishments and tour operators. Put differently in relationships characterized with low bargaining power by tour operators , asymmetric transaction-specific investments enforce opportunism on the part of accommodation establishments because such circumstance dictates so as it enables the latter to extract extra payoffs at the expense of the former (Rokkan et al., 2003). We found out that the effect of asymmetric transaction-specific investment on opportunism moved in a non-monotonic fashion along the range of purchasing volume; suggesting that large stakes strongly dissipate opportunistic behavior of the accommodation establishments due to mutuality in dependence (Heide, 1994).

Thus, this study contributes to the understanding that, supplier inclination to opportunistic expropriation of quasi-rent ensuing from buyer asymmetric dependence and asymmetric buyer transaction-specific investment is contingent upon the level of prior history of relationship and bargaining power (large stakes) on the part of the buyer. At high levels of purchasing volume (high buyer bargaining power), and in a well established relationship, supplier opportunistic exploitations tend to dissipate.

9.3.2 Managerial Implications

The pre-requisite for any buyer-seller relationships is trust and fulfilling the obligations between the exchange partners, and because of the interdependence nature of organizations effective co-ordination is a vital attribute in a procurement setting (Buvik and Grønhaug, 2000), with many organizations focusing on long term relationships, commitment and trust (Izquierdo and Cillian, 2004). In fact there has been a paradigm shift from transaction-oriented marketing towards relationship oriented marketing, advocating close and long-term relations that revolve around high levels of co-operation to attain mutual satisfaction and benefits (Izquierdo and Cillian, 2004). However, in some scenarios, some exchange

partners might be tempted to breach the agreements due to extra potential profits at the expense of others, leading to strenuous relationships due to mistrust arising from the opportunistic behavior. Such relationships may lead to conflicts, dissatisfaction, low channel performance and furthermore relationship discontinuation (Glavee-Geo, 2012).

The main implication for managerial decision making for this study is the identification of dimensions in which interfirm relationships can be based on. The managers should ensure existing relationships be based on trust, which is time-based, as a foundation of buyer-supplier relationship. Moreover, the relationship duration is a vital antecedent to organizational performance in exchange relationships (Burki and Buvik, 2010) with trust and commitment cementing the relationships.

The managers of tour companies can therefore align the dimensions of their exchange relationships with a long-term perspective in the initial stages of their relationships in order to combat opportunistic behavior by exchange partners through achieving equitable and satisfactory relationships to the suppliers in situations of high interdependence, in order to enhance co-operation and co-ordination and also give room for productive conflict resolutions in case misunderstandings arise (Izquierdo and Cillian, 2004).

According to the findings of this study, most transactions are conducted through gentlemen's agreements, and although this is done to cement the trust between partners, it comes with a trade-off of exposing tour operators to lawful opportunism where parties break informal agreements of a relational contract (Niesten and Jolink, 2011), therefore the managers should review their governance mechanisms when dealing with different suppliers rather than putting all accommodation suppliers in one basket. For most the short-term duration relationships, the managers will be better off adhering to other governance mechanisms like hybrid governance that will safeguard them from lawful opportunism. Therefore it is a vital element for tour operators to understand the different perceptions of all of their suppliers' relationships before deciding on any agreements and cohesive approaches.

From a managerial point of view, deploying specific assets in an exchange relationship where suppliers have power is risky; therefore comprehensive mechanisms for safeguarding the specific assets invested must be set in place at the initial stages of exchange relationships in order to avoid room for opportunistic behaviors by suppliers of accommodation services. This could be achieved through marketing intelligence of all

potential suppliers in order to get the required information about their trade commitments, negotiations and contractual traditions (Buvik and Reve, 2002).

Furthermore, the management of the tour companies could curb the problem of dependence through structuring their exchange relationships by establishing proper formal and semi-formal governance structures which will further reduce uncertainty (Buvik and Reve, 2002), for instance through contracting, joint ventures or even complete mergers (Heide, 1994), therefore creating the relevant negotiated environments in the channel relationships.

Therefore the managerial implications of this study centeres on dissipating channel opportunism; conducted either through selection of the right suppliers, monitoring the suppliers to reduce information asymmetry, and also through incentives schemes, for instance giving priority of purchase volume to the strategic supplier (in the long run this can lead to relative power by a strategic buyer toward the supplier) and through the socialization process that aims to build trust, commitment and co-ordination (Wathne and Heide, 2000).

9.4 Limitation of the Study

According to this study, the number of sample size collected is 81. This is a small data set considering factor analysis in mind that advocates for concrete sample sizes, which results to lower factor loadings due to small standard errors (MacCallum et al., 1999). Most extant literature suggests a sample size of at least 100 for adequate factor analysis, to avoid exposure to non-convergent and improper analysis, depending on communality and over determination (MacCallum et al., 1999).

The focal point of the study is the exchange relationship between tour operators and accommodation establishments in the Tanzania's tourism industry, considering relationship duration, dependence, buyer specific investment, trust and purchase volume as variables that affect opportunism. The findings in the antecedents to opportunism therefore, cannot be generalized in other industries' exchange relations because they focused on a single industry analysis. Therefore the study provides a high degree of internal validity, with a trade-off to external validity, making it hard to generalize the findings in other industries. Moreover, this study is based on cross-sectional design with data collected at one point in time, thus made it impossible to investigate dynamism in the buyer-supplier relationships such as the effect of seasonal changes.

9.5 Future Directions

This study has examined impact of buyer dependence on supplier; it leaves a door open for further studies to examine bilateral dependence by studying dyadic relationship between tour operators and accommodation establishments. The bilateral dependence could give an explanation on the distribution of power between focal buyer and supplier and thus giving a better understanding of factors that promote and deter opportunistic behavior of a trading partner.

In relation to the study, further research could be done with regard to increasing the sample size for more accuracy and reliability of the data in terms of advocating smaller standard errors. Further research can be conducted on the exchange relationships across different actors in the Tanzania's tourism supply chain, for instance the airlines and tour operators, accommodation facilities and travel agents, to bring the authenticity and clarity of the existing exchange relations among actors in the tourism supply chain.

Further research could be conducted focusing on both sides of the buyer-supplier dyad by simultaneously collecting data also from the accommodation establishments and considering the aspects of opportunism from the supplier side to see either the effect of divergence or convergence in the buyer-seller dyad. Moreover, the catchment area of the study holds room for improvement, therefore further research can consider other tour operators and accommodation establishments from the other 23 regions of Tanzania that were not visited.

Finally, buyer-seller relationships in the Tanzania's tourism industry are dynamic and evolving over time, making it a long lasting phenomenon. The study has employed cross-sectional design, which assesses the industry in a snapshot, therefore a room for improvement exists over time by the application of longitudinal research design because cross-sectional study means the hypotheses are only valid for a specific point in time, but longitudinal study will show the continuity trend and explain the causal processes of the exchange relationships between the tour operators and accommodation establishments in the Tanzania's tourism industry.

Furthermore, a longitudinal study, through research in both high and low seasons, will capture the aspect of seasonality and how it affects opportunism by comparing the means of the two seasons, because the study did not focus on seasonality as a variable affecting opportunism in the model.

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APPENDICES

Appendix 1: Questionnaire

Dear Respondent,

RE: SURVEY ON ANTECEDENTS TO OPPORTUNISM: THE CASE OF TOUR OPERATORS AND ACCOMMODATION ESTABLISHMENTS IN THE TANZANIA'S TOURISM INDUSTRY

We are Master's students under the supervision of Professor Arnt Buvik, at Molde University College, a specialized University in Logistics, Molde Norway. We are currently conducting a survey on the subject matter above for our master's degree thesis. The main objective is to study buyer-seller relationships within the tourism industry in Tanzania.

The Tanzania's tourism industry is very important because it is one of the major sources of foreign exchange for the economy, provides direct and indirect employment opportunities and boosts economic growth in other sectors such as agriculture, transport and communication. The result of this survey will foster a better understanding of the key factors that need to be considered in the formulation of policies for the industry apart from the contributions it will make to the academic literature. The output of this survey will be a written thesis for academic purposes as well as an executive summary of findings and implications which may be provided to you upon your request.

This survey involves only a small sample of tour operators in Arusha and Dar Es Salaam regions, hence your response is extremely important. Kindly take a few moments to complete the questionnaire below by answering all questions accurately reflecting the real situation regarding your relationship with your major supplier of accommodation services.

Information collected in this questionnaire is strictly confidential and no individual respondent will be identified as responses to each question will be aggregated to aid in the final analysis of the information provided in this questionnaire and it is therefore not possible to attribute information given in the survey to individual respondents.

Thank you in advance for taking time to respond to the questionnaire. Your support in this study is highly appreciated.

Sincerely,

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A: Background information to the company
1. Company name
2. Number of employees both full time and part time
3. Choose one of your most important suppliers of accommodation services: Name_____

B: Based on the supplier you have identified above please circle the number that best represents your view regarding the following statements							
	Strongly disagree						Strongly agree
1. This supplier sometimes makes false promises regarding the availability of rooms by issuing service voucher beyond its actual capacity of bednights	1	2	3	4	5	6	7
2. This supplier sometimes disguises its efforts to improve on its service standard	1	2	3	4	5	6	7
3. Occasionaly, this supplier is unwilling to accept responsibilities regarding waiving cancellations of our bookings	1	2	3	4	5	6	7
4. Sometimes this supplier expects us to pay for more than our fair share of the costs	1	2	3	4	5	6	7
5. This supplier occasionally makes false accusation regarding failure to check in our clients	1	2	3	4	5	6	7
6. Sometimes this supplier fails to provide proper notification in time regarding last minute outbooking of our clients to alternative accommodation	1	2	3	4	5	6	7
7. This supplier sometimes uses unexpected events to extract extra payment from our company	1	2	3	4	5	6	7
8. 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	1	2	3	4	5	6	7

C: Please circle the number that best represents your view regarding the following statements with respect to your most important supplier							
	Strongly disagree						Strongly agree
1. When an unexpected event occurs, this supplier always adjusts prior agreements instead of forcing our company to comply with provisions in the old agreement	1	2	3	4	5	6	7
2. Our company frequently experiences that this supplier makes necessary adaptations to handle unfavourable events in our relationship	1	2	3	4	5	6	7
3. This supplier is very flexible when there is required changes in reservation cancellation	1	2	3	4	5	6	7
4. This supplier is very flexible in waiving "beyond release period" penalty fee	1	2	3	4	5	6	7

D: Please circle the number that best represents your view regarding the following statements with respect to your most important supplier							
	Strongly disagree						Strongly agree
1. This supplier considers our well-being when making important decisions on block allocation	1	2	3	4	5	6	7
2. This supplier fulfils promises it makes to our company regarding bookings and reservations	1	2	3	4	5	6	7
3. We trust that this supplier follows guidelines stated in our formal agreements	1	2	3	4	5	6	7
4. The conflicts resolution with this supplier extends to agreements	1	2	3	4	5	6	7
5. This supplier is a friend because of his truthfulness	1	2	3	4	5	6	7
6. I trust in this supplier that his future decisions and actions will not adversely affect my company	1	2	3	4	5	6	7
7. This supplier has high levels of integrity and honesty with regard to my company's business dealings	1	2	3	4	5	6	7
8. This supplier always keeps the promises it makes to our company	1	2	3	4	5	6	7
9. This supplier considers our welfare when making important decisions such as extension of relaese period	1	2	3	4	5	6	7

Your company may have made investments in time, energy, and/or money specifically to accommodate this supplier and its services. These investments would be lost if your company switched to another supplier

E: Please circle the number that best represents your view regarding the following statements with respect to your most important supplier							
	Strongly disagree						Strongly agree
1. In order to secure allotment of rooms from this supplier, our company places substantial downpayment in advance	1	2	3	4	5	6	7
2. Our company has developed specialized order entry routines adapted to this supplier	1	2	3	4	5	6	7
3. We have adapted our billing routines to the specific order entry system of this supplier	1	2	3	4	5	6	7
4. Our company has invested in a quality assurance program required by this supplier to ensure that it meets our required service standards	1	2	3	4	5	6	7
5. Our company has made significant investment in information technology dedicated to the interactions with this supplier	1	2	3	4	5	6	7
6. If our company switched to a competitor of this supplier we would lose a significant part of invenstment that we have made for adapting to this supplier	1	2	3	4	5	6	7

Your supplier may have made investments in time, energy, and/or money specifically to accommodate your company. These investments would be lost if your company switched to another supplier

F: Please circle the number that best represents your view regarding the following statements with respect to your most important supplier							
	Strongly disagree						Strongly agree
1. Our supplier has made substantial investments in facilities, supplies, and services to cater for our bed night requirements	1	2	3	4	5	6	7
2. Our supplier has committed a lot of time and resources to meeting our requirements regarding routines for service standard control	1	2	3	4	5	6	7
3. Our supplier has made significant investments in extending accommodation capacity to accommodate our bed-night reguirements	1	2	3	4	5	6	7
4. Our supplier has made substantial investments in training its staff to meet service requirements from our company	1	2	3	4	5	6	7
5. Our supplier has spent a lot of time and resources to coordinate the operations with our company	1	2	3	4	5	6	7
6. Our supplier has to a great extent adjusted booking effectuation and reservation confirmation from our company	1	2	3	4	5	6	7

7. If our company switched to a competitor, this supplier will lose a lot of investment they have made in marketing their services to our company	1	2	3	4	5	6	7

G: Please circle the number that best represents your view regarding the following statements with respect to your most important supplier							
	Strongly disagree						Strongly agree
1. There are many competitive suppliers offering similar accommodation services as this supplier	1	2	3	4	5	6	7
2. Our company is very dependent on this supplier because of its high level of service standard	1	2	3	4	5	6	7
3. Our company is very dependent on this supplier due to its high availability of bednights	1	2	3	4	5	6	7
4. It would be very difficult to replace bednights our company secures from this supplier	1	2	3	4	5	6	7
5. This supplier offers our company very favourable rates	1	2	3	4	5	6	7
6. It will cost us significant amount of money and time if the relationship with this supplier should be terminated and replaced with other suppliers	1	2	3	4	5	6	7

H: Kindly complete the following statements regarding your most important supplier by filling in the blank spaces or ticking where appropriate

1. How long have you been doing business with this supplier?_____years

2. How much in terms of monetary value did your company buy from this supplier during the last year _____USD $

3. What percentage (0% - 100%) of your company's total annual accommodation service needs is provided by this suplier?_____%

4. How many tourists did your company receive during the last year? _____tourists

5. How many tourists did your company trade with this supplier during the last year?_____tourists

6. What sales/turnover did your company have during the last year? _____US $

7. Which type of contract does your company have with this supplier? (a) Allotment contract (b) Rack rate (Spot) contract (c) Others (mention)_____

8. Are you a member of any tourism association? Yes_____ No_____
   If Yes; Organization name_____

9. What Star does your supplier possess? (a) 5-star (b) 4-star (c) 3-star (d) 2-star (e)1-star (f) zero-star

10. What is the nationality of your major supplier? (a) Tanzanian (b) Foreigner (c) Joint (both native and foreign owners)

11. Kindly complete the table below by indicating purchasing patterns of your company from this supplier according to low and high seasons in percentage. Your best estimate is just as good

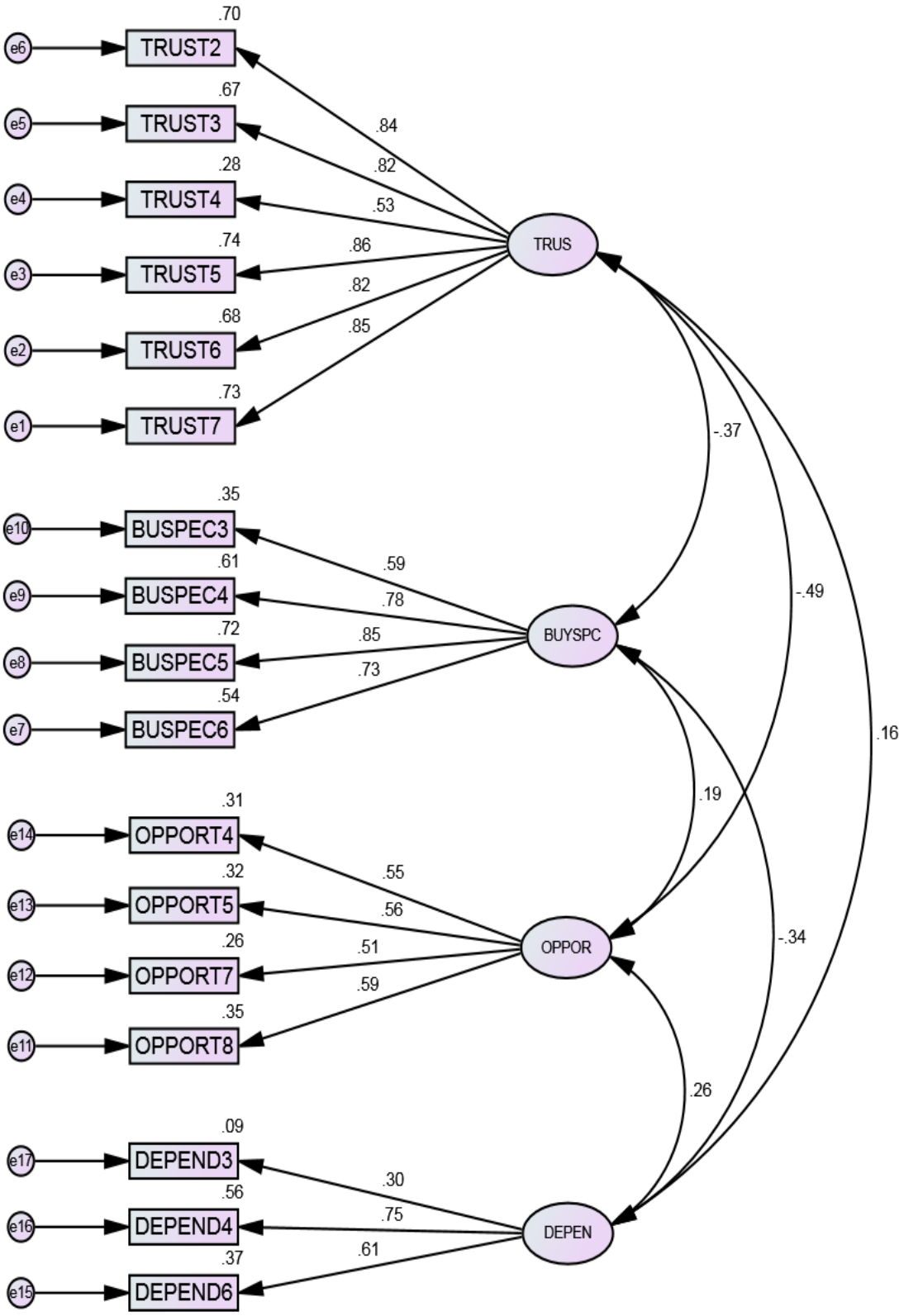
	Percentage of orders/purchases (%) from this supplier
High Season	
Low Season	

Thank You

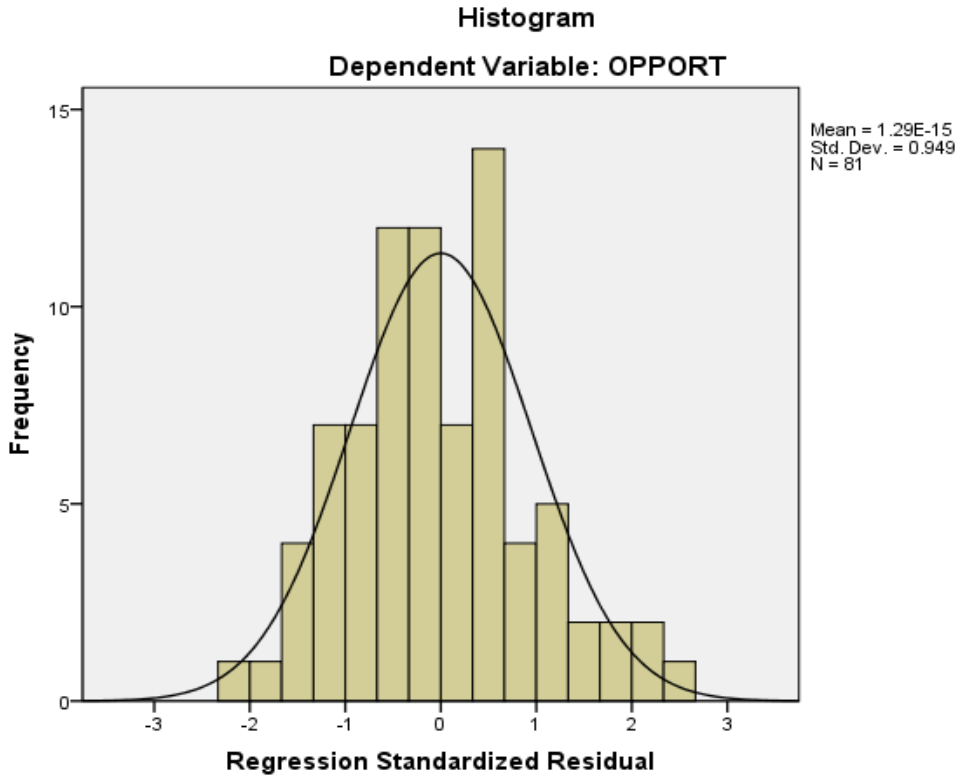
Appendix 2 : Descriptive Statistics and Univariate Normality (n=81)

	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
OPPORT1	1	5	2.31	1.19	0.789	0.267	0.025	0.529
OPPORT2	1	5	2.75	1.328	0.174	0.267	-1.064	0.529
OPPORT3	1	5	2.81	1.352	0.253	0.267	-1.088	0.529
OPPORT4	1	5	2.59	1.33	0.269	0.267	-1.066	0.529
OPPORT5	1	5	2.57	1.36	0.496	0.267	-0.913	0.529
OPPORT6	1	6	3.04	1.346	0.184	0.267	-0.969	0.529
OPPORT7	1	5	2.42	1.499	0.547	0.267	-1.161	0.529
OPPORT8	1	6	2.69	1.429	0.328	0.267	-0.978	0.529
TRUST1	1	7	5.26	1.233	-0.759	0.267	0.95	0.529
TRUST2	3	7	5.64	1.076	-0.286	0.267	-0.436	0.529
TRUST3	3	7	5.89	1.037	-0.463	0.267	-0.426	0.529
TRUST4	1	7	5.42	1.234	-0.814	0.267	1.22	0.529
TRUST5	2	7	5.12	1.373	-0.228	0.267	-0.593	0.529
TRUST6	1	7	5.47	1.324	-0.794	0.267	0.67	0.529
TRUST7	3	7	5.79	1.033	-0.47	0.267	-0.324	0.529
TRUST8	2	7	4.77	1.66	0.149	0.267	-1.439	0.529
TRUST9	2	7	5.14	1.358	-0.16	0.267	-0.858	0.529
BUYSPEC1	1	7	4.4	1.787	-0.619	0.267	-0.441	0.529
BUYSPEC2	1	5	1.53	0.937	1.921	0.267	3.091	0.529
BUYSPEC3	1	7	1.56	1.061	2.525	0.267	8.192	0.529
BUYSPEC4	1	6	1.51	0.989	2.248	0.267	5.361	0.529
BUYSPEC5	1	4	1.37	0.766	1.993	0.267	2.944	0.529
BUYSPEC6	1	4	1.33	0.725	2.022	0.267	2.848	0.529
BUYDEP1	1	7	4.44	1.597	-0.501	0.267	-0.244	0.529
BUYDEP2	1	7	4.51	1.185	-0.663	0.267	0.807	0.529
BUYDEP3	2	7	4.83	0.985	-0.931	0.267	1.269	0.529
BUYDEP4	1	7	4.48	1.566	-0.485	0.267	-0.102	0.529
BUYDEP5	2	7	5.49	1.295	-0.605	0.267	-0.362	0.529
BUYDEP6	2	7	4.57	1.414	0.049	0.267	-0.728	0.529

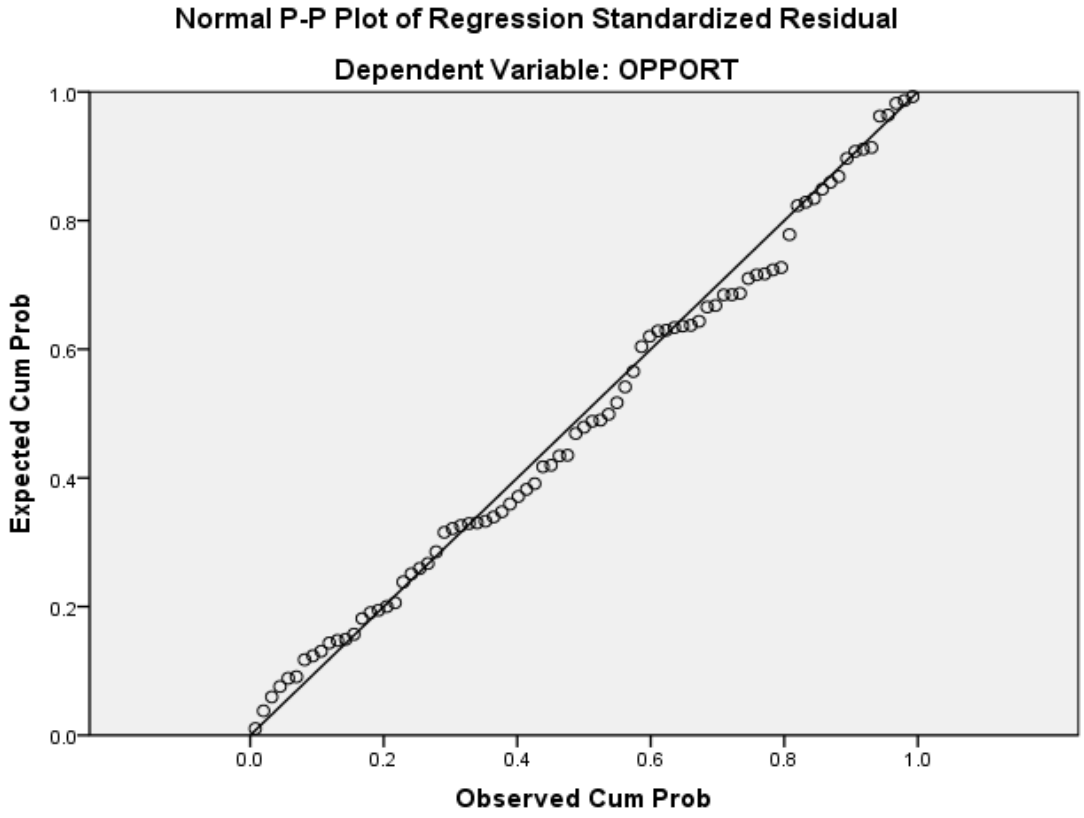
Appendix 3: Confirmatory Factor Analysis Model Fit (n=81)



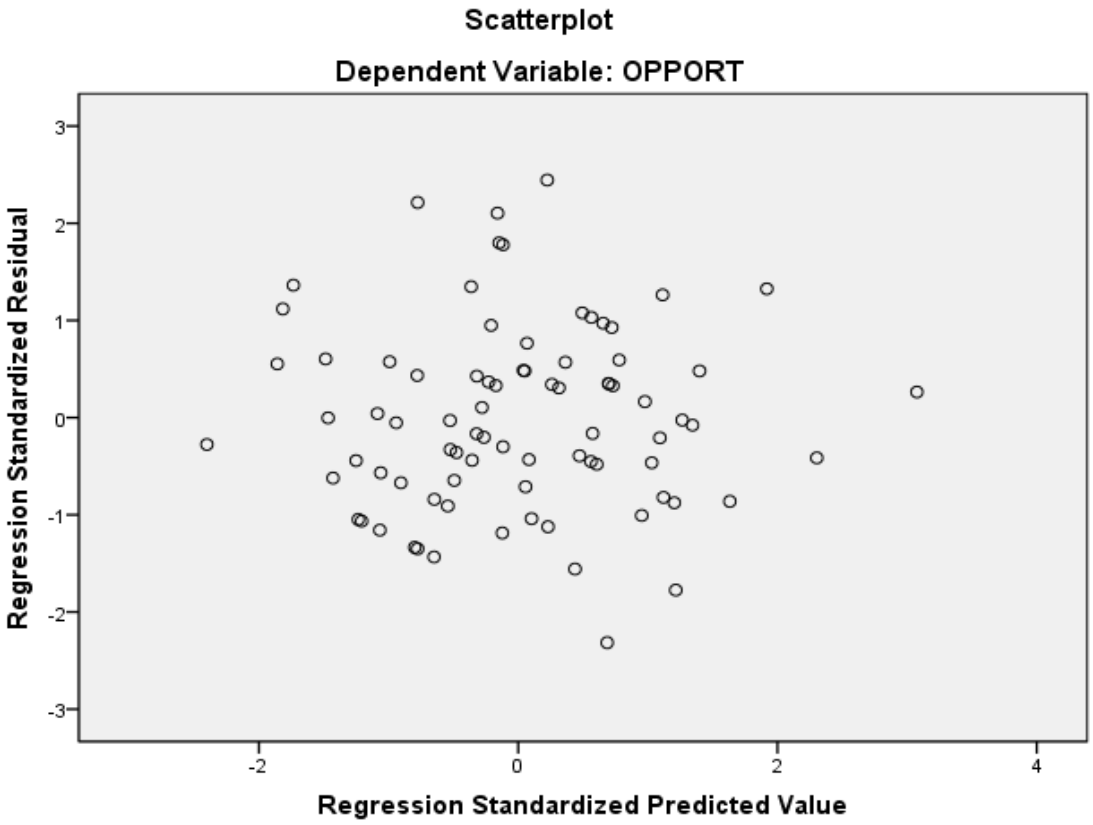
Appendix 4 (a): Residual Distribution Chart



Appendix 4 (b): Normal Probability Plot for Normality Assessment



Appendix 4 (c): Graphical Portrayal of Heteroscedasticity



Appendix 5(a): Research's Model Summary

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.494[a]	.244	.183	.87974	.244	3.980	6	74	.002
2	.571[b]	.327	.252	.84176	.083	4.414	2	72	.016

a. Predictors: (Constant), ACNEED, BUYSPEC, PURCHVOL, BUYDEP, TRUST, DURAT

b. Predictors: (Constant), ACNEED, BUYSPEC, PURCHVOL, BUYDEP, TRUST, DURAT, BUYDEPxDURAT, BUYSPECxPURCHVOL

c. Dependent Variable: OPPORT

Appendix 5(b): Analysis of Variance (ANOVA)

ANOVA[c]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.480	6	3.080	3.980	.002[a]
	Residual	57.271	74	.774		
	Total	75.752	80			
2	Regression	24.736	8	3.092	4.364	.000[b]
	Residual	51.016	72	.709		
	Total	75.752	80			

a. Predictors: (Constant), ACNEED, BUYSPEC, PURCHVOL, BUYDEP, TRUST, DURAT

b. Predictors: (Constant), ACNEED, BUYSPEC, PURCHVOL, BUYDEP, TRUST, DURAT, BUYDEPxDURAT, BUYSPECxPURCHVOL

c. Dependent Variable: OPPORT

Appendix 6: Bivariate Correlation Coefficients (n=81)

	1	2	3	4	5	6	7	8	9
1. OPPORT	1								
2. TRUST	-.367**	1							
3. BUYDEP	0.135	0.102	1						
4. BUYSPEC	0.127	-.288**	-.220*	1					
5. DURAT	-0.21	.324**	0.133	-0.216	1				
6. PURCHVOL	-.329**	.268*	0.103	-0.037	.616**	1			
7. ACNEED	0.049	0.114	.290**	-0.064	.326**	0.218			
8. BUYDEP x DURAT	-0.108	.288**	.701**	-.292**	.786**	.528**	.393**	1	
9. BUYSPEC x PURCHVOL	0.023	-.225*	-0.209	.964**	-0.073	0.205	0.000	-0.176	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).