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Purchasing Ethics and Inter-Organizational Buyer–Supplier Relational Determinants: A Conceptual Framework

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ABSTRACT. This study examines unethical purchasing practices from the perspective of buyer–supplier relationships. Based on a review of the inter-organizational literature and qualitative data from in-depth interviews with purchase managers from diverse industries, a conceptual framework is proposed, and theoretical arguments leading to propositions are presented. Taking into consideration the presence or absence of an explicit or implicit company policy sanctioning ethically questionable activities, unethical purchasing practices are conceptualized as a three-tiered set. Three broad themes emerge from the analysis toward explaining purchasing ethics from a buyer–seller perspective: (a) Inter-organizational power issues (*inter-organizational power* and *idiosyncratic investments*), (b) Inter-organizational relational issues (*long-term orientation* and *satisfaction*), and (c) Interpersonal relational issues (*interpersonal ties* and *trust*). Theoretical and managerial implications of the conceptual framework are discussed.

KEY WORDS: purchasing ethics, suppliers, long-term orientation, interpersonal ties, inter-organizational power, idiosyncratic investments, satisfaction, trust

Purchasing is a critical boundary spanning function for industrial organizations, and in some industries controls as much as 60% of a firm's costs (Carter, 2000). While considerable research attention has been given to ethical issues in sales management and personal selling (Hunt and Vasquez-Parraga, 1993), ethical issues of the purchasing function deserve further research attention. Modern purchasing is complex, and the motivations and pressures of purchasing executives[1] are different from those of sales executives; therefore, the ethical issues facing purchasing executives are characteristically different. Purchasing executives are caught between trying to source the best quality goods while keeping their costs at the lowest possible level. Any unethical actions by purchasing executives (such as sourcing poor quality goods in return for any favors by the suppliers) can harm the purchaser firm's performance, reputation, and competitiveness (Carter, 2000). Unethical activities commonly attributed to the purchasing function include: acceptance of gifts (physical gifts, free meals, free trips, or free entertainment) from suppliers, informing a supplier of competitor's quotes and allowing them to re-quote, preferential treatment of suppliers favored by management, soliciting quotes from supplier who have small chance of success, etc. (Rudelius and Buchholz, 1979).

Past research has selectively examined antecedents of unethical behavior by purchasing executives. For instance, research has focused on: (a) values of purchase managers (Landeros and Plank, 1996), (b) ethical climate (Gonzalez-Padron et al., 2008), (c) relationship between US purchase managers and non-US suppliers (Carter, 2000), (d) organizational characteristics such as leadership, sanctions, ethics policies (Carter, 2000), (e) multinational comparisons (Cooper et al., 2000), and (f) individual differences (Razzaque and Hwee, 2002). However, the impact of inter-organizational relationship factors on unethical purchasing practices has only received minor attention in the literature (see Carter, 2000 and Robertson and Rymon, 2001). Marketing literature in buyer–seller relationships has progressed considerably in the last three decades, and so has our understanding of the complexity of buyer–seller interface, governance, and interactions. It is important to address the inter-organizational antecedents of unethical purchasing practices because if and when a purchasing executive acts unethically, it is in the context of a specific supplier relationship. The terms, norms, and outcomes of a relationship with a supplier can enhance or abate a purchasing executive's propensity to act in an unethical fashion. With a focus on purchaser–supplier relationships, this study addresses two key questions: (a) What are the key inter-organizational factors that facilitate the propensity of purchasing executives to act unethically?, and (b) What is the nature of the impact of these inter-organizational factors on unethical transgressions by purchasing executives?

Based on a review of the inter-organizational literature and qualitative data from in-depth interviews with purchasing executives from diverse industries, a conceptual framework is proposed, and theoretical arguments leading to propositions are presented. Taking into consideration the presence or absence of an explicit or implicit company policy sanctioning unethical activities, a three-tiered set of unethical purchasing activities is conceptualized as the dependent variable. Three broad themes emerge from the data that surmise the inter-organizational causes of unethical purchasing practices: (a) Inter-organizational power issues, (b) Inter-organizational relational issues, and (c) Interpersonal relational issues. Impacts of these three facets in the purchaser–supplier context on the conditions that facilitate unethical purchasing activities are theoretically argued, and propositions are offered for the same.

This study makes a number of theoretical advances and contributions to the literature on purchasing ethics. First, it contributes a nuanced view of unethical purchasing practices based on what is explicitly or implicitly forbidden by company policy. Second, it discusses purchasing ethics in the context of buyer–supplier relationships that will help both senior management and purchasing executives better understand the conditions that are created by their supplier relationships. Finally, it also adds to the buyer–seller relationship literature by highlighting the unintended ethical consequences of different relationship configurations. The following sections begin with a background on purchasing and ethics, followed by a description of data collection and analysis. Next, the conceptual framework and the relational antecedents are introduced, and propositions are argued for each of the antecedents. In the final section, theoretical and managerial implications are discussed.

Background

The purchasing function: an evolving role

Purchasing activities primarily involve forecasting and planning for materials required, sourcing the appropriate suppliers, and order processing (Pelton et al., 1997). As a function, purchasing has tremendous bottom-line implications, as reducing purchasing costs is considered an important tool (only second to product pricing) for enhancing shareholder returns (Chapman et al., 1997). Historically, the expectations from purchasing agents within the company have centered on sourcing the best quality goods and services and keeping the costs at the lowest possible level. These expectations have evolved over the years and contemporary purchasing functions are now expected to play a more strategic role within the organization (Cammish and Keough, 1991).

Driven by a need to achieve faster times to market and competitive supply chains, contemporary purchasing is characterized by a focus on building strategic partnerships with suppliers that could lead to an exchange of innovative ideas, co-development of products, and improvements in quality and service (Cammish and Keough, 1991; Gil, 2009; Liker and Choi, 2004; Slobodow et al., 2008; Wolf, 2005). Strategic purchasing also entails joint problem solving with suppliers in the spirit of replacing confrontation with partnership (Cammish and Keough, 1991), and has been known to result in reduced costs, fewer assembly steps, and faster development times (Chapman et al., 1997). As a consequence, purchasing executives are also expected to become effective relationship managers.

Ethics and the purchasing function: unique challenges

Interestingly, the move to a relational paradigm in the purchasing domain has important ramifications for both the nature and frequency of the occurrence of unethical and ethically questionable purchasing practices. Scholars have identified and documented a number of ethically sensitive or questionable practices commonly associated with the purchasing function (Cooper et al., 2000; Forker and Janson, 1990; Landeros and Plank, 1996; Rudelius and

Buchholz, 1979). These include, but are not limited to: accepting gifts, entertainment, or trips; accepting free sales promotion prizes; accepting "purchase volume incentive bonuses"; holding equity shares of the supplier's firm; giving preferential treatment to select suppliers; providing information on competitor quotes and allowing re-bids; giving preference to suppliers who are also good customers; exaggerating the seriousness of a problem to gain concessions; nepotism toward suppliers favored by higher management; and turning a blind eye to "backdoor selling" (circumventing the purchasing department). It is important to note that not all ethically questionable practices receive equal attention either within the purchasing function, or the organization at large. Where some practices are likely to be explicitly prohibited by company policy, others may be normatively permitted, and still others may have no normative or policy precedence. It is, therefore, important to take a more nuanced look at unethical purchasing practices.

Unethical purchasing practices: a three-tiered approach

Past research has acknowledged the importance of an explicitly stated company policy regarding questionable purchasing practices (Forker and Janson, 1990; Rudelius and Buchholz, 1979). Stated policies are known to be more common for prohibiting the practices of accepting gifts, entertainment, and trips, and less so in the areas of providing subtle preferential treatment to select suppliers (Rudelius and Buchholz, 1979). There is likely to be considerable variance among firms in what is covered by an explicit policy depending on the size of the firm, its industry type, and the total cost structure attributed to its purchasing function. Nevertheless, purchasing executives generally welcome more policy details, as it reduces ambiguity in decision making (Rudelius and Buchholz, 1979). As a consequence, for the purposes of examining ethical issues in purchasing, it is helpful to categorize questionable purchasing practices based on whether or not they are explicitly prohibited in the organization. Such a categorization allows one to focus on practices that are *not* explicitly prohibited or are difficult to prohibit, yet remain questionable from an ethics point of view. For instance, when does continuous preferential treatment of a supplier by a purchasing executive become unethical? It is hard to pinpoint whether or not a purchasing executive is responding to product quality, service excellence, or subtle favors by a supplier; it is harder still to capture it in a policy mandate.

In this study, therefore, three categories of unethical purchasing practices are conceptualized: (a) *Explicitly Prohibited* by company policy, (b) *Implicitly/Normatively Prohibited* in the company, and (c) *No Explicit or Implicit* policy or precedence. Explicitly written policies take ambiguity and guesswork out of questionable ethical situations, and articulate the penalty for any ethical transgressions. However, it can be complicated for top management to identify and operationalize all possible ethical situations at the purchasing function level. Therefore, practices not covered by the written policy could receive one of two treatments – either there is a normative history, communicated through word of mouth, that the practice is acceptable or not, or the practice is completely new, and there is no history or precedence of it. It is important to delineate these three categories, given that it is the latter two that are more nebulous and therefore also merit research attention. For the sake of parsimony, the latter two categories of purchasing practices will henceforth be referred to as *ethically questionable purchasing practices*.

With both purchaser and supplier firms driven to keep their relationships fully functional and frictionless, conditions could arise that lead to unethical or ethically questionable purchasing practices. The presence of a code of ethics in and of itself, however, does not guarantee that all possible ethically questionable practices and events can be accounted for. As business practices and technologies evolve, so do ethical challenges associated with purchasing, giving birth to new and innovative ethical dilemmas. For instance, some interesting contemporary ethical dilemmas were pointed out by purchasing executives in the field:

> If the buyer who is in charge of managing a certain material or whatever knows that the supplier is expanding and they are going to be hiring people, and if they are not happy in their current job, they could say hey, what job opportunities there are going to be, and actually award that supplier a contract in the hopes of getting a future job opportunity with them. I've seen many times when we go to trade shows or something, [the person that] used to be a buyer for something is now a sales rep for somebody else, and it

> is in a completely related industry and you know that that's the sort of thing that happened and has gone on. I've heard of that from personal experiences many times from other peers that work in other organizations. (Brad, Pharmaceuticals)

> A lot a suppliers and us… we have… uh, proprietary practices that go on. And that's a competitive advantage. And… buyers especially have to recognize when they're getting' pumped for that information, of how another supplier does it to stay that low. Or, how can they price it this way? Do they have 5 people? Do they have any automation? I can't tell you how they do their job, you know. People have to really be trained on not sharing the strength of… other suppliers' competitive advantage. And, a lot a buyers and engineers especially are very flippant with that. (Tim, Industrial Services)

In order to understand the purchasing function's unique position within the organization and in the supply chain that gives it power that could be exploited by purchasing executives for unethical practices, a combination of literature review and qualitative research methods is utilized to investigate the issue of purchasing ethics.

Method

Data collection

Since the goal of this study is to bring a conceptual understanding to the relational drivers of unethical and ethically questionable purchasing practices, a pragmatic and pluralistic research approach is employed (Creswell and Plano Clark, 2007) instead of following a purely positivistic or interpretive one. A combination of literature review and qualitative research through in-depth interviews is utilized to develop conceptual understanding and theoretical linkages. Such an approach not only addresses the scholarly calls for more qualitative research in business-to-business marketing (Weitz and Jap, 1995), but is highly appropriate for uncovering the nuances and subtleties of ethics in business-to-business relationships. Based on the combination of qualitative data and literature review, theoretical arguments are developed leading to propositions. Overall the approach allows a way to synthesize qualitative findings from the field with past research and theory, and provides a means to reconstruct theory (Burawoy, 1991). Such an approach has been found to be useful in past studies that have examined the marketing function in general (Kohli and Jaworski, 1990; Workman et al., 1998).

The data collection approach involved conducting in-depth interviews with purchasing executives and comprised semi-structured and open-ended questions. This allowed the participants to expand and explain their thoughts and experiences in a conversational style. The length of the interviews ranged from approximately 30 min to an hour. Purposeful sampling was utilized (Creswell and Plano Clark, 2007) and resulted in a total of 21 individual interviews. Sampling was ceased, after theoretical saturation was reached which was indicated by information redundancy. The respondents were boundary-spanning purchasing officials, with titles ranging from Director-Strategic Sourcing to Purchase Manager/Agent, and employed in diverse industries (Aviation, Pharma, Financial Services, Office Equipment, Specialty Retail etc.). On average, the respondents possessed 16 years of work experience in the purchasing field. Two of the respondents were currently retired from their purchasing responsibilities, and were purposely sampled so that they could discuss the delicate ethical issues more freely. The background details on the respondents are provided in Appendix A.

Scholars in the past have noted that respondents tend to get defensive and reticent when confronted directly with questions on purchasing ethics (Rudelius and Buchholz, 1979); therefore, in the spirit of sensitivity, the respondents were asked to talk about the purchasing profession in general (in addition to bringing in their own personal experiences). The interview guide focused on three broad themes: (a) What are the different kinds of unethical or ethically questionable purchasing practices? (b) What are the various facets of supplier–purchaser relationships that can impact a purchase manager's propensity to act unethically? and (c) What is the nature and relative strength of the impact of various factors on purchasing ethics?

Analysis

The interviews were initially taped, and later transcribed and analyzed. Analyses of the verbatim interview transcripts began early in the data collection process, allowing the subsequent interviews to be informed by interpretations from the early interviews. In the final analysis, each interview transcript was coded as well as read individually. Inter-case analysis was done to look for common experiences or themes; specifically, inter-case analysis looked across purchasing ethics narratives to draw out common themes between informants (Yin, 2009). Coding and interpretations were facilitated by using qualitative analysis software *ATLAS Ti* Ver.6. An open coding scheme was followed where responses were coded to coalesce into various inter-organizational and interpersonal factors, e.g., long-term orientation, trust, or interpersonal ties etc. The titles of the coding categories were relational factors derived from a review of the buyer–seller relationship marketing literature; because many of these constructs have a history in the literature, existing terminology and definitions were used in the interest of not re-inventing the wheel (for instance, the respondents used different terms for ''Interpersonal Ties'' such as ''personal friendships,'' ''personal relationships,'' and ''personal contacts.'' All essentially refer to the same construct ''Interpersonal Ties'' and were, therefore, coded under ''Interpersonal Ties.'').

The objective of the analysis was to identify broad themes that surmised inter-organizational causes of unethical purchasing practices. Three broad themes emerged, and they differ in significant ways: (a) Inter-organizational power issues, (b) Inter-organizational relational issues, and (c) Interpersonal relational issues. The analysis shows that, first, since the power-balance between the supplier–purchaser organizations leads to a sense of control for one of the two exchange partners, it impacts ethics in purchasing decision making. Second, the nature and strength of the relationship between the supplier–purchaser organizations also sets the norms for purchasing executives. Finally, the role of interpersonal friendships and social ties between purchasing executives (on the buyer side) and salespeople (on the supplier side) distinctly impact the ethics of purchasing decision making. Based on the combination of the qualitative data analysis and literature review, theoretical arguments leading to propositions are presented in the following section.

Conceptual framework and propositions

Research on buyer–seller relationships has expanded our understanding of the development, functioning, and maintenance of the buyer–seller interface, and has the potential to add to our understanding of purchasing ethics. Relational factors need to be examined for their influence on purchasing ethics because purchasing firms usually act unethically in the context of a specific supplier relationship. The conditions surrounding a specific supplier relationship can enhance or abate a purchasing executive's propensity to act in an unethical fashion. From the analysis of qualitative data, three broad themes emerge toward explaining purchasing ethics from a buyer–seller perspective: (a) Inter-organizational power issues, (b) Inter-organizational relational issues, and (c) Interpersonal relational issues. It is important to note that inter-organizational issues have a distinct impact on purchasing ethics than interpersonal issues because they operate at different levels. Inter-organizational factors indirectly create conditions for purchasing executives that may abate or enable unethical practices. Inter-personal factors have a more direct effect on the ethical choices made by purchasing executives.

Under each theme, multiple relational factors[2] are examined in terms of how they impact purchasing ethics, with theoretical arguments based on literature review and qualitative findings. Under inter-organizational power issues, the notions of *inter-organizational power* and *idiosyncratic investments* are examined because the perception of power in a purchaser–supplier relationship is a critical determinant of which party feels a sense of control and which party feels vulnerable when it comes to unethical or ethically questionable purchasing practices. Under inter-organizational relational issues, the notions of *long-term orientation* and *satisfaction* are examined because the length and quality of the relationship between the two firms could have a bearing on the ethics of the choices made by the purchasing executives. Finally, the impact of *interpersonal ties* and *trust* is examined under interpersonal

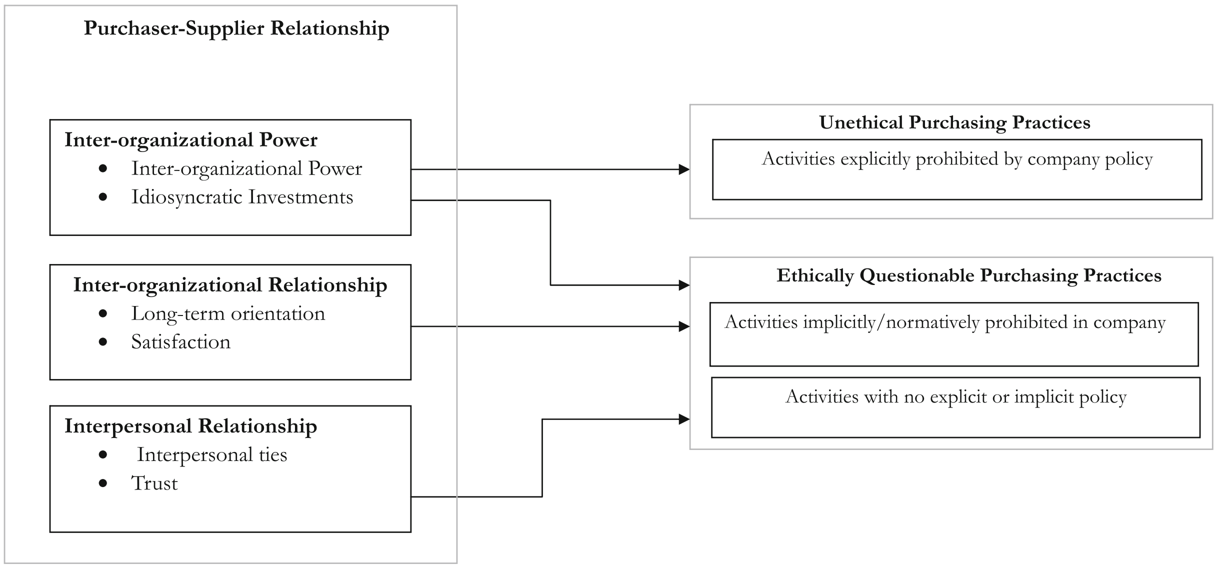

Figure 1. Purchasing ethics and inter-organizational buyer–supplier relational determinants: a conceptual framework.

issues given that the closeness of and confidence in the relationship between the boundary spanning personnel on both sides could impact the comfort levels of purchasing executives before they try something ethically questionable.

The conceptual framework is illustrated in Figure 1. The three categories of issues are illustrated and argued to have an impact on unethical and ethically questionable purchasing practices. Given that the lines between what is a clearly unethical, ethically questionable, and ethically acceptable purchasing practice are usually drawn by the firm's code of conduct, the interesting question remains how the various relational factors create conditions that facilitate crossing those lines. It is argued that inter-organizational power issues impact the propensity to act in *both* unethical and ethically questionable ways, whereas inter-organizational relational and interpersonal relational issues largely affect only the ethically questionable behavior. In the following section, each category of factors is examined for its impact on purchasing ethics, leading to propositions for the same.

Inter-organizational power issues

Since power leads to a sense of control, the balance of power between purchasers and suppliers impacts the decision making in purchasing, particularly decisions laden with ethical issues. In addition, a key characteristic that differentiates relational view of purchasing from the transactional view is the notion of idiosyncratic investments; a power differential tends to develop when either party makes an idiosyncratic investment in the relationship. The ramifications of *Inter-organizational Power* and *Idiosyncratic Investments* on purchasing ethics are examined here.

Inter-organizational power

Power has traditionally been defined as the ability of a group or individual to cause another unit to do something that unit would not have done otherwise (Dahl, 1964). In the marketing channels literature, the power of a channel member is referred to as his or her ''ability to control the decision variables in the marketing strategy of another member in a given channel at a different level of distribution'' (El-Ansary and Stern, 1972, p. 47). Importantly, it is the perception of power, by self and the other, which is critical; perceptions of one's own power are related positively to actual power in a group, as attributed by group members (El-Ansary and Stern, 1972).

Different power sources determine the extent of influence one has over another. For instance, in the context of purchasers and suppliers, a purchasing firm can be perceived to be powerful if it is a well-known brand name (e.g., Coca Cola or McDonalds), has unparalleled expertise in an area (Google, for search engine functionality), has very deep pockets (Apple Inc., with $24.22 billion in cash reserves in 2009), or has documented contractual power (as in a franchisor–franchisee relationship; Hunt and Nevin, 1974). In addition, all purchasing firms derive some level of supply chain power from the fact that they control which supplier ultimately gets the order. A purchasing firm with high inter-organizational power is likely to have a different perspective on unethical or ethically questionable purchasing practices than a firm with less power. For instance, a powerful purchasing firm would be less hesitant to engage in unethical or ethically questionable purchasing practices, expecting the less powerful supplier to acquiesce to its demands. On the other hand, if the supplier perceives the purchasing firm to be powerful (especially power derived from brand name, or from its large quantity of planned purchases), it is likely to go out of its way to delight the purchaser to maintain a continuity of the business relationship. As was corroborated by purchase executives Donald and Brad from Aviation and Pharmaceuticals respectively:

> When you are somebody like Big Brand Software Firm (pseudonym) or Big Brand IT Hardware Firm (pseudonym) or somebody like that, there is a lot of revenue that could be gained by getting their business; so I'm sure there could be some unethical practices being thrown at some of these people, under the table, and you hear about it all the time. (Donald)

> [As a purchaser] I've got the order and I can give this to any number of suppliers. So you already begin in purchasing with the idea that you have the upper hand because you are going to make the determination of where you are going to spend your money. So, first and foremost, that's where the power comes from…..so I would have to say yes, there is the potential [for unethical or ethically questionable purchasing practices to occur]. (Brad)

Researchers also contend that opportunism, defined as "self-interest seeking with guile" (Williamson, 1975, p. 6) is often endogenously evoked by certain aspects of the relationship. One such aspect is coercive power, where perception of coercive power leads to a greater degree of opportunism (John, 1984). It is important to note that non-coercive and coercive sources of power have distinct ramifications for relational outcomes. For instance, past research has shown that non-coercive sources of power (that do not involve potential punishment) increase satisfaction and reduce intra-channel conflict, whereas coercive sources of power reduce satisfaction and increase conflict in the marketing channel (Hunt and Nevin, 1974; Lusch, 1976). Coercive sources of power can also give a greater sense of control, compared to non-coercive sources of power, to a purchasing executive who could feel omnipotent and cross the line into full unethical territory with purchasing practices. It was noted by purchasing executive Linda from financial services industry that power on the purchasing side has the potential to corrupt:

> Now, from the buyer's perspective, I mean… you know, you kind of hope that the buyer does have maybe a little bit more power, (Laughs) quote unquote, than the supplier, because then you'd like to think that that leads to the fact that you're negotiating better deals for the company, etc. But, yet, you know, I suppose it could be viewed as some, you know, threatening type of behavior. Are you threatening then someone to give you a better deal or a deal that maybe isn't on the up and up, because you have a little bit more power than they do? (Linda)

Finally, a firm may possess power, and still may not use it (Frazier, 1983), therefore, scholars differentiate between exercised power and unexercised power (Gaski, 1984). In this context, purchasing executives need not act on their power with suppliers; they just need to perceive themselves as powerful to facilitate conditions that lead to unethical or ethically questionable purchasing practices. Hence, it is proposed:

P_1: The purchasing firm's inter-organizational power over a supplier will have a positive impact on the conditions that facilitate unethical or ethically questionable purchasing practices by the purchasing executive.

Idiosyncratic investments

Idiosyncratic investments are assets that are committed specifically to the relationship at hand. These assets cannot be redeployed easily outside the relationship and, therefore, their value depreciates in the event the primary relationship is discontinued (Bensaou and Anderson, 1999; Weitz and Jap, 1995). In a purchaser–supplier relationship, idiosyncratic investments can be made by either party. For instance, a supplier may build a special warehouse and invest in new transportation methods to suit the inventory schedule of a particular purchaser. Similarly, a purchaser may alter its production process to accommodate a special part manufactured by the supplier. In the transaction cost literature, it is well documented that idiosyncratic investments could lead to a safeguarding problem (e.g., a supplier makes an idiosyncratic investment and fears that the purchaser may indulge in opportunistic exploitation) (Rindfleisch and Heide, 1997), one that can be remedied by using offsetting investments (Heide and John, 1988).[3]

The impact of idiosyncratic investments on unethical or ethically questionable purchasing practices would arguably vary depending on which party makes the investment. From a purchaser's perspective, investments made by suppliers are usually considered an integral part of conducting business with the purchaser. As was articulated by Tim, purchase manager of an industrial metals finishing company:

> I don't think it [supplier's idiosyncratic investments] makes that much of an impact. I'll tell you why. Because, that's all considered as…part of the sourcing philosophy or the cost of doing business with us. (Tim)

The dynamic is different when the purchasing firm makes idiosyncratic investments in a relationship with a supplier. Given that it is the purchasing firm that is in a position of power when it picks a supplier to place an order, the purchasing function is likely to derive a sense of entitlement from the situation when it makes an idiosyncratic investment. This sense of entitlement can be a breeding ground for unethical or ethically questionable purchasing practices with that supplier, since the supplier may feel obligated and acquiesce to all of purchaser's demands – both ordinary and extraordinary. This theme was voiced by respondents Bob and Richard, both from a retail background:

> To be real honest, if the supplier made the investment, I would feel… I would not probably change my implicit or normative values about it. If I made the investment, I would change them. Because, you know, again, I'm trying to justify my decisions a little bit. I think that's part of what managers do. I hate to say it that way. (Bob)

> You know, I can remember investing in a particular firm over a summer that provided fresh bedding plants and flowers to my store, you know, for the plant department. And giving them the opportunity, space over a period of time. And in return, they gave me an over… time discount. Meaning at the end of the season, if I sold so many flats of this or so many…, but there was no explicit or implicit policy prohibiting such an expectation. (Richard)

Idiosyncratic investments on behalf of the purchaser augment the power disparity between the parties, enhance the sense of entitlement of the purchaser, and create a sense of obligation for the supplier. Hence, the differential impact of purchaser and supplier's idiosyncratic investments is proposed as follows:

P_2: The higher the level of idiosyncratic investments made by the purchasing firm, more the facilitation of conditions that could lead to unethical or ethically questionable purchasing practices by purchasing executives.

P_3: The level of idiosyncratic investments made by the supplier firm do not appreciably impact the conditions leading to the purchasing executives engaging in unethical or ethically questionable purchasing practices.

Inter-organizational relational issues

The types of business relationships that purchasing firms pursue with supplier firms set the stage for normative expectations with respect to ethics in purchasing practices. Temporal horizon of the relationship, in terms of the purchasing firm's long-term orientation, is an important determinant because it helps define future expectations from the relationship. Second, the quality of relationship outcomes, such as satisfaction, has a bearing on both the functioning and maintenance of purchaser–supplier relationships; and since approval of the relationship outcomes is a function of its expectations and obligations, it is likely to influence the ethics of purchasing practices as well. The ramifications of *Long-Term Orientation* and *Satisfaction* on purchasing ethics are examined here.

Long-term orientation

The growing trend in purchasing is toward forming collaborative long-term relationships with strategically select suppliers (Cammish and Keough, 1991; Gil, 2009; Liker and Choi, 2004). A long-term orientation brings the advantages of improving process efficiency, reducing costs (Kalwani and Narayandas, 1995), controlling and utilizing inventory more effectively, and ultimately building sustainable competitive advantage (Ganesan, 1994). What differentiates long-term oriented relationships from short-term transactional arrangements is the greater expectation and likelihood of future interaction (Ganesan, 1994; Noordewier et al., 1990). Relationships marked by a high degree of joint action and expected continuity (Heide and John, 1990) are likely to be engaged for the longer term with a focus on accomplishing future goals.

While long-term supplier relationships bring many advantages to purchasing organizations, they could also be the breeding grounds for ethically questionable purchasing practices, all in the name of gaining business efficiency. For instance, scholars have noted that the greatest potential for opportunism, i.e., unrestrained self-interest maximization with guile, is in long-term relationships where there is a lack of market based discipline given the reduced competition (Anderson and Jap, 2005; Williamson, 1979). Given that long-term relationships are marked by expected continuity, ethically questionable purchasing practices can be justified and rationalized as critical to keep the relationship going. It is easy for the purchasing function to let the guard down on such practices if the actions can be justified as being necessary to accrue future advantages with the supplier. As was reflected upon by Bob from Specialty Retail:

> And I would look at it, I need to build relationships… if I'm going to have a long-term relationship, for example, with our cosmetics companies, we had long-term relationships with them. And, I wanted to get to know them as personally as I could, because in long-term relationships typically a lot of it depends on that personal relationship. If I can pick up the phone, or, email, whatever, you know, the top guy there and say, you know, this is what I need or whatever, in a long-term relationship, I think it works better. So if they offered me the opportunity to go to dinner, or go to a play, or, you know, go on a trip, with somebody I had a long-term relationship with, I would more likely take it, because I want to know that person on a personal basis. And that's the way you get to know these people. If I was a golfer, you want to go golfing. Now you may pay for some of it, but they would pay for a lot of it. That's typically how it worked in our business at least. That would be my take on it. So, I've got a, I guess you could say, a very business oriented way of using my ethics I guess (Laughs) is a way to put it. (Bob)

Purchasing firms who are willing to engage in long-term relationships with suppliers are also less likely to tolerate inadequate product, price, or service deliverables (Kalwani and Narayandas, 1995). This impacts the occurrence of ethically questionable purchasing practices in two ways: (a) suppliers who would like to continue their long-term relationships with demanding purchasers will likely acquiesce to any out-of-the-ordinary requests to keep the relationship "frictionless"; and (b) in cases where the supplier fails to deliver on any agreed-upon metric, they could be expected to compensate for the failure by overlooking the ethics of the situation by purchasers for the sake of the long-term relationship. For instance, Richard from a Chain of Department Stores recalled the following:

> Let me give you an example. Company Big (pseudonym) have a… full pricing policy for all of their tools. There were a couple of times when we violated that policy and priced the product below. Instead of Company Big really hammering us, they suggested that we should not do that in the future. They… they coveted our relationship, they could've easily cut us off, obviously they were profit driven. But… they overlooked, if you will, the several incidences in which that occurred. (Richard)

A longer temporal horizon in purchaser–supplier relationships allows for a buffer for ethically questionable practices that, in retrospect, can be rightly or wrongly rationalized by the purchasing executives as acceptable in the name of corporate efficiency. Hence, it is proposed that

*P*₄: The longer the expected temporal horizon of a purchaser–supplier relationship, greater the facilitation of conditions that could lead to ethically questionable purchasing practices by purchasing executives.

Satisfaction

Satisfaction in marketing channel relationships is defined as the positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm (Geyskens et al., 1999). Research in this area shows that a channel member's satisfaction positively impacts its long-term orientation, morale, and cooperation (Ganesan, 1994; Hunt and Nevin, 1974; Lusch, 1976). In addition, contemporary research in marketing channels takes a more nuanced approach to examining satisfaction by separating *economic* satisfaction from *noneconomic* satisfaction (Geyskens et al., 1999). Economic satisfaction pertains to bottom-line output rewards of the relationship, such as productivity, sales, margins, and profits. Noneconomic satisfaction is based on the ease and quality of interaction between the channel members.

It is critical to examine the distinct impact that economic and noneconomic satisfactions have on the conditions that facilitate ethically questionable purchasing practices. If a purchasing firm is not satisfied with a supplier on bottom-line issues, it is less likely that any amount of compensatory favors by the supplier would make up for a lack of economic performance. Therefore, the purchaser is also less likely to engage in ethically questionable practices to seek recompense for an inadequate supplier performance, because lack of economic satisfaction is usually a non-negotiable issue, given that channel members are fundamentally profit maximizing entities. As was corroborated by a Rick, purchase manager of a large financial institution:

> I wouldn't think so [that lack of economic satisfaction has an impact on ethically questionable purchasing practices]. I really wouldn't think so. I… because, purchasing agent probably has couple levels that he has to report to, and, if you got a product that you can't use, there's not, your satisfaction. I mean you're going to catch, you know, you're going to get heat for that. So, I think most people are going to cover their back sides. (Laughs) You know, just to make sure, you know. And you say, well give us another chance. I mean… You can take care of the job, but if you say, I have two football tickets as well, I don't care about that. (Rick)

Aspects of noneconomic satisfaction arguably have a different bearing on ethically questionable purchasing practices. Psychosocial aspects of inter-firm relationships are considered satisfactory if the inter-firm interactions are effortless, gratifying, and frictionless (Geyskens et al., 1999). Collaborative communication that creates an atmosphere of mutual support and exchange (Mohr et al., 1996) can also be a source of noneconomic satisfaction. In the event of a purchaser being dissatisfied with the noneconomic aspects, expecting special favors and other out-of-ordinary requests could be seen as a way to compensate for the lack of decorum in inter-firm interactions. If the relationship continues to be economically satisfying but lacking in noneconomic aspects, then the purchaser could create enduring expectations of special favors from suppliers as a way to justify the inadequate standards of interactions. As was brought up by Bob from Specialty Retail:

> If I'm having problems with them, and, there are trust issues and dissatisfaction, I'm still making money from them, but, there's dissatisfaction there, I probably would take, you know, if they offered me, something of value, a larger thing, than I would from somebody I've got satisfaction and trust with. I think, that for me it's kind of human nature on it. And that's one of the reasons they should, a lot of these [ethics policies] should be more written down than they are. On… You know, you guys have caused me all kinds of headaches, or your company has caused me all kinds of headaches, I justify in my own mind that, hey, you know, pay them back a little bit. (Bob)

Hence, the differential impact of economic and noneconomic satisfaction is proposed as follows:

P_5: Lower the purchaser's noneconomic satisfaction with the supplier, more the facilitation of conditions that could lead to ethically questionable purchasing practices by the purchasing executives.

P_6: The level of a purchaser's economic satisfaction with the supplier will not appreciably impact the conditions leading to ethically questionable purchasing practices.

Interpersonal relational issues

Where inter-organizational factors set the context for the purchaser–supplier relationship, the interpersonal dynamic between the purchasing executive and the salesperson on the supplier side also has a bearing on purchasing ethics. Issues of social ties, personal friendships, and the level of trust between the individuals can impact the ethics of purchase decisions. The ramifications of *Interpersonal Ties* and *Trust* on purchasing ethics are examined here.

Interpersonal ties

Contemporary research in business-to-business marketing acknowledges the role of friendship and social ties in exchange relationships (Grayson, 2007; Heide and Wathne, 2006; Larson, 1992; Weitz and Jap, 1995). Boundary-spanning personnel on both the purchaser and supplier side may evoke a past or current friendship, or develop new interpersonal ties during the course of the business relationship. Accordingly, scholars have argued that channel relationships do tend to develop more rapidly when the parties have prior social ties (Weitz and Jap, 1995). Businesses also look at interpersonal ties as mechanisms to reduce risk and uncertainty about the other party's motives and intentions (Larson, 1992). Interpersonal ties can also help generate new business, enhance trust between parties, create process efficiencies, and derive ''social satisfactions from the associations'' (Dwyer et al., 1987, p. 14). As was noted by Rick, purchase manager for a financial institution:

> But, I know… you have an order you're trying to fill. You know, that's a project on your desk. You might have 15, 20, 100 projects on your desk. Sometimes it's a lot easier to call your old buddy, and say hey, I need this, rather than, you know, to go through somebody else. I think that would happen. Um… but I think you know, you do have to be able to, to justify it. (Rick)

If left unchecked, however, strong interpersonal ties in purchaser–supplier relationships could create conditions that enable purchasing executives to let their guard down on ethically questionable practices; especially if interpersonal or social goals get aligned with business goals, blurring the boundaries between business and personal lives. The importance of keeping the ethical guard activated all the time when dealing with suppliers with interpersonal ties was highlighted by purchasing executives Kurt, Tim, and Walter:

> In the public sector, we… we have to be consciously aware of that [interpersonal ties]. And, and in some instances we'll disqualify ourselves. (Kurt)

> But all I caution with is that just remember you have to separate business from relationships. If a relationship takes you beyond business, that's yours. That's, it's up to you. It can affect the business. (Tim)

> Yeah, I would say you're probably a little more likely to cross that line or head down that path as well with somebody if, if you have that relationship that's not just a business relationship but something that goes outside of work, whether that's athletics or church or, or, school that your children go to, or whatever. (Walter)

Prolonged interpersonal ties can create conditions wherein ethically questionable practices may flourish. For instance, a purchasing executive may use a business decision to maximize both the economic and noneconomic rewards (such as stronger social ties or greater interpersonal affect) with a particular supplier, or let personal obligations spill over into the professional domain. There is also the possibility of interpersonal affect, driven by similarity in values or personality (Dwyer et al., 1987), overriding business judgment. This could occur consciously or subconsciously when comparing two or more suppliers; the purchasing executive may end up giving preferential treatment to a supplier because of interpersonal affect. Therefore, it is proposed as follows:

P_7: Greater the extent of interpersonal ties between key actors on the purchaser and supplier side, more the facilitation of conditions that could lead to ethically questionable purchasing practices by purchasing executives.

Trust

Trust plays a significant role in commercial exchange across a wide array of situations (Ganesan, 1994; Morgan and Hunt, 1994). In the relationship marketing literature, trust is conceptualized as one party's confidence in the exchange partner's integrity and reliability (Morgan and Hunt, 1994) and is defined as ''willingness to rely on an exchange partner in whom one has confidence" (Moorman et al., 1993, p. 82). Trust in buyer–seller relationships is developed by five distinct processes: calculative process (i.e., calculating the cost benefits of cheating), prediction process (i.e., ability to forecast another's behavior), capability process (i.e., determining the other's ability to meet obligations), intentionality process (i.e., interpreting the target's words and actions to determine intentions), and transference process (i.e., using assessment by a third party of the target being trustworthy) (Doney and Cannon, 1997). Relationship marketing scholars have also argued that when trust is present in conjunction with commitment between the two exchange partners, it leads to greater cooperation, a focus on long-term benefits, reduced expectation of partner opportunism, and general productivity (Morgan and Hunt, 1994; Selnes and Sallis, 2003; Smith and Barclay, 1997).

Trust necessitates the presence of confidence and reliability in the exchange partner (Garbarino and Johnson, 1999) and some scholars have emphasized trust as having confidence in the integrity of an individual, such as a salesperson (Crosby et al., 1990). In the context of purchasing ethics, trust engenders a sense of confidence in the exchange partner that allows one to take risks in a relationship; in this sense, trust almost acts as a foundation on which the purchasing executive could try an ethically questionable practice with a supplier. For instance, if a purchasing executive expects special favors from a supplier, then he or she should be able to trust the supplier to keep the event surreptitious. Another oft-cited ethically questionable purchasing practice involves providing competitor quotes to a preferred supplier and allowing re-bids (Rudelius and Buchholz, 1979). The purchaser here needs to have some fundamental level of trust with its pool of suppliers to be able to garner their best quotes at any point in time. Thus, trust almost acts as a pre-requisite to trying something risky and ethically questionable, as was pointed out by Brad from Healthcare and Duvall from Transportation:

> If there is a high level of trust, a very high level of trust, maybe there is even some personal relationship outside of work, if there is a high level of trust and maybe those boundaries have been breached a couple of times with no repercussion on the buyer's or the supplier's end, it could go on, it could get worse and bigger and I think you would be more at risk. (Brad)

> And a lot a times I think it is trust as lubrication in the sense of the, the business context of a relationship gets too blurred, and it becomes unprofessional. And when those unprofessional behaviors happen, it's not with somebody that you don't trust, it's usually with somebody you trust. (Duvall)

On the other hand, the absence of trust could hamper the occurrence of ethically questionable purchasing practices. Scholars have noted that shared values, i.e., the extent to which both partners have common beliefs on goals and means, and right or wrong, influences trust between exchange partners (Morgan and Hunt, 1994). Thus, a lack of trust also implies a lack of a shared understanding about goals and means between exchange partners, leading to a greater degree of vulnerability if either party tries an ethically questionable act. A lack of trust on either side would reduce the confidence between the parties, and is likely to be treated as a red flag. As was shared by Bob from Specialty Retail:

> But I want to be very careful here, because there is a trust issue. I want to be very careful that I don't take anything, because he could turn that, or she could turn that on me very quickly. So I would probably clamp down on what I did there, because of distrust. Where, if I trusted the person, I don't know that I might expand it [my definition of ethics] more because of the trust issue, it's, and I'm satisfied anyway with it. (Bob)

Therefore, it is conjectured that trust between purchasing executives and supplier acts as lubrication that helps the execution of ethically questionable purchasing practices. Hence,

P_8: Higher the level of trust between the purchasing executive and the supplier, more the facilitation of conditions that could lead to ethically questionable purchasing practices.

Discussion and implications

This study contributes to the growing literature on purchasing ethics in the business-to-business milieu

(Cooper et al., 2000; Landeros and Plank, 1996). Unethical purchasing practices are conceptualized as being three tiered based on whether or not the firm explicitly or implicitly prohibits certain practices. Such an approach allows one to separate the clearly unethical from the ethically questionable purchasing practices in the eyes of the firm. From the analysis of our qualitative data, three broad themes emerge toward explaining purchasing ethics from a buyer–seller perspective: (a) Inter-organizational power issues, (b) Inter-organizational relational issues, and (c) Interpersonal relational issues. Based on literature review and qualitative findings from depth interviews with purchasing executives, theoretical arguments leading to propositions are developed.

Unethical or ethically questionable purchasing practices usually take place within the context of a specific purchaser–supplier relationship; since every supplier relationship comes with a unique set of expectations, norms, power differential, and outcomes; the three sets of factors explored in this study collectively throw light on aspects of relational conditions that could facilitate unethical purchasing practices. For instance, a purchasing firm's self-perception of power and idiosyncratic investments could create a sense of entitlement leading to both unethical and ethically questionable purchasing practices. A long-term orientation could lead to ethically questionable practices such a preferential treatment of suppliers in the name of gaining business efficiency. Lower levels of non-economic satisfaction could empower the purchasing executives to push the ethical boundaries with the suppliers. Finally, strong interpersonal ties and high level of trust can aid lowering the ethical guard for boundary spanners on both the purchaser and supplier side.

Multiple empirical issues, challenges, and managerial implications flow from the conceptualization developed in this study. First, the list of six relational factors identified and examined here (*long-term orientation*, *interpersonal ties*, *inter-organizational power*, *idiosyncratic investments*, *satisfaction*, and *trust*) is only meant to be representative of their categories and not exhaustive; nevertheless, these factors are critical harbingers of conditions that facilitate unethical or ethically questionable practices by purchasing executives. Other related inter-organizational factors such as dependence (Caniëls and Gelderman, 2007), commitment (Morgan and Hunt, 1994), offsetting investments (Heide and John, 1988), or joint action (Heide and John, 1990) also merit research attention. In addition, even though the discussion in this study is limited to arguments for the main effects of inter-organizational and interpersonal determinants, the extent of unethical purchasing practices is likely to be contingent on various moderating conditions such as individual ethics of purchase managers, ethical climate in the purchasing function, extent of sales aggression by the supplier, width of the supplier pool, type of purchasing (repetitively used items or capital equipment), and internal factors such as the effects of ethics training and education. All of these constitute interesting questions for future research on unethical purchasing practices.

Second, qualitative research has much to contribute to this area because it is vastly challenging to capture relational motivations and drivers of unethical purchasing practices through quantitative survey or experimental methods alone (mainly because of the social desirability bias inherent in the process). Nevertheless, an empirical examination of the proposed framework makes for a logical next step. Most of the constructs presented here have some measurement history in the literature; the challenge, however, lies in operationalizing and capturing the extent of unethical and ethically questionable purchasing practices. One way to approach the dependent variable would be to present the respondents with a predetermined list of unethical and ethically questionable purchasing practices, and then categorize their responses based on which ones are explicitly or implicitly prohibited/not prohibited by company policies. Such an approach could also help tease out the effects of those inter-organizational determinants that facilitate crossing the ethics policy line by purchasing executives.

Managerial implications

The conceptual framework developed in this study has managerial implications for both purchasing and supplier firms. It is critical that purchasing firms periodically examine not only their documented code of ethics, but also their portfolio of supplier relationships because it has a bearing on the purchasing executive's ethical decision making. Some of the questions that purchasing firms need to ask of themselves: How many of our supplier relationships are clearly long term? How many are dependent on purchasing executives having strong interpersonal ties with suppliers? Which relationships are mired in non-economic dissatisfaction? etc. As illustrated by the theoretical arguments and propositions in the conceptual model, answers to these questions could reveal the conditions in the purchasing function that could lead to unethical transgressions. Similarly, suppliers also need to examine their portfolio of purchaser relationships and ask of themselves: If a purchaser is making idiosyncratic investments in us, should we feel obligated in any way? Which of our purchasers have too much inter-organizational power? etc. A periodic monitoring of the relational facets identified in the conceptual model can help suppliers avoid being either an enabler or a victim of unethical or ethically questionable purchasing practices.

Past research has shown that, in general, purchasing professionals prefer to have a more expanded and explicitly documented code of ethics (Forker and Janson, 1990) in the organization. The presence of a code of ethics in and of itself, however, does not guarantee that all ethically questionable practices and events will be accounted for. As business practices and technologies evolve, so do ethical challenges associated with purchasing, giving birth to new and innovative unethical activities. This constant need to track new and innovative unethical situations was also corroborated by the findings of the qualitative data. Therefore, it is critical that purchasing firms look at unethical practices as a three-tiered set, as is put forward in this conceptual model. This will allow top management to not stop just at the code of ethics, but to look beyond it at all sorts of possibilities for ethically questionable practices by their purchasing functions.

Finally, documenting and communicating the established code of ethics alone is not enough. Purchasing executives point to the need for continuous training and education of boundary spanning employees. Training should be a continuous effort, in addition to establishing a system for safe whistle-blowing that employees can trust. Rewarding visible ethical behavior in the purchasing function could also help the culture of the function in a positive way.

Notes

[1] For the purpose of this study, the title of ''purchasing executive'' is used to represent the boundary-spanning purchasing professional who has direct interactions with suppliers. The actual job titles could vary from industry to industry, as is illustrated in Appendix A.

[2] The list of factors examined is representative of the issues but not exhaustive, for the sake of parsimony. For instance, other relational issues such as *commitment* and *dependence* are important as well, but the nature of their impact is likely to be very similar to long-term orientation and power, respectively. Hence, the set of factors discussed here is representative and illustrative of the category, but not exhaustive.

[3] It is important to note that while there are similarities between opportunism and unethical purchasing practices, there are also important differences. Opportunism has the element of deceit (''self-interest seeking with guile'' Williamson, 1975, p. 6) involved and could include withholding or distorting information, or a failure to keep obligations (John, 1984); whereas a large number of unethical purchasing practices (such as accepting gifts, preferential treatment etc.) are conducted with the supplier having full knowledge of it all. Hence, opportunistic and unethical practices do not completely overlap.

Appendix A

Qualitative study sample composition

Name	Background	Purchaser Industry
Donald	Materials Manager, 20 years in purchasing	Aviation Services
Brad	Director, Strategic Sourcing and Site Logistics, 10 years in purchasing	Pharmaceuticals and Healthcare
Jeffrey	Vice President / Manager, 40 years in purchasing	Office Equipment

continued

Name	Background	Purchaser Industry
Sam	Procurement Coordinator, 6 years in purchasing	Environmental & Biotechnology Instrument Systems
Rick	Purchasing agent, 9 years in purchasing	Banking and Financial Services
Kurt	Associate Director, Purchasing, Materials, 36 years in purchasing	Purchasing goods/services for institutes of Higher Education
Tim	Director of Supply Management, 17 years in purchasing	Industrial Metal Finishing
Bob	Retired CEO, 10 years in purchasing	Specialty Retail
Richard	Retired Business Manager, 20 years in purchasing	Department Store Chains
Rob	Vice President, 37 years in purchasing	Plumbing and Heating
Chad	Purchasing Manager, 34 years in purchasing	Healthcare
Mary	Purchase Manager, 5 years in purchasing	International Human Resource Consulting
Duane	President, 25 years in purchasing	Residential and Commercial HVAC (Heating, Ventilation, and Airconditioning) products
Duvall	Purchasing Executive, 5 years in purchasing	Transportation
Janice	Purchasing Executive, 2 years in purchasing	Big Box Retailing
Walter	Purchasing Director, 4 years in purchasing	Higher Education (Private University)
David	Vice President Operations, 10 years in purchasing	Market Research
Fred	Manager Logistics, 14 years in purchasing	Transportation
Linda	Purchasing Executive, 3 years in purchasing	Financial Services
Jason	Purchasing Manager, 4 years in purchasing	Information Technology for Financial Services
Bridget	Procurement and Value Analysis Coordinator, 30 years in purchasing	Hospital Management

Note: All the key respondents sampled here are/were senior purchasing executives responsible for key decisions in their respective purchasing functions. All the names presented here are pseudonyms.

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