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The author examines the determinants of opportunistic behavior in an interfirm relationship. Data from a franchise setting are examined for the effects of inter-organizational structure and interfirm influence on attitudes and opportunistic behavior. The results indicate that opportunism is affected by attitudes as well as such factors as interorganizational structure. Theoretical and managerial implications for the analysis of marketing channels are offered.

An Empirical Investigation of Some Antecedents of Opportunism in a Marketing Channel

A recent development in distribution channels research has been the introduction of transactions costs analysis. Developed principally by Williamson (1975), this analysis blends organization theory and contract law to predict and explain why different structures emerge to coordinate interfirm exchange. It is a powerful analytic framework and has been applied in a variety of settings including the organizational structure of large organizations (Armor and Teece 1978), make-buy decisions in marketing (Anderson and Weitz 1983), and the choice of internal salesforces versus manufacturers' reps (Anderson 1982). Because of its emphasis on efficiency considerations, it is particularly useful for analyzing channel systems (e.g., Klein, Crawford, and Alchain 1978; Stern and Reve 1980; Williamson 1975, 1979) and in developing an understanding of the comparative advantages of different channel systems.

One of the key behavioral variables that drives transactions costs analysis is opportunism, which Williamson defines as "self-interest seeking with guile" (1975, p. 6). Examples of opportunistic behavior are such acts as withholding or distorting information and shirking or failing to fulfill promises or obligations. However, opportunism does not include other forms of self-interest-seeking. Hard bargaining, intense and frequent disagreements, and similar conflictual behaviors do not constitute opportunism. For example, pressuring a dealer to

add a new product would not be considered opportunistic behavior, *unless* such pressure violates some previous promise not to do so. The essence of opportunism is the element of deceit involved (MacNeil 1982).

In transactions costs analysis, Williamson and others hold that human beings will behave opportunistically whenever such behavior is feasible and profitable. It is in part the need to curb such behavior that gives rise to shifts away from market exchange to organizational or vertically integrated exchange. Thus, structural variation is viewed as a consequence of the human tendency to behave opportunistically whenever one can profit from such behavior and is not prevented from doing so. Notice that opportunism is not viewed as an endogenous human factor to be explained. Rather, it is simply assumed that unrestrained self-interest maximization (with guile) best characterizes humans, and that such behavior will emerge to the fullest extent feasible and profitable. Accordingly, the greatest potential for such behavior is in long-run relationships where the market-based discipline against such behavior is removed or reduced by a lack of large-numbers competition (Williamson 1979).

A considerable body of research into human interaction behavior suggests that such unrestrained self-interest maximization is not characteristic of human behavior, *particularly* not in long-run relationships (see Bonoma 1976 for a review of this research). Though people are not always completely honest, it is probably too pessimistic to consider them to be always dishonest. To understand why opportunistic behavior may not always be present to the fullest extent feasible in long-run relationships, we examine such behavior as an endogenous variable that may be explained by certain antecedent factors. In other words, we seek to explain the conscious deci-

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sion to behave opportunistically. Several variables that may induce opportunistic behavior are specified from organizational theory and models of social influence. Their effects on observed levels of opportunism are examined in an empirical study of the retail dealers of an oil company.

INTERFIRM EXCHANGE, OPPORTUNISM, AND TRANSACTIONS COSTS

Though we do not test predictions from transactions costs analysis in our study, a brief review of such analysis is useful in understanding the important role of opportunism in that approach. Transactions costs analysis derives from Coase's (1937) observation that coordinating and costs must be considered explicitly to understand why some transactions occur within a firm and others occur between firms. Profit-maximizing firms will choose to undertake only those activities they find cheaper to administer internally than to purchase in the market. In frictionless markets, firms would find no advantage in producing items internally that can be purchased in competitive markets. Consequently, interesting institutional and organizational issues arise only when these assumptions about frictionless markets do not hold. Transactions costs¹ associated with the various organizing alternatives constitute the critical factor determining the choice of transacting mode. In other words, vertical integration is a response to market failure.

The particular factors that create high transactions costs, and thus market failure, are elaborated by Williamson. He analyzes the choice of institutional structure as the consequence of the interaction between a set of human factors (bounded rationality and opportunism) and a set of environmental factors (uncertainty/complexity and small numbers). Institutional structures are designed so as to "*economize on bounded rationality while simultaneously safeguarding the exchange against the hazards of opportunism*" (Williamson 1979). The safeguards against opportunism vary according to the nature of the exchange.

Market-based exchange between parties who can choose partners from competitive (large-numbers) markets is safeguarded even if opportunistic tendencies exist because either party could easily terminate the exchange and substitute another exchange partner if opportunistic behavior were discovered. This situation effectively curbs such behavior. However, the discipline of market exchange diminishes when competitive markets are eroded.

Noncompetitive (or small-numbers) situations arise when one of the parties has some advantage over available alternatives either *a priori* or by developing an advantage over time. Such incumbency advantages derive from experience and specialization effects. In a noncom-

petitive situation, opportunistic tendencies can cripple efficient exchange because it is possible to profit from such behavior. The potential for opportunism is especially great in long-run relationships because termination cannot be achieved easily or cheaply (for a full discussion of this point, see Williamson 1979 or Anderson and Weitz 1983). Williamson argues that the hazards of opportunism in such circumstances can be reduced by the use of more administratively coordinated (vertically integrated) structures to govern the long-run relationship in question. Through their enhanced monitoring capabilities and sanctions, these structures prevent opportunistic tendencies from being realized as behavior (Williamson 1975).

Though the preceding analysis posits the control of opportunism as a principal reason for different structural arrangements, it provides no support for the crucial assertion that high levels of opportunistic behavior will always occur whenever such behavior is feasible. If such an assumption is unrealistic, it is important to consider whether some antecedent variables might predict levels of opportunistic behavior in situations where such behavior is feasible. Because the essence of opportunistic behavior is the deceit-oriented violation of implicit or explicit promises about one's appropriate or required role behavior, it is reasonable to ask how role behavior is defined and maintained in long-run relationships. A body of research has been based on Stern's pioneering notion that appropriate role behavior can be specified and maintained in interfirm relationships by the exercise of power or influence (e.g., Lusch 1976; Lusch and Brown 1982; Stern and El-Ansary 1982). Further, the exercise of different types of social power has been hypothesized to have differential effects on the target party's beliefs, attitudes, and behavior (e.g., Raven and Kruglanski 1970). We propose that these consequences of the different power bases can be expected to include effects on opportunistic behavior because such behavior constitutes violations of the appropriate role behaviors that are intended to be maintained by the use of social power. These links between social power usage and observed opportunism are developed in a subsequent section.

Another class of variables to consider represents the attitudinal orientation of involvement of the parties (Etzioni 1965). The parties can range from being very alienated from one another to having a "moral" or highly involved orientation. In the first instance there is no convergence between the parties with respect to their beliefs, feelings, and expectations, and the relationship is generally maintained by some coercive means or by the sheer lack of alternatives. In contrast, at the other end of the continuum, the parties are very strongly bonded and highly favorable attitudes dominate the interaction. The midpoint of this continuum can be described as a calculative or *quid pro quo* orientation. Etzioni originally developed this framework to describe interactions between organizations and their members, and Ouchi (1980) developed more fully the implications of attitudes

¹Transactions costs are defined as the costs of "running the system" (Arrow 1969). They include the costs of bargaining, assembling information, monitoring compliance with agreements, and the like.

within exchange relationships. In his analysis of organizational control he identifies "clan" systems which rely on attitudes and socialization to provide social restraints on undesirable behavior including opportunism. Such social restraints on behavior within interactions also are suggested by the analysis of the development and effects of social norms in these situations (e.g., Bonoma 1976). The specification of the dimensions of attitudinal orientation, and its consequences on opportunistic behavior, are detailed in a following section.

A final set of variables considered as a possible determinant of opportunistic behavior represents the perception of the bureaucratic or organizational structure whereby mandated behavior is maintained and controlled. Previous work in organizational research shows that individuals' perceptions of the extant organizational structure have profound effects on a broad range of organizationally relevant beliefs, evaluations, and behavior (e.g., Dewar and Werbel 1979; Hage and Aiken 1967; Reve 1980). These effects are likely to extend to opportunism because such behavior clearly contradicts organizationally mandated behavior. The specification of this construct and its relationship to opportunism are developed subsequently.

To summarize, we propose that the levels of opportunistic behavior in long-run relationships can be explained by the target party's (1) social influence attributions, (2) perception of the bureaucratic structure present, and (3) attitudinal orientation toward the exchange.

Hypotheses

Effects of bureaucratic structure on attitudinal orientation and opportunism. Bureaucratic structuring describes the organizational coordination system and is measured by three dimensions: *formalization* of operating procedures, *centralization* of authority, and *controls* (rule enforcement and surveillance). These dimensions are obtained from Weberian bureaucratic models. Several researchers have advocated their use as the key structural properties of an interorganizational relationship (e.g., Aldrich 1976; Child 1972; Marrett 1971). They have been used in previous empirical studies of marketing channels (e.g., Reve 1980). In the literature, the three dimensions are considered to constitute a syndrome of characteristics forming a "mechanistic" system of bureaucratic coordination and they are expected to intercorrelate positively (Dewar and Werbel 1979; Hage and Aiken 1967; Reve 1980).

The attitudinal orientation construct, derived from Etzioni's (1965) conceptualization, defines the parties' attitudes toward the dyadic interaction. Its cognitive dimension measures the extent of agreement or convergence in beliefs about salient issues. It appears similar to the goal compatibility variable of dyadic conflict models (e.g., Cadotte and Stern 1979), but is conceptually distinct in that the latter is a structural variable unlike cognitive orientation which is defined in the attitudinal domain. It is,

however, similar to attitudinal conflict which is often operationalized as disagreement between the parties over salient issues (e.g., Brown and Day 1981).

The affective dimension measures the satisfaction experienced from the interaction. This variable has been used in several empirical studies of channels of distribution (e.g., Lusch 1976), especially in terms of its relationship to social power used within the relationship.

The conative dimension measures intentions to perform required role behavior. Such intentions can range from hostility at one extreme to consummate cooperation at the other where judgment and discretion are exercised constructively. At its midpoint, the conative dimension describes perfunctory execution of role behavior. Unlike the satisfaction dimension, the conative dimension has not received much attention in the empirical literature (see Pearson and Monoky 1976 for an exception).

Our conceptualization of channel member attitudes differs from that in previous work primarily in that we treat the three dimensions as interrelated aspects of a single orientation construct rather than as isolated variables. Together, these dimensions tap the climate or atmosphere within which the transactions occur. For their relationship with the dependent variables, the following hypothesis is proposed.

- H₁: Bureaucratic structuring is related positively to opportunism and negatively to the attitudinal orientation of involvement with another channel member.

An increasing degree of bureaucratic structuring indicates that the receiving party is increasingly being deprived of self-control and autonomy. This change engenders disaffection and less commitment toward the interaction as shown in several studies (e.g., Blauner 1964; Dewar and Werbel 1979; Hage and Aiken 1967). The effects on the three attitudinal dimensions parallel each other. As alienation increases, the extent of shared beliefs (the cognitive dimension of orientation) decreases, disaffection (the affective dimension of orientation) increases, and role intentions (the conative component of orientation) become more perfunctory. This loss of a "moral" or highly positive involvement has also been elaborated by Pfeffer (1978) in an intra-organizational context and provides further theoretical support for our expectations.

The effects of bureaucratic structure on opportunism follow directly from a frustration-aggression phenomenon (e.g., Child 1972; Dewar and Werbel 1979). As bureaucratic structuring increases, the lack of autonomy and self-control creates frustration. This frustration is particularly acute for the autonomy-oriented entrepreneurs in the wholesaling and retailing sectors of marketing channels. It is translated into aggressive retaliatory behavior that is characteristically opportunistic.

The attitude orientation variables themselves influence opportunism because of the generalized attitude-behavior relationship. According to Fazio and Zanna (1978), the effects of attitudes on behavior are greater when the

attitudes are based on direct experience with the attitude object. Clearly, dyadic interaction in a long-run relationship allows attitudes to be formed from direct experience. Thus, we would expect attitudinal orientation to have a strong effect on opportunistic behavior. Specifically, a more favorable orientation of involvement will correlate negatively with opportunism. A more favorable attitudinal orientation provides stronger internalized restraints against the tendency to behave opportunistically and thus lowers observed levels of opportunistic behavior.

Interfirm social power effects on attitudinal orientation and opportunism. The theoretical literature generally has isolated two critical aspects of the influence process. The relative amounts of influence that each party can bring to bear (e.g., Emerson 1972) can be distinguished from the various types of influence itself (e.g., Lusch 1976). Both aspects of social power are accounted for in our study. The relative amount of power is captured by the centralization variable described before. It measures how much authority is exerted over the target party. The various types of influence exerted are characterized by the popular French and Raven (1959) typology which posits that social power in a relationship originates from the valued resources each party contributes. This typology leads to a fivefold classification of the qualitatively different types of power: reward, coercive, legitimate, referent, and expert. Raven and Kruglanski (1970) advanced an attribution theory framework for understanding the impact of these various types of influence on attitudes and behavior. Our hypotheses are developed from their approach.

H_{2a}: Perceptions of coercive power attribution lead to a less favorable attitudinal orientation and a greater degree of opportunism. Reward power usage leads to similar effects, but to a much lesser degree.

Raven and Kruglanski (1970) distinguish reward and coercive power from expert, legitimate, and referent power on the basis of a locus of causality argument. Attribution theory posits that social influence effects can be understood from the perspective of the influencee. In this formulation, coercive and reward power are relatively "strong" types of influence, and they engender external attributions of causality. In other words, changes in one's behavior are seen as being caused by the external factor of influence and not as being the result of some internal mental state. Kasulis, Spekman, and Bagozzi (1978) adapted Thibaut and Kelly's (1959) framework to make similar predictions. They note that coercive and reward power use direct outcome control to achieve effects whereas expert, referent, and legitimate power depend on indirect outcome control. In direct outcome control, social influence mediates consequences directly—i.e., coercive and reward power are *contingent* types of influence whose effects are contingent on external factors such as rewards and punishments controlled by the influence agent. In contrast, expert, referent, and legiti-

mate power can be regarded as *noncontingent* types of influence whose effects are not contingent on such external factors, but instead depend on the internal mental processes of the target party such as identification and internalization.

With regard to the impact on attitudes, attribution theory contends that when an external attribution of causality is made, an individual will infer that he is extrinsically motivated. This inference reduces the person's intrinsic motivation. Consequently, the person's attitude toward the task and the relationship becomes less favorable (e.g., Calder and Staw 1975; Deci 1972). This prediction also is made in more sociologically oriented discussions (e.g., Etzioni 1965) where sanctions and socialization constitute the two fundamental alternative mechanisms for achieving social control. Relying on sanctions decreases the degree of socialization and vice versa.

In sum, when coercive or reward power is perceived to be used, the strong external attribution of causality made for one's compliance reduces one's intrinsic motivation. The target party's attitude toward the interaction becomes less favorable—i.e., the degree of shared beliefs decreases, disaffection increases, and unwillingness to cooperate increases. These effects are stronger for coercive power than for reward power (see Baldwin 1971 and Raven and Kruglanski 1970 for a full discussion of this point). In fact, Raven and Kruglanski predict neutral effects on attitudes in the case of reward power. We can expect the more negative attitudes resulting from the use of these contingent bases to reduce the restraints on opportunistic inclinations. A direct effect on opportunistic behavior also can be expected because of the retaliatory actions provoked (by coercion) and because of an erosion of favorable norms. The net result will be increased levels of opportunism.

H_{2b}: Attributions of noncontingent power lead to a more favorable attitudinal orientation and a reduced degree of opportunistic behavior.

The rationale for this hypothesis also is obtained from the attribution framework. The noncontingent types of influence depend on internal processes such as internalization and identification to produce effects. These mechanisms provide a strong impetus for inferring an internal locus of causality for one's actions (Raven and Kruglanski 1970). Such an attribution increases intrinsic motivation, and thus attitudes toward the interaction become more favorable—shared beliefs increase, affect becomes more positive, and cooperativeness is enhanced.

The use of the noncontingent types of influence also enhances the saliency of certain social norms (e.g., equity, reciprocity) in the relationship. Such norms partially define the "social contract" within a relationship and serve to limit unconstrained self-interest maximization (Bonoma 1976). Consequently, opportunistic inclinations are inhibited and a decrease in such behavior can be expected.

RESEARCH METHOD

Sample

Recall that our hypothesized relationships are presumed to be relevant to any long-run interfirm relationship which is difficult or costly to terminate quickly. Such relationships are potentially vulnerable to opportunistic inclinations when market-based curbs are diminished. Our ideal choice of a sample would be a random sample from the total population of such relationships. In practice, however, it was not feasible to draw a random sample from such a broad population. Rather, some degree of external validity was sacrificed and a sample was chosen judgmentally with the hope that the focal variables would show marked variation while other factors were held relatively constant (Cook and Campbell 1979).

Our sample was drawn randomly from the population of retail dealers of a major oil company. Because terminating a dealer relationship in this setting is neither easy nor cheap, these relationships are vulnerable to opportunistic inclinations due to diminished market-based curbs. The choice of the petroleum retailing setting also seems appropriate given previous studies (e.g., Allvine and Patterson 1972) suggesting that this retail system is characterized by frequent attempts by suppliers to shape retailer behavior, and by retaliatory action by the dealers. This situation would enhance variation with respect to our focal variables such as attitudinal orientation and social influence attributions. Using a sample of dealers in a single company rather than a multifirm sample diminishes the generalizability of the empirical effort to a significant degree given environmental and other marketing differences across companies.

Though the use of key informants has been a common technique among channels researchers, Phillips (1981) raises concern that informant reports are unreliable in certain circumstances. Other research (Campbell 1955; John and Reve 1982) suggests that informants can provide adequate data if caution is used. In our sample, we identified the operating managers (or owners) of the stations as key informants on the basis of Campbell's criteria for choosing informants. First, managers occupy roles that make them knowledgeable of their relationship with the oil company. Virtually all contact between the company and a dealer's organization is conducted through these individuals. They are the central decision makers of their small organizations. Second, they fit the requirement of being able to communicate effectively with the researcher because they are familiar with questionnaires of the type used. The oil company has conducted regular surveys of these individuals as part of their dealer relations effort.

Instrument

The survey instrument was developed according to the general approach offered by Churchill (1979). Each variable was defined conceptually and a pool of items was generated that was consistent with the relevant defini-

tion. Item generation was aided by an exploratory field interview and observation study involving both dealers and company field representatives.

Marketing doctoral students were used as expert judges to assess the face validity of the items. Most of the items were developed specifically for the study, though some published scale items were adapted. The face validation step was followed by a pretest with selected dealers to identify problems with question wording and questionnaire layout.

The question formats in the final form were identical for the attitudinal, bureaucratic structuring, and opportunism variables. Each item was measured on a 5-point scale ranging from "strongly agree" to "strongly disagree."² The format of the questions measuring attributions of influence was different. Each item was phrased as a possible reason for complying with requests from the supplier in the recent past, thus operationalizing the attributional aspects of social influence. For instance, one item measuring coercive power attribution was: "Because I felt that my supplier would withdraw needed services from me." The response format was a 5-point scale from "very unlikely reason" to "very likely reason." This measure of social influence is much narrower than those used in previous research (e.g., Etgar 1977; Hunt and Nevin 1974; Lusch 1976). It focuses solely on the attributions related to actual, exercised influence attempts by the supplier which were successful and noted as such by the dealers. This approach removes any confounding of potential influence with exercised influence and successful versus unsuccessful influence. These other aspects of influence are unrelated to the particular relationships being investigated and are thus not addressed.

The instrument was mailed to 1000 dealers in March 1980. To increase the response rate, a second mailing was undertaken two weeks after the first wave. The survey was closed out one month after the initial mailing, yielding a sample of 151 responses. Virtually no data were missing and, on average, there were 147 usable cases for each variable.

ANALYSIS

Data Checks

The 15% response rate is low and raises the issue of selection artifacts. To check for nonresponse bias, we compared the obtained sample averages for certain variables with their known population values obtained from company records (Table 1). This check revealed no statistically significant differences. In addition, checks were done to ensure sufficient variability and no "end-piling" for the individual items from which the scales were computed.

²The questionnaire is available from the author. Sample items are reproduced in the Appendix.

Table 1
SAMPLE VERSUS POPULATION

<i>Average</i>	<i>Sample</i>	<i>Population</i>
No. gallons sold	49,234	45,830
No. years with supplier	13.03	13.04
No. years as gasoline dealer	15.38	14.73
No. service bays	2.40	2.30

Measure Development

The data were used to construct multi-item scales prior to testing of the substantive hypotheses. The procedure followed was along the lines suggested by Churchill (1979). As described previously, each item first was checked for face validity by five judges. An item was deleted if more than one judge indicated a lack of face validity. Item-total correlations were used to delete unsuitable items (i.e., item-total correlation less than 0.3) and purify the scales. Internal consistency reliability also was computed. The set of items for each scale was factor analyzed to ensure that a one-factor model fit the data. Both the eigenvalue rule and a chi square statistic (from maximum likelihood factor analysis) were used to verify the single-factor structure. The final number of items in each scale and the reliability estimates are reported in Table 2.

The same set of data was used to construct the scales and to test reliability and the substantive relationships. It would be better to use a separate set of data for each purpose. Unfortunately, the relatively small size of the sample precluded such a holdout strategy.

Despite the lack of data with which to assess conver-

gent and discriminant validity of the measures in the Campbell and Fiske sense, the data do afford a limited assessment of some aspects of construct validity. The nomological validity of some of the scales was assessed by comparing the observed patterns of correlations with expectations generated from theories tested elsewhere in other studies (Peter 1982). Table 3 is the correlation matrix of all the measures. The first set of these nomological validity checks is for the formalization and centralization variables. Previous work (e.g., Dewar and Werbel 1979; Hage and Aiken 1967) suggests that these variables should be correlated positively with each other. The data confirm this expectation ($r = 0.34, p < .05$).

A second set of nomological validity checks is made from predictions based on attitude organization theories (e.g., Azjen and Fishbein 1977). This research suggests that the cognitive, affective, and conative components of an attitudinal construct should correlate positively with each other. Table 3 indicates that all of the five relevant correlations are significant in the expected direction.

A final set of nomological validity predictions concerns the relationships between the five types of social power. Raven and Kruglanski (1970) suggest that the expert, referent, and legitimate bases of power reinforce each other because they rely on the same mediating processes. Thus, they would correlate positively with each other. Our data confirm this expectation (.498, .466, .699; $p < .05$). Further, because the contingent bases (i.e., coercive and reward power) are distinguished from the noncontingent bases in that they rely on different mediating processes (compliance rather than internalization or identification), we can expect the intercorrelations between the two sets to be very low and negative for some cases. The negative correlation is especially likely for

Table 2
PURIFIED SCALES

<i>Scale</i>	<i>No. items</i>	χ^2	<i>Reliability</i>
1. Opportunism (OPPORT)	6	6.83; 9 d.f.; $p = .6$	0.88
2. Cognitive orientation (COG OR)	6	11.9; 9 d.f.; $p = .2$	0.74
3. Affective orientation (AFF OR)	6	12.8; 9 d.f.; $p = .17$	0.75
4. Conative orientation (BEH INT)	4	1.3; 2 d.f.; $p = .51$	0.56
5. Formalization (FORM)	5	3.38; 5 d.f.; $p = .64$	0.63
6. Centralization (CENT)	4	0.8; 2 d.f.; $p = .68$	0.79
7. Controls (rule enforcement and surveillance) (CONTRL)	5	8.84; 5 d.f.; $p = .12$	0.74
8. Coercive influence attributions (COERC)	4	2.26; 2 d.f.; $p = .32$	0.90
9. Reward influence attributions (REWD)	6	13.1; 9 d.f.; $p = .16$	0.92
10. Referent influence attributions (REFT)	4	1.35; 2 d.f.; $p = .51$	0.83
11. Expert influence attributions (EXPT)	4	0.17; 2 d.f.; $p = .92$	0.79
12. Legitimate influence attributions (LEGT)	6	11.2; 9 d.f.; $p = .26$	0.69

Table 3
CORRELATIONS BETWEEN MEASURES

	OPPORT	CON OR	COG OR	AFF OR	FORM	CENT	SURV	COERC	REWARD	REFERENT	EXPERT	LEGIT
OPPORT	21.91 ^a											
CON OR	-.528 (.001) ^b	6.66										
COG OR	-.348 (.001)	.251 (.001)	15.38									
AFF OR	-.371 (.001)	.230 (.003)	.538 (.001)	15.69								
FORM	.270 (.001)	-.015 (.433)	-.319 (.001)	-.194 (.012)	9.84							
CENT	.134 (.056)	.018 (.416)	-.277 (.001)	-.307 (.001)	.339 (.001)	9.68						
SURV	.323 (.001)	-.188 (.013)	-.342 (.001)	-.471 (.001)	.264 (.001)	.450 (.001)	12.23					
COERC	.282 (.001)	-.164 (.025)	-.416 (.001)	-.466 (.001)	.281 (.001)	.449 (.001)	.515 (.001)	12.45				
REWARD	.205 (.007)	-.131 (.059)	-.034 (.346)	-.012 (.445)	.110 (.103)	.249 (.001)	.183 (.016)	.394 (.001)	22.81			
REFERENT	-.192 (.011)	.175 (.018)	.452 (.001)	.610 (.001)	-.004 (.484)	-.159 (.031)	-.215 (.006)	-.277 (.001)	.200 (.009)	10.57		
EXPERT	-.095 (.132)	.151 (.036)	.320 (.001)	.446 (.001)	-.078 (.001)	-.092 (.186)	-.104 (.140)	-.266 (.113)	.202 (.008)	.699 (.001)	9.70	
LEGIT	.014 (.435)	.148 (.041)	.205 (.009)	.156 (.035)	.139 (.056)	.049 (.287)	.075 (.195)	.007 (.468)	.389 (.001)	.446 (.001)	.498 (.001)	13.91

^aDiagonal entries are scale variances.

^bNumbers in parentheses represent probability levels.

coercive power because the use of coercive power diminishes perceived expertise, legitimacy, and referent power (Raven and Kruglanski 1970). The data support these expectations for coercive power (-.265, .007, and -.277) and for reward power (.202, .200, .389 with the expert, referent, and legitimate bases).

Effects of bureaucratic structuring on orientation and opportunism. Table 3 shows that formalization, centralization, and controls all have a significant positive correlation with opportunism. This finding supports our expectation that increased perception of bureaucratic structuring will result in increased opportunism. We also predicted that increased bureaucratic structuring would decrease the favorability of attitudes, which in turn would increase opportunistic behavior. The data show that all three dimensions of bureaucratic structuring are related negatively to the three components of attitudinal orientation. Of these nine relevant correlations, two are not statistically significant (formalization and centralization with conative orientation). All three attitudinal measures are significantly negatively related to opportunism (-.347, -.371, -.528).

Effects of contingent influence. We predicted that coercive and reward power attributions would reduce the favorability of orientation through external attributions, and also that these attitudes would consequently enhance opportunism. These effects were expected to be stronger for coercive than for reward attributions.

Table 3 shows that coercive attributions are significantly positively related to opportunism (.28) and significantly negatively related to the three attitudinal di-

mensions (-.42, -.46, and -.16 for the cognitive, affective, and conative dimensions, respectively). Table 3 also indicates that the pattern of results for reward power attributions is identical to that for coercive attributions (.28 with opportunism and -.03, -.01, -.13 with cognition, affect, and intentions, respectively). As expected, these correlations are uniformly lower for reward attributions than for coercive attributions. In fact, none of the correlations between reward attributions and the three attitudinal dimensions are statistically significant. Apparently, reward power has neutral effects on attitudes.

Effects of noncontingent influence. The predictions for expert, legitimate, and referent influence attributions were that these attributions would enhance the favorability of orientation and reduce opportunism. Table 3 shows that the three noncontingent influence attribution measures correlate positively with the three attitude measures. All nine correlations are also statistically significant. In terms of their effects on opportunism, only referent power is correlated significantly (-.19) in the expected direction. Neither legitimate nor expert attributions of influence are correlated significantly with opportunistic behavior (.01 and -.1, respectively).

The overall picture that emerges from the correlational analysis suggests a more complex pattern of effects than was anticipated originally. Bureaucratic structuring affects both the attitudinal and behavioral variables, whereas the effects of the social influence variables are more specific. Reward and coercive attributions have a direct impact on opportunism, and the legitimate, expert, and re-

ferent influences affect the attitudinal variables. Finally, the attitudinal variables have a marked effect on opportunistic behavior.

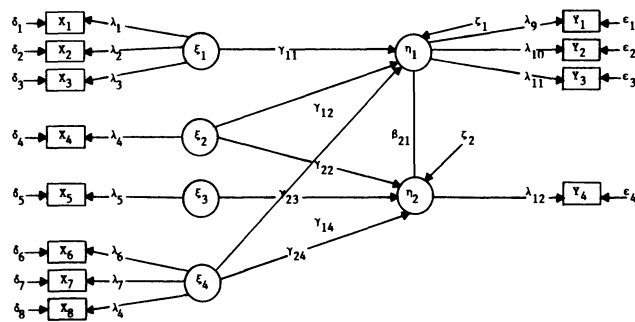
Overall Structural Model

The preceding results also were investigated within an overall structural model. With this formulation we can examine the correlational results simultaneously within a framework that enables us to control for measurement error. We also can consider unobservable constructs that result from the concatenation of observed scales.

A recursive model consisting of two equations was specified. In the first equation, attitudinal orientation (η_1) is a function of noncontingent influence attributions (ξ_1), coercive influence attributions (ξ_2), and bureaucratic structuring (ξ_4). Reward influence attributions (ξ_3) are excluded in this equation because of their insignificant correlation with attitudinal orientation in the previous analysis.

In the second equation, the opportunism construct (η_2) is a function of coercive influence attributions (ξ_2), reward influence attributions (ξ_3), bureaucratic structuring (ξ_4), and attitudinal orientation (η_1). Noncontingent influence attributions are excluded because of their insignificant correlations with opportunism.

Figure 1
STRUCTURAL EQUATION MODEL



- ξ_1 Noncontingent influence attributions
- ξ_2 Coercive influence attributions
- ξ_3 Reward influence attributions
- ξ_4 Bureaucratic structure
- η_1 Attitudinal orientation
- η_2 Opportunism
- X_1 Legitimate influence attribution scale
- X_2 Expert influence attribution scale
- X_3 Referent influence attribution scale
- X_4 Coercive influence attribution scale
- X_5 Reward influence attribution scale
- X_6 Formalization scale
- X_7 Centralization scale
- X_8 Controls scale
- Y_1 Conative orientation scale
- Y_2 Cognitive orientation scale
- Y_3 Affective orientation scale
- Y_4 Opportunism scale

Figure 2
STRUCTURAL EQUATION MODEL ESTIMATES

Estimates of structural equations

$$1. \eta_1 = 2.67\xi_1 + .013\xi_2 - .381\xi_4 + \zeta_1$$

$$(3.03) \quad (.292) \quad (-2.23)$$

$$2. \eta_2 = -.413\xi_2 + .247\xi_3 + 1.042\xi_4 - 2.375\eta_1 + \zeta_2$$

$$(-1.66) \quad (2.31) \quad (1.46) \quad (-2.31)$$

T-values in parentheses for coefficients.

Parameter	Estimate	T-value
λ_1	1.00*	0.000
λ_2	1.26	5.87
λ_3	1.56	6.00
λ_4	1.00*	0.000
λ_5	1.00*	0.000
λ_6	1.00*	0.000
λ_7	1.30	4.16
λ_8	1.84	5.23
λ_9	1.00*	0.000
λ_{10}	3.07	3.52
λ_{11}	3.87	3.66
λ_{12}	1.00*	0.00
ψ_{11}	0.113	1.21
ψ_{12}	12.71	5.84
$V(\delta_1)$	10.27	7.90
$V(\delta_2)$	3.87	5.94
$V(\delta_3)$	1.78	2.53
$V(\delta_4)$	1.25 ^b	0.00
$V(\delta_5)$	2.51 ^b	0.00
$V(\delta_6)$	7.93	7.80
$V(\delta_7)$	6.45	7.18
$V(\delta_8)$	5.73	5.41
$V(\epsilon_1)$	5.94	8.17
$V(\epsilon_2)$	8.59	7.17
$V(\epsilon_3)$	4.88	4.60
$V(\epsilon_4)$	2.63 ^b	0.00
$Cov(\delta_1, \delta_5)$	3.41	2.91

* λ is fixed at 1.0.

^bError variance is fixed as σ_{scale}^2 (1-reliability) for each single-indicator construct.

$\chi^2(43) = 101.63, p = .00$. Goodness-of-fit index is .851 (from LISREL); adjusted goodness-of-fit index is 0.730 (from LISREL). Bentler and Bonett indices: $\rho = .84; \Delta = .83$.

Each construct has certain observable scales associated with it. As seen in Figure 1, the attitudinal orientation construct (η_1) is measured by the cognitive orientation scale (Y_2), the affective orientation scale (Y_3), and the conative orientation scale (Y_1). The opportunism construct (η_2) is measured by a single indicator, the opportunism scale (Y_4).

For the exogenous constructs, noncontingent influence (ξ_1) is measured by three indicators, the expert influence scale (X_2), the legitimate influence scale (X_1), and the referent influence scale (X_3). The coercive influence attribution construct (ξ_2) is measured by a single indicator (X_4), as is the reward influence attribution construct (X_5). Finally, bureaucratic structuring (ξ_4) is measured by the formalization scale (X_6), the centralization scale (X_7), and the controls scale (X_8).

Figure 2 displays the parameter estimates of the structural equation system. The data used consisted of the covariance matrix of the measures. The chi square index

is significant ($\chi^2(44 \text{ d.f.}) = 101, p < .05$), suggesting discrepancies between the data and the model. However, Bentler and Bonett (1980) fit indices (ρ, Δ) suggest that a substantial amount of variance in the data is accounted for by this model ($\rho = 0.84; \Delta = 0.83$). The goodness-of-fit index generated by the LISREL program also suggests that a substantial amount of variance is accounted for by the model (adjusted index = .73). For these reasons, we consider the model to be a reasonable representation of the data and thus interpret the results obtained.

The λ parameter estimates for the measurement models show that each of the unobserved constructs with multiple indicators is well represented by its constituent scales. All of the λ parameters for noncontingent influence, attitudinal orientation, and bureaucratic structuring are highly significant as judged by the t -values reported.

For the structural equations themselves, the results show that 84.4% of the trait variance in η_1 , the attitudinal orientation construct, is explained by the three constructs. Noncontingent influence has a significant positive effect ($\gamma_{11} = .267, t = 3.03$) whereas coercive influence attributions are insignificant ($\gamma_{12} = .013, t = 0.29$). Finally, perceptions of bureaucratic structure have a significant negative effect on attitudinal orientation ($\gamma_{14} = -.381, t = -2.23$).

The opportunism equation's results show that 34.1% of the trait variance in the opportunism scale is accounted for by the independent variables. First, attitudinal orientation has a significant negative effect on opportunism ($\beta_{21} = -2.38, t = -2.31$). However, coercive influence attributions have no significant effect on opportunism ($\gamma_{22} = -.413, t = -1.66$). Reward influence attributions are seen to increase opportunistic behavior significantly ($\gamma_{23} = .247, t = 2.31$). Finally, bureaucratic structuring does not have a significant impact on opportunism ($\gamma_{24} = 1.04, t = 1.46$).

These results agree with the results of the bivariate correlational analysis with two exceptions. First, coercive influence is related insignificantly to the attitudinal orientation and opportunism constructs in the structural model. In contrast, the coercive influence attributions scale is correlated significantly with two attitude scales (cognitions and affect) as well as with the opportunism scale in the bivariate analysis. Second, opportunism is correlated significantly with the three scales representing bureaucratic structuring. However, in the structural equation analysis, this construct is not significantly related to opportunism. The reasons for these discrepancies are difficult to pinpoint, but multicollinearity is a possibility. In interpreting the results, both analyses are useful but the structural equation approach is the more powerful.

Threats to Validity

Readers should keep in mind aspects of the empirical study that limit the findings. One source of difficulty is

the possible biasing due to omitted variables that may affect our attitudinal and behavioral dependent variables. For instance, Williamson (1979, 1981) proposed that the specificity of assets within long-run relationships can increase the vulnerability of such relationships to opportunistic behavior.

Because of the small sample and the need to build new scales, cross-validation was not possible in our analysis. Cross-validation is important in assessing the robustness of the results. It can be achieved in future studies by use of these scales to obtain new data.

Another source of difficulty is the sparse evidence for the construct validity of our scales. It is difficult to obtain the multitrait, multimethod matrices needed for proper assessment of construct validity while also obtaining data on sufficient constructs for testing the substantive hypotheses. The internal consistency reliability estimates and the measurement models of the structural equations provide reasonable evidence about convergent validity, but evidence of discriminant validity is limited. The latter evidence is available only for some of the social power variables.

In Table 3, we see that reward and coercive power is correlated *positively* with opportunism and *negatively* with the three attitudinal scales. In contrast, the expert, legitimate, and referent power scales are correlated with the same dependent variables in the opposite direction. They correlate negatively with opportunism and positively with the attitude orientation scales. Though not all of the relevant correlations are significant, this finding provides some support for the discrimination of reward and coercive power from the expert, legitimate, and referent bases of power. (See Tesser and Krauss 1976 for an extended discussion of this type for evidence regarding construct discrimination.) The discrimination of reward power from expert, legitimate, and referent power is encouraging because in many previous studies all four bases have been combined into a single noncoercive category for lack of discrimination.

A final limitation arises from the cross-sectional nature of the survey. The causal interpretations associated with the structural equation analysis must be viewed cautiously. Longitudinal data should be obtained in future studies for a rigorous assessment of these causal relations.

IMPLICATIONS AND CONCLUSIONS

The purpose of our study was to develop an understanding of the reasons for opportunistic behavior emerging in interfirm exchange. Our findings have implications for both theory and practice. Why do parties to an exchange behave opportunistically? Recall that transactions costs analysts simply assume that individuals will behave opportunistically to the extent that such behavior is feasible and profitable. Thus, for instance, long-run relationships are vulnerable because market-based

curbs against opportunism are less effective in these small-numbers situations. Our results suggest a more complex view of the nature of opportunism in such relationships.

It appears that opportunism can be viewed usefully as an endogenous variable that is evoked by certain antecedents within a long-run relationship. In other words, individuals may not always behave opportunistically even if conditions permit such behavior. Refusals to honor agreements and misrepresentation of intentions cannot be taken for granted. Rather, they are induced by certain other factors.

In our data, when the focal party attributes his behavior to such sources of influence as expert, legitimate, and referent power, attitudinal orientation becomes more positive. A positive orientation has a significant inhibiting effect on self-reported opportunism. Conversely, when attributions of influence are made to rewards and coercion, more opportunistic behavior is induced. The coercive attributions also have a deleterious effect on attitudinal orientation which in turn leads to more opportunism. Additionally, when perceptions of increased formalization, centralization, and controls (rule enforcement and surveillance) are present they lead to an erosion of positive attitudes and consequently more opportunism.

Taken together, our results provide evidence about the importance of the "social contract" in maintaining efficient exchange in long-run relationships that are vulnerable to opportunism. To realize the potential benefits of such relationships, we must understand that the open market with its large-numbers competitive pressure is not ensuring appropriate role behavior and execution of agreements, but is replaced by two factors—the force of administrative control *and* the web of norms, attitudes, and perceptions that constitutes the social contract. It is insufficient to rely solely on the former factor to achieve the goal of curbing opportunistic behavior. Rather, the internalized social restraints provided by positive attitudes and perceptions must also be cultivated by the use of appropriate power types and socialization processes (Ouchi 1980).

The consequences of the bureaucratic structuring variables are particularly interesting in this context. Our data show that increased dealer perception of rules, authority structures, and monitoring erodes positive attitudinal orientations and increases opportunism. It appears that increased vertical control via bureaucratic structuring will be effective only if it is simultaneously accompanied by attempts to maintain favorable perceptions, affect, and intentions.

Such a conclusion should not be surprising to marketing scholars who have argued persuasively about the importance of social process variables in channels relationships (e.g., Stern and El-Ansary 1982). However, it is important that future studies examine directly the relationships of these social process variables not only to opportunism, but also to transactions costs and efficiency. Our study is an initial step in that direction.

APPENDIX EXAMPLES OF ITEMS CONSTITUTING EACH SCALE

Legitimate influence attribution

Because it was my duty to do as requested.
Because my supplier pointed out a contract clause that obligated me to do as asked.

Expert influence attribution

Because I trusted my supplier's judgment regarding the matter.
Because my supplier had more information than I did regarding the matter.

Referent influence attribution

Because I really admire the way they run their business, I followed their lead.
Because my supplier and I have similar feelings about the way a business should be run.

Coercive influence attribution

Because my supplier hinted that he would take certain actions that would reduce my profits.
Because I felt that my supplier would withdraw certain needed services from me.

Reward influence attribution

Because I felt that by going along with my supplier, I would be favored on some other occasion.
Because my supplier has the ability to reward me.

Formalization

My dealings with the supplier are subject to a lot of rules and procedures stating how various aspects of my job are to be done.
My contracts with the supplier and his representatives are on a formal, preplanned basis.

Centralization

I have to ask my supplier's representatives before I do almost anything in my business.
In my dealings with my supplier, even quite small matters have to be referred to someone higher up for a final answer.

Controls

I feel I am watched to be sure that I follow all the rules of the contract agreement.
There are strong penalties for violating my supplier's procedures.

Cognitive orientation

I think my supplier and other oil companies should be controlled more by the government. (Reverse)
My supplier and I disagree over many of the specific operating procedures that apply to my station. (Reverse)

Affective orientation

I feel that I get a fair deal from my supplier.
My dealings with my supplier's representatives are quite tense at times. (Reverse)

Conative orientation

I do not volunteer much information regarding my business to my supplier. (Reverse)
There are some things that I will do only if my supplier checks up and insists on it. (Reverse)

Opportunism

Sometimes, I have to alter the facts slightly in order to get what I need.
I have sometimes promised to do things without actually doing them later.

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