

# **Vendor Response to Client Opportunism: Studies in the Indian IT services Industry**

## **Abstract**

A client and a vendor are two organizations in a service exchange relationship that is under a formal contract. During the course of the service exchange, a specific client behavior can create an unfavorable situation for the vendor. Vendor may then perceive the client behavior as opportunistic and intended to reap gains for the client at the cost of the vendor's interests. In such a situation, how does the vendor respond? This thesis endeavors to answer this question.

Vendor response to client opportunism guides the future of the relationship, more than opportunism itself, which may be for real or simply a perception. Vendor may or may not find it desirable, feasible and/or beneficial to opt for separation. Thus, it is important to understand what responses the vendor may adopt and how does it decide upon them.

This thesis investigates responses to client opportunism in the form of constructive discussion, passive acceptance, venting and disengagement. It seeks to understand the process by which psychological factors determine behavioral response to opportunism, an under studied area in literature. It additionally considers certain client and project characteristics that may influence response to opportunism.

This thesis comprises one preliminary study and two quantitative studies. The preliminary study employs semi-structured interviews and presents client senior management involvement as the most important client characteristic that may influence vendor response to client opportunism. The quantitative studies use experimental vignette surveys to examine the role of psychological factors in influencing response to opportunism. While the first focuses on negative affect specifically, the second additionally focuses on positive affect and perceived organizational justice. Besides, they inspect the effect of client senior management

involvement and project characteristic of project stage in determining response to opportunism.

The studies were conducted in the Indian IT services industry where client opportunism is prevalent due to asymmetric client vendor relationships. The sample consisted of IT professionals in the middle management who were holding the position of project manager at the time of data collection or before. The analysis was based on the responses of 472 project managers, with a final sample size of 10 for the preliminary study and 280 for the first and 182 for the second quantitative study. The preliminary study used coding technique for qualitative analysis and the other studies used path analysis, hierarchical regression and product of coefficients approach for quantitative analysis. The findings of the analysis are as follows:

- Client opportunism increases negative affect and decreases positive affect, perceived distributive justice and perceived inter-personal justice of the vendor.
- Lower perception of distributive justice reduces positive affect. Lower perception of inter-personal justice reduces positive affect and increases negative affect of the vendor.
- Higher negative affect increases venting and disengagement. Lower positive affect decreases passive acceptance and venting by the vendor.
- Lower perception of inter-personal justice decreases constructive discussion by the vendor.
- Client opportunism directly leads to venting and disengagement by the vendor, only when vendor experiences negative affect.
- Constructive discussion and passive acceptance by the vendor may or may not occur irrespective of client opportunism.
- Client senior management involvement weakens the effect of negative affect on passive acceptance by the vendor.
- Progress in the project stage strengthens the influence of negative affect on constructive discussion and weakens the influence of negative affect on venting. It also increases use of both behavioral responses by the vendor.

- Client senior management involvement and project stage do not influence the effect of emotions on behavioral responses when the emotions are influenced by perception of distributive and inter-personal justice of the vendor.

These findings make the following contributions to inter-organizational literature on behavioral response to partner opportunism

- Justice in inter-personal relationships is important for active and constructive response.
- Negative emotions are mainly responsible for destructive response.
- Increase in negative and decrease in positive emotions due to low justice perceptions bring about destructive response more than justice perceptions themselves.
- Nature of past experience guides behavioral response to a large extent.
- Although partner SMI is considered important to the relationship performance, it may turn out to be ineffective in promoting constructive or inhibiting destructive response.
- Stage of a project determines the extent to which voice is used and the manner in which negative emotions impact voice.
- If boundary spanners, and not their employer organization, have the primary role in partner relationship management, there is a stronger possibility of destructive response.

This thesis also provides some vital suggestions. First, behavioral responses may be distinct from each other in terms of their psychological and demographic determinants. Second, justice perception may differently influence behavior within an organization and between organizations. Third, partner SMI may have a more fragile impact on inter-organizational activities than on activities internal to an organization. Fourth, effect of temporal aspect on voice may depend on the nature of exchange relationship.

This thesis is expected to encourage vendors and clients to rethink their strategy for managing client relationships that are seen as opportunistic. Besides, it can open doors for research in opportunism across different kinds of inter-organizational relationships and industries, and facilitate deeper insights into how relationships fail or sustain.