A classification of opportunism in transnational inter-firm networks of SMEs

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Abstract

Opportunism, defined by Oliver Williamson as "self-interest seeking with guile" is a major threat to SMEs that want to build networks with companies abroad. Research has focused on investigating conditions that lead to opportunistic behaviour and countermeasures that can prevent opportunistic behaviour. Only a few authors have tried to analyse opportunism in more detail. Apart from theoretically deduced dichotomies like active vs. passive opportunism, two elaborate classifications based on qualitative research have been proposed in the literature. We discuss these classifications, but doubt that they allow for the complexity of the opportunism phenomenon. They also do not take an important rule of classification into account. We propose a new classification that tries to implement our critique of the other classifications, and we then demonstrate the functionality of our classification with three opportunism cases from empirical data from our three country study in Germany, the US and Mexico.

Keywords: Opportunism; Classification; Network, SME

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1. Introduction

In contrast to larger companies, small and medium sized enterprises (SMEs) that want to enter new markets abroad, often do not have the resources to establish branches in all of these markets. This is due to the scarcity of economic and personnel assets. SMEs that are unable to look after their customers by establishing a branch in or near the target-country, tend to build transnational inter-firm networks with their customers and/or distributors.

When asked by the German Chambers of Industry and Commerce (DIHK) and Steinbeis University Berlin about their problems establishing international business relations, 83% of the surveyed German exporting companies reported problems finding reliable business partners abroad. In addition to difficulties finding a business partner, 74% perceived contacts in general as a problem, 64% reported difficulties collecting money owed and 49% complained about cultural differences (Deutscher Industrie- und Handelskammertag, 2005, p. 72). The frequency with which firms mentioned contact-related problems emphasises that dealing with business partners abroad is a major problem for companies operating internationally.

When one considers these findings, company networks – so often celebrated as social capital and as a way to reduce risk in business ventures – must also be seen as the cause of new problems and risks. Therefore, strategies that seek to implement sustainable forms of internationalisation for SMEs have to allow for the risks of the otherwise promising inter-firm networks. The major relational risk that threatens these networks is the risk of opportunism defined by Oliver Williamson (1975, 1985) as "self-interest seeking with guile". The risk of opportunism is said to be especially high in business relationships that have to overcome larger cultural distance (Lee, 1998). Additionally, it can be assumed that cultural preconditions of the involved parties determine different forms of opportunism in transnational business networks.

In this paper we discuss classification systems of opportunistic behaviour in transnational business relations and propose a new approach to categorisation which accounts for the vast variety of opportunistic behaviour as reported in the literature and also found in our own data. The categorisation of opportunistic behaviour is an important tool for scholars and practitioners. Academically, classification is a prerequisite to explore links between different forms of opportunism and its potential pre-conditions. Beyond this, categorisation is also indispensable to investigate the effectiveness of deterrence strategies against opportunism. For practitioners a classification scheme is essential in order to identify and understand opportunistic behaviour and the inherent risks. Additionally, the identification of different types of opportunism may guide the selection of countermeasures. Different forms of opportunistic behaviour have to be countered differently (Wathne and Heide, 2000, p. 37) and only tailored countermeasures will have the prospect of success.

We will develop our classification of opportunistic behaviour to analyse qualitative data from a three country study including interviews with managers of SMEs in Germany, the US and Mexico.[1] We will particularly require this classification in our forthcoming work to examine correlations between opportunism and several variables. Of these variables the country of origin and the embeddedness in the target country of the involved parties will form our focus.

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We believe that these two variables are antecedents of opportunistic behaviour. The findings from the qualitative data will help us to specify the hypothesis that we are going to test using quantitative methodology in the next step of our ongoing project.

To the best of our knowledge, only two authors have already proposed a systematic classification of opportunistic behaviour based on qualitative research. Karunaratna and Johnson (1999) explored opportunistic behaviour of independent foreign channel intermediaries (agents or distributors) in relation to their exporters and Obadia and Vida (2006) studied opportunism of foreign subsidiary managers in relation to the SME's headquarters. In section 2 we will present the existing dichotomous categorisations and discuss in detail the two elaborate classifications based on qualitative research. In section 3 we present our own proposal for a new classification that we test and discuss in chapter 4. In section 5 we draw the conclusion of our deliberations.

2. Dimensions and classifications of opportunism in the literature

Scholars investigating opportunism (John, 1984, Provan and Skinner, 1989, Wathne and Heide, 2000, Das, 2004) typically cite Oliver Williamson's definition of the phenomenon: "By opportunism I mean self-interest seeking with guile. This includes but is scarcely limited to more blatant forms, such as lying, stealing, and cheating. Opportunism more often involves subtle forms of deceit. Both active and passive forms and both *ex ante* and *ex post* types are included. […] More generally, opportunism refers to the incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse. It is responsible for real or contrived conditions of information asymmetry, which vastly complicate problems of economic organization" (Williamson, 1985, p. 47)

This definition is a very general one, that first of all names the pursuit of an actor's own advantage and well-being (self-interest seeking), which by itself is not enough to be opportunism. Only when a second aspect – guile – comes into play, can self-interest seeking be construed as opportunism. Whereas self-interest seeking on its own can be adequately described as the action of one single actor, the guile aspect relates clearly to at least one additional actor. Consequently opportunism has to be viewed as a relational phenomenon. In his definition Williamson states a few examples (lying, stealing, cheating, subtle forms of deceit) but does not present an exhaustive list of such behaviour. Subsequently he proposes two dichotomous categorisations (active vs. passive, *ex ante* vs. *ex post*) of different forms of the phenomenon. Williamson also mentions the problem of information asymmetry, and relates it to opportunism. However he does not say that information asymmetry is a *sine qua non* condition of opportunism.

Only a few authors (Das, 2004, Wathne and Heide, 2000) further defined Williamson's two categorisations (active vs. passive, *ex ante* vs. *ex post*) and expanded upon them with three additional dichotomous categorisations deduced from theory. Apart from this, two papers (Karunaratna and Johnson, 1999, Obadia and Vida, 2006) dealt with more elaborate classification systems based on qualitative research. After considering different situations in which opportunism might take place in section 2.1., we will present in section 2.2. the five theoretically deduced categorisations from the literature. In section 2.3. we will discuss the two classification systems based on qualitative research.

2.1. Relational setting

The opportunism construct was the subject of several empirical studies in recent decades, whether as a dependent variable or a control variable. As there are so many possible forms of action that fit into Williamson's general definition, scholars that investigate opportunism tend to focus on specific forms of opportunistic behaviour in specific types of business relations that we will refer to as relational settings. Table 1 presents a selection of three situation-specific forms of opportunism described by the respective authors.

As we can see from table 1, the authors first specify a certain relational setting like a dependent supplier with a dominant buyer, (two) partners in a research alliance, or actors in the export market. In the next step they have chosen a specific type of actor within the relational setting (e.g. the management of the dependent supplier in relation to the dominant buyer) to focus on his opportunistic behaviour in relation to another actor. In order to define the form of opportunism fitting to the specific setting, scholars name examples of such behaviour (e.g., failing to fulfil commitments). Note that one can consider either only dyads (relations between two actors) as in row two and three, or relational settings with more actors involved, as in row one where other network members are mentioned.

Table 1

Relational setting

Publication	**Situation specific form of opportunism**
Provan (1993, p. 842)	Opportunism is defined as those conscious behaviors engaged in by the management of a dependent supplier firm to influence the decisions of the dominant buyer through deceit and guile in ways that are presumed by the supplier to enhance its position or outcomes, usually at the expense of other network members.
Deeds and Hill (1999, p. 143)	Opportunism in a research alliance takes the form of failing to fulfil commitments, expropriating proprietary technology, withholding or distorting information, and misrepresenting one's abilities.
Cavusgil, Deligonul and Zhang (2004, p. 17)	Opportunism in the export market refers to the degree to which local distributors violate both formal and relational contracts.

In our research we explore transnational inter-firm networks between German exporters and their network partners in the US and Mexico. This enables us to allow for the embeddedness of the actors. In these networks we find a variation not only in the number of actors but also in their functions. A German exporter can supply his clients directly, he can use agents or distributors (foreign channel intermediaries) or he can use mixed modes (e.g. co-operate with a distributor but supply big customers directly from the headquarters). As we have seen above, different forms of opportunism occur in different relational settings. Therefore we have to differentiate between exporter-client dyads, exporter-distributor dyads and distributor-client dyads. It should be clear that within such a dyad, say within an exporter-distributor dyad, the forms of opportunism vary depending on whether the exporter is the opportunistic actor and the distributor is the damaged party or vice versa.

2.2. Theory based dichotomous categorisations

Williamson (1985, p. 47) proposes a differentiation into active and passive forms of opportunistic bahaviour. This differentiation is further specified by Wathne and Heide (2000, p. 38): "As the terms imply, opportunism may occur when a party either engages in or refrains from particular actions". Another categorisation that goes back to Williamson makes a distinction between *ex ante* and *ex post* forms. The *ex ante* form describes the uncertainty before a relationship is established and is also referred to as the adverse selection problem (Akerlof, 1970). The *ex post* form describes opportunism within an already established relationship.

Wathne and Heide (2000, p. 38) also distinguish between blatant opportunism, when explicit contracts are breached and lawful opportunism that violates only implicit contracts or norms. Das (2004) points out a dimension that he calls the opportunism horizon. Within that dimension he differentiates between short-span opportunism and long-span opportunism. The effects of short-term opportunism “can be realized by the affected focal firm soon after the opportunist’s guileful action” (p. 750) whereas long-span opportunism “takes some time to unfold” (p. 753). The same author also describes a dimension that he calls risk level and includes two categories that separate forms of opportunism with low relational risk from those with high relational risk. The former is associated with low costs whereas the latter is associated with fundamental costs for the damaged party.

These five dichotomies (active/passive, *ex ante*/*ex post*, blatant/lawful, long-span/short-span, high risk/low risk) allow us to further specify the concept and can help to detect links between certain forms of opportunism and its outcomes, or the efficiency of applied countermeasures. One dichotomy by itself does not offer an exhaustive classification of all the varieties of the opportunism phenomenon. When applied in combination, however, the complexity of the opportunism construct becomes apparent. In the next two sections we discuss two proposals for more detailed classification systems that are both based on qualitative research.

2.3. Empirically founded classifications

2.3.1. Karunaratna and Johnson (1999)

Karunaratna and Johnson (1999) content analysed documents from five agency/distributor agreements between Australian exporters and their foreign agents. Additionally they conducted telephone interviews of approximately 20 minutes with 14 Australian export firms and one from New Zealand. Their result is the classification framework of opportunistic behaviour shown in table 2.

Karunaratna and Johnson present a classification scheme with five different types of opportunistic behaviour (in the first column). We have listed the five categories with descriptions of the opportunistic behaviour and examples from their data. Although the classification is intuitive at first sight, we would like to consider whether the five categories are mutually exclusive. We also think that the aspect of information asymmetry is worth discussing in more detail. Finally we would like to reveal the embeddedness of opportunistic behaviour in a set of relations that goes beyond the dyadic view.

The authors develop their five categories according to several aspects of the exporter-distributor relationship. It is, however, difficult to distinguish between these aspects as they are highly interrelated and not mutually exclusive which compromises the discriminative power of the classification. This is because one basic rule for classification was not taken into consideration: “[T]he logical rule to ensure mutually exclusive classes is that only one characteristic may be used at each stage of division. […] If this rule is not observed, if all characteristics are applied in one act of division, we simply produce one sequence of classes […]. […] This failure to establish mutually exclusive classes is known as cross-classification and completely undermines the working of a scheme.” (Langridge, 1992, p.15)

For instance the price of a product is not only strongly related to the product itself but also to the logistics. In addition, legal circumstances and (legal) contracts affect all of the other four categories because they are the institutions that make economic transactions possible. In the description of the logistical opportunism category, the authors themselves state that an exporter incurs dispute costs (legal opportunism) when a distributor exaggerates supply capabilities.

Table 2

Classification framework of opportunistic behaviour (Karunaratna and Johnson, 1999, p. 4-5)

Type and description	Example
1. **Product related opportunistic** behaviour relates to how the FCI [=foreign channel intermediary] represents the exporter's product specifications, performance and brand.	[A] distributor also carried a competing product for another manufacturer. At the time of signing the contract, the exporter was not made aware of this potential conflict of interests.
2. **Price related opportunism** concerns price manipulations undertaken without the consent of the exporter that may result in loss of market share or negatively influence product and brand image.	For example, pricing provisions within a contract may point to delays in payment beyond the stipulated credit period (e.g., 30 days) where the FCI may see an exchange rate advantage for itself but which may adversely affect the exporter.
3. **Information related opportunism** occurs when the FCI withholds critical market intelligence or divulges information to a competitor. In both cases, a loss of competitive advantage and competitive position may result […].	[…] an Australian audio electronics exporter who reported that they were unable to determine the agent's true technical capabilities before signing the agency agreement and found that such matters were constantly referred back to the exporter.
4. **Logistical opportunism** is where the FCI exaggerates supply capabilities to obtain a customer order or deliberately infringes on the territory of another intermediary. The exporter suffers through loss of image and reputation in the former and incurs dispute costs in the latter, and suffers ill-will from both parties where the FCI withholds such information. Logistical opportunism is experienced by claims of exaggerated losses during transport and warehousing.	A chemicals manufacturer reported that their FCI's occasionally claim product spoilage to cover losses due to competition.
5. **Legal opportunism** may occur where the FCI incurs legal obligations on behalf of the exporter that the exporter is unable or unwilling to fulfil.	None of the exporters reported opportunistic behaviour that could be classified into this category.

However, the most obvious blur in the present classification concerns the information category. In three of the other categories the authors actually state cases of information related opportunism: “the exporter was not made aware” in the first category, “without the consent of the exporter” in the second and “the FCI withholds such information” in the fourth. This is because most types of opportunistic behaviour have to be concealed in front of the damaged party in order to bestow the opportunist the desired advantage (see also Das, 2004, p. 754). It is therefore apparent that a classification scheme for opportunism should avoid cross-classification.

Another aspect we want to emphasise is the fact that opportunistic behaviour is often embedded in more complex relational settings than just dyads between the focal opportunist and the focal damaged party. In all of Karunaratna’s and Johnson’s examples there are at least three parties involved. In the first example there is a *second exporter* involved, in the second example the pricing problem refers to an involved *client* (the one that pays the manipulated price). In the description for information related opportunism the authors name a *competitor* that gets information from the distributor he should not get whereas in the description for logistical opportunism a distributor infringes on the territory of *another intermediary*. Finally, in the description of legal opportunism the distributor incurs a legal obligation on behalf of the exporter who is then indebted to a *third party*. Not only is opportunism a relational phenomenon, it has to be viewed as embedded in a set of relations.

2.3.2. Obadia and Vida (2006)

Obadia and Vida (2006) analysed 10 firm assessment reports by a consultant that specialized in assisting firms in their global expansion. The authors collected additional information from 13 people involved in the cases. Altogether Obadia and Vida found 57 cases of opportunistic behaviour that they classified in their hierarchical classification scheme presented in table 3. The superior dimension is dichotomous and differentiates between an active and passive “form” of opportunism (this refers back to Williamson, 1985, see also Wathne and Heide, 2000). The middle dimension consists of four “types”. One of the types, “shirking”, is assigned to the passive form whereas the remaining three categories subdivide the active form. In the third dimension the four “types” are subdivided into 12 “categories”.

We call Obadia’s and Vida’s classification scheme hierarchical because the authors put their dimension into an order of “form”, “type” and “category”. The classes of a subordinate dimension are exclusive subclasses of one of the classes of the superior dimension. The category “legal pledges unreported”, for example, is exclusively a subclass of the type “intangible assets: legal”. With the present classification scheme it cannot be understood as a subclass of the type “intangible assets: information”. The Type “intangible assets: legal” in turn is exclusively a subclass of the form “active”. It cannot be interpreted as a subclass of the form “passive”.

Even though the two classifications treat opportunism in different relational settings, there are obvious parallels between Karunaratna and Johnson’s types and Obadia and Vida’s types. In both, table 2 and table 3 one type addresses information and one addresses legal aspects. We find it promising that Obadia and Vida try to develop their “types” according to different forms of assets that are affected by opportunism. As cited already, “the logical rule to ensure mutually exclusive classes is that only one characteristic may be used at each stage of division.” (Langridge, 1992, p.15). Unfortunately, the consistency of that dimension is undermined when the authors try to integrate the phenomenon of shirking.

Again we would like to point out two other issues that we judge important in order to specify the opportunism construct. As in Karunaratna's and Johnson's classification, we see a blur regarding the information aspect. Obadia and Vida assign the concealing of opportunistic behaviour contained in the category "Nepotism" to the information type. At the same time the authors label one of their categories from the legal type "legal pledges unreported", which would also qualify it for the information type, because again information on opportunistic behaviour is concealed.

Table 3

Endogenous Opportunism in SMEs' Foreign Subsidiaries (Obadia and Vida, 2006)

Form	Type	Category
Active	Tangible assets	Stealing: cash
		Stealing: inventory
		Stealing: equipment (e.g., cars, business machines)
		Inappropriate spending (e.g., management private travelling, private expenses)
		Facilities used for management's private business
	Intangible assets: information	Bidding information sold to competition
		Firm's secrets made available to third parties (design and manufacturing)
		Nepotism (employees and service firms found to be related to top management)[a]
	Intangible assets: legal	Legal pledges unreported
		Brand names registered to third parties
		Sales permits (regulatory) registered to third parties
Passive	Shirking	Management absent and/or mostly dedicated to third-party businesses

[a] "We classified this category […] as belonging to the "intangible assets: information" category because it involved efforts to control information by the opportunistic party." (p. 69)

We want to emphasise again the embeddedness of the described cases of opportunism. In six of the twelve categories a third party is explicitly named ("competition", "third party" and "employees and service firms"). In the legal pledges category we find clear reference to someone that enforces his claims against the damaged party. Bearing the discussion of the two proposed classifications in mind we will present a new classification that we will demonstrate using three examples from our empirical data.

3. Proposal for a new classification

3.1. Prerequisites

In the classification we propose here, we want to allow for two properties of the opportunism phenomenon that we believe were not sufficiently taken into account in the classifications presented above. Firstly, opportunism is a multidimensional phenomenon that can be classified by a large number of dimensions. However, we believe it to be unlikely that all these dimensions can easily be organised in a hierarchical classification scheme. Secondly, there might always be cases that are difficult to assign unequivocally to only one specific type, independent of the dimension(s) used for classification. Yet, we believe that a more careful analysis of the aspect of information asymmetry facilitates a non-ambiguous classification. Our third point is not necessarily related to opportunism, it rather concerns classification in general. In order to augment the discriminative power of our classification through mutually exclusive classes we will use only one characteristic at each stage of division.

3.1.1. Multidimensionality

As we have shown in section 2.2. scholars have already proposed various dichotomous categorisations of opportunism (Williamson, 1985, Wathne and Heide, 2000, Das, 2004). This points out the multidimensionality of the construct. Depending on the objective, a classification scheme usually combines several dimensions. All of the theoretically deduced dichotomies – active/passive, *ex ante*/*ex post*, blatant/lawful, long-span/short-span, high risk/low risk – can be used as one of the dimensions of a classification scheme. However, it is an illusion to collocate all these categorisations in just one hierarchical classification scheme. Das (2004, p. 751) presents the dimensions opportunism horizon (short-span/long-span) and risk level (high risk/low risk) in a 2 x 2 matrix. This implies that all combinations of classes are possible. Opportunism can be short-span and low risk, short-span and high risk, long-span and low risk, long-span and high risk. A hierarchical classification scheme would not allow this.

We propose a classification scheme with seven dimensions and do not impose a hierarchy that subordinates one of the dimensions to another. In this way, our scheme is open for any combination of the dimensions' classes. However we assume that some combinations occur in a higher frequency than others and some combinations are unlikely to occur at all.

3.1.2. Inclusion of information asymmetry

The most obvious blur in the classifications discussed above is due to the problem of information asymmetry. This is related to the necessity to conceal opportunistic behaviour in order to provide the opportunist with the expected advantage. We argued that several of the authors' examples could also have been coded as cases of information-related opportunism in addition to or instead of the category that was chosen by the authors. However, we have to admit that in the cases we criticised, the aspect that lead the authors to their decision in favour of a category other than information-related opportunism may be more salient than the aspect of concealing information. Yet, to achieve unambiguous classification the allocation has to be unambiguous.

We see two possible solutions to this problem. The first solution would be to interpret these examples as two incidents of opportunistic behaviour within one relationship. One case of information-related opportunism and one other case. This would liberate us from the dilemma of an unambiguous attribution but would also ignore the relatedness between one first-order opportunistic behaviour and one second-order information-related opportunistic behaviour. The second-order opportunistic behaviour seeks to conceal the first-order behaviour and leads to information asymmetry.

The second solution – the one that we prefer – construes the concealing of an opportunistic behaviour only as one aspect of the concealed first-order opportunistic behaviour. The concealing would then be a second-order opportunistic behaviour. In this way, the relatedness between a first-order opportunistic behaviour and a second-order opportunistic behaviour that seeks to conceal the first-order behaviour is respected. The only problem with this solution is that in some cases the concealing of opportunistic behaviour becomes a major issue in itself. However, it would then still be treated as just one aspect of another first-order opportunistic behaviour even though this first-order opportunism may be less important. One example is the nepotism case in Obadia's and Vida's classification. The authors interpret nepotism as a means to control information (2006, p. 68). By employing family members the opportunistic party tried to conceal another first-order opportunistic behaviour. But that behaviour was not even worth reporting in the article and was perhaps not even reported to the researchers or specified in the documents they analysed. Through the enormous efforts to conceal one or several opportunistic behaviours, the original behaviours themselves became less significant. However, we think that no matter how significant the concealing behaviour might be, it still remains part of a first-order opportunistic behaviour and should therefore be coded as such.

Note that the starting point of the concealing behaviour can be before, at the time of or after the first-order opportunistic behaviour. Many forms of first-order opportunistic behaviour have to be concealed before they even start. One example is the distributor that also distributes a competing product for another manufacturer without telling the new exporter (see table 2). In this case the first-order opportunistic behaviour is the neglect of the new exporter's products while the second-order opportunistic behaviour is manifested through the "not telling" that precedes the neglect. Other activities like the price manipulation example (also table 2) are concealed at the time of the first-order opportunistic behaviour. Sometimes first-order opportunistic behaviour is also concealed afterwards. For example the refusal to pay can be prolonged when this behaviour is later concealed through excuses (for the dynamic of the opportunism phenomenon see also Das, 2004, Wathne and Heide, 2000).

One last thing that has to be said at this point is that not all information-related opportunism is aimed at concealing other opportunistic behaviour. There is also information-related first-order opportunism. And this information-related opportunism, such as selling technical know-how to a competitor of the business partner, is not even necessarily related to concealing or information asymmetry. In our data there is one example where a customer makes a major effort to copy the recipe of a special liquid to clean a machine that was at the time of the interview with the customer still exclusively offered by the manufacturer of that machine.

Because the customer is very important for the manufacturer he does not even think of hiding the fact that he is actually stealing technical know-how.

3.1.3. Mutually exclusive classes

Our third critique of the two classifications that we have presented, was their insufficient discriminative power due to the fact that several characteristics were used at one stage of division. In the classification literature this problem is known as cross-classification (see Langridge, 1992, p. 15). For example we doubt that "legal opportunism" and "logistical opportunism" should be two categories of one and the same dimension. It is not difficult to imagine that an exporter is confronted with legal pledges that stem from the distributor's opportunistic behaviour in logistical issues. In order to avoid such a dilemma in table 4 we will now try to develop a multidimensional classification scheme with several dimensions that are more restricted than the ones discussed in section 2.3. but therefore have a higher discriminative power. The combination of these dimensions allows us to capture opportunistic behaviour in its complexity. We believe this to be an important step on the way to a more adequate classification of opportunistic behaviour.

3.2. Dimensions

Starting with the opportunist, his behaviour always results in a maximization of his own benefit. Our first dimension describes the way he achieves this benefit, either because he obtains something that is valuable for him, because he can keep something that he already has, or because he refuses to do something that otherwise would have resulted in costs. Note that there are obvious parallels between this dimension and Wathne and Heide's (2000) active/passive dichotomy. Our second dimension is logically the object the opportunist obtains or keeps or the effort that he does not expend. The third dimension also relates to the opportunist. Here, we analyse whether the opportunist breaches an explicit or an implicit contract. With this dimension we implement the blatant/lawful dichotomy of Wathne and Heide (2000, p. 38). Note that it is difficult to tell from the outside whether or not a breach of contract happens within a relationship. To do so one would have to know the details of an explicit contract or know the norms and implicit contracts between the two parties. Even the involved actors themselves may lack a clear idea of the implicit contracts.

Continuing with the victim, for him the effect of opportunism is always a loss. Be it a loss of valuables that he possessed, the rise of additional costs or a benefit that is prevented by the opportunist. It is important to realise that, although they can coincide, the object a damaged party loses is not necessarily the object obtained by the opportunist. For example, when a foreign subsidiary behaves opportunistically and sells brand names to a third party (table 3) it obtains money from the third party to whom the brand name was sold. However the damaged party loses its rights for the brand names. That is why we separate one dimension for the object the opportunist obtains or keeps, from another dimension that describes the object(s) the damaged party loses.

The dimension that follows is dedicated to the information asymmetry that we believe occurs in most cases but not in all. Here, we want to allow for the dynamic aspect of opportunistic behaviour and therefore analyse the concealing in its temporal relation to the first-order opportunistic behaviour that it tries to conceal.

Table 4

Proposal for a new classification

self-interest seeking of opportunist	object (benefit for opportunist)	breach of contract	damaged party's disadvantage	objects lost/ not obtained/ that lose value	behaviour that leads to information asymmetry (IA)	third party
obtain	money (cash, payment)	explicit contract	lose	money (cash, payment)	conceal beforehand	dyadic (no third party)
keep/not give/ refuse	goods (also value/quality of goods)	implicit contract/ norm	not obtain	goods (also value/quality)	conceal at the time	third party unknown
other	work, manpower, service, support	other	other	work/manpower, service, support	conceal afterwards	third party exporter/ manufacturer
unclear	know-how/ information	unclear	unclear	information, intel-lectual property	false pretences beforehand	third party client
	other			product image	false pretences at the time	third party agent/distributor
	unclear			rights (e.g., for brand names)	false pretences afterwards	other
				reputation	no IA	unclear
				relationship with third party	other	
				business opportunity	unclear	
				other		
				unclear		

Finally we want to introduce a dimension that analyses whether third parties are involved in the opportunistic action or not. As far as we know, embeddedness has been an issue in the opportunism literature, however only as an intervening variable for opportunistic behaviour (Provan, 1993, Batenburg, Raub and Snijders, 2003). Provan (1993, p. 844) states: “Although the actual exercise of opportunism can be viewed appropriately as dyadic, as when a supplier behaves opportunistically toward a buyer, the likelihood that the behavior will emerge at all within a network context and the extent to which it is used cannot be understood by adopting a dyadic view.” We strongly agree with the second part of this statement. The embeddedness of an actor can certainly have crucial effects on the occurrence of opportunism. However we doubt that the actual exercise of opportunism can be viewed appropriately as dyadic. As we have seen in our discussion of the examples from the literature (Karunaratna and Johnson, 1999, Obadia and Vida, 2006) only very few cases do not include a third party. In our proposal for a new classification we therefore introduce the existence of a third party as a dimension of opportunistic behaviour.

4. The classification in use

4.1. Outline of the design and methods of our project

In our project we investigate opportunism in trans-national inter-firm networks of SMEs from the machine industry. Transactions in this industry are characterized by a high level of technical knowledge that in turn is related to asset-specificity and the danger of knowledge spill-over – two variables that are believed to interfere with opportunism (Das, 2004, p. 750). We concentrate on transnational inter-firm constellations where companies do not have a branch in the country of the partners they deal with. This results in the boundaries between the companies being the same as the boundaries between the countries. We are especially interested in links between independent variables like network-structure or country of origin and different facets of opportunistic behaviour.

Our study is twofold. The first part consists of a three country study for which we use qualitative research methodology. In this part we investigate opportunism by personally interviewing entrepreneurs or managers of SMEs in Germany, the United States and Mexico. In the second part of our study – which is still underway – we survey a larger random sample of entrepreneurs/managers of German SMEs with business relations with the United States or Mexico using standardised telephone interviews.

In the qualitative part, we worked with a theoretical sample using different available business databases in the three countries containing information on international contacts. We interviewed companies that we believe are representative of the different types of actors relevant in the network constellations of interest. While the number of interviews conducted within one subgroup is small (5 cases in each), the sum of interviews that together form the first part of our study is considerable (greater than 50). Using a semi-structured interview guide we asked the interviewees about their contact with companies abroad and problems in the relations with their counterparts. When the interviewer recognised cases of opportunism more detailed questions were asked. As recommended by qualitative methodologists, the interviews were conducted by the researcher. In a first telephone contact, we arranged an appointment for a personal interview with a duration of one hour. The interviews took place at the company site in the language of the interviewee. The audio recordings of the interviews were transcribed and analysed using computer assisted qualitative data analysis (caqdas).

From the qualitative data it is already apparent that opportunism is a widespread phenomenon in inter-firm networks between Germany and the United States and between Germany and Mexico. There are forms of opportunistic behaviour that are typical for certain constellations and country settings. The countermeasures against opportunism differ in relation to specific manifestations of the phenomenon and vary in their success.

4.2. Coding examples from our data

To check the functionality of our classification scheme we will now code three examples from our data (Table 5). We will choose the first incident of opportunism that was reported in detail during the first interview in each of the three countries. The first example was reported by a sales-manager of a German exporter. In order to beat down the price of a machine a Mexican client claimed to have a competitive offer from another manufacturer, which was later proven not to exist.

In the second example a US-American manufacturer describes how his German supplier neglects his business by always supplying products too late and of inferior quality. The interview partner accredits this behaviour to the fact that the German supplier is the market leader in his main line of production whereas his own company works in a niche business. The product the interviewee buys from the supplier is expensive to make and has high margins. The German supplier is also aware that nobody else is capable of producing a product that performs like his own.[2]

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[2] An anonimous reviewer argued that this example is not a case of opportunistic behaviour but of monopoly power. However, in my opinion this is not a contradiction. Monopoly is a perfect basis for the monopolist to act opportunistically. As Rooks et al. (2000, p. 128) put it: “Fewer and less attractive exit options of the buyer

The third example was reported from a Mexican intermediary that sells and offers service for German machines to clients in Mexico. Even though the Mexican distributor had the contractual right to obtain commission of five percent, the German manufacturer would only give him three percent because of a price concession to the end customer. Although the Mexican intermediary was present during price negotiations, the German manufacturer beat down the price afterwards and did not tell the intermediary during negotiations with the end customer.

provide a supplier with more incentives to behave opportunistically, for example, by somewhat reducing the quality of delivered goods."

Table 5

Coding examples

example	self-interest seeking of opportunist	object (benefit for opportunist)	breach of contract	damaged party's disadvantage	objects lost/ not obtained/ that lose value	behaviour that leads to information asymmetry (IA)	third party
1	keep/not give/ refuse	money (cash, payment)	implicit contract/ norm	not obtain	money (cash, payment)	false pretences beforehand	third party exporter/ manufacturer
2	keep/not give/ refuse	goods (also value/quality of goods)	unclear	not obtain	goods (also value of goods, quality)	no IA	dyadic (no third party)
3	keep/not give/ refuse	money (cash, payment)	explicit contract	not obtain	money (cash, payment)	conceal beforehand	third party client

4.3. Discussion

In all of our three examples the opportunist refuses to give something to the damaged party which the damaged party then does not obtain. In this way, the object kept by the opportunist is identical to the object the damaged party loses. Please note that it can be difficult to decide whether an object has to be coded as money or as one of the other classes (goods, work, information etc.), as all of the objects usually either cost money or can be exchanged for money. It can be assumed that the American manufacturer that does not get delivery on time or an adequate product quality from the German supplier also loses money because he might lose customers, or has to make a bigger effort in service due to quality constraints of the materials he is using. Therefore, the money category should only be used when it is actually money in the form of cash, commission, payment or fine that one of the parties obtains, keeps, loses or does not obtain.

Only in our third example did the interviewee report the breach of an explicit contract. If in the first example a contract did already exist between the German manufacturer and the Mexican customer, we believe it very unlikely that it included a statement that the customer should not beat down the price with false pretences. However, not making up false competitive offers in price negotiations is certainly an accepted norm in international business. This is why we code this example as a breach of an implicit contract. Note that implicit contracts and norms can vary between cultures and nations, which can lead to fatal misunderstandings in transnational business relationships. In our second example we do not know whether a formal contract on quality and/or delivery time does exist.

Information asymmetry occurs in two of our examples. In the first example the Mexican customer actively makes up false competitive offers, in our third example the German exporter keeps his plans secret to beat down the distributor's commission after price negotiations with the end customer. Note that all of our three examples were coded as refusal in the first dimension which points to rather passive forms of opportunism. However, the false pretences from the Mexican customer are not only a breach of an implicit contract but also rather active than passive behaviour. We believe that in order to decide between active and passive opportunism one has to allow for both the first-order behaviour (self-interest seeking) and the second-order opportunistic behaviour that leads to information asymmetry.

We coded the second of our examples as dyadic because there is no directly involved third party. Of course, clients of the American manufacturer can also be affected because their supply can be delayed as well. However, this is not part of the opportunistic behaviour. In contrast, in the first example a false competitor is necessary to render the Mexican customer's trick possible. Note that opportunistic behaviour as in our first example can be successfully reduced through contact between the German exporter and other actors in the market which leads to an improved knowledge of the market. In the third example the Mexican intermediary lost his advantageous position as a broker between the German manufacturer and the end customer in Mexico (see Granovetter, 1973). He became the victim of the opportunistic action. Here, opportunistic behaviour is also strongly connected to a third party as it is triggered by a price reduction for the customer.

5. Conclusion

We have shown that in the field of international business opportunism can occur in various constellations of actors. We call these constellations relational settings. Scholars like Williamson (1985), Wathne and Heide (2000) and Das (2004) specified the opportunism construct using five dichotomies: active/passive, *ex ante*/*ex post*, blatant/lawful, long-span/short-span, high risk/low risk. These dichotomies are deduced from theory. In contrast, two publications (Karunaratna and Johnson, 1999, Obadia and Vida, 2006) that we have discussed in detail developed more elaborate classification schemes of opportunistic behaviour based on qualitative data.

To develop a classification scheme with a higher discriminative power – a crucial quality criterion in classification – we suggest three prerequisites. Firstly, classification has to allow for the multidimensionality of opportunistic behaviour. However, it is not useful to impose a hierarchy that puts the dimensions into an order in which one class of a subordinate dimension is exclusively a subclass of one class of a superior dimension. Secondly, we treat information asymmetry as one aspect of a first-order opportunistic behaviour. Thirdly, in order to obtain mutually exclusive classes, we use only one characteristic at each stage of division. Working from this basis we then propose a new classification scheme with seven dimensions.

In order to test the functionality of our classification scheme we coded three cases from our own empirical data and discussed the coding decisions. We do not claim that our categories are perfectly mutually exclusive or exhaustive. To better fulfil these demands our scheme would have to be tested with more empirical data and be developed further. Then inter coder reliability tests would have to be conducted.

Classification of opportunistic behaviour is important for both, scholars and practitioners. Scholars that investigate links between opportunism and its antecedents or countermeasures have to be aware of the various facets of the phenomenon they are analysing. Only with an accurate classification scheme can scholars deduce the managerial implications and advice practitioners on how best to deal with different forms of opportunism.

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