THE EFFECT OF RECIPROCITY NORM ON ETHICAL COMPROMISE:
A CROSS-CULTURAL INVESTIGATION

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ABSTRACT

This study examined the effect of reciprocity norm on the likelihood of ethical compromise in exchange relationships. Experimental studies were conducted in cross-cultural contexts of the U.S. and Kenya. The results indicated a significant and positive relationship between reciprocity norm and the likelihood of ethical compromise in both contexts.

Keywords: Reciprocity Norm, Ethics, Business Exchange, Supply Chain, Cross-Culture

INTRODUCTION AND BACKGROUND

The norm of reciprocity has been an important construct that attracts research interest from scholars in various disciplines and the consensus from these disciplines suggests the importance of reciprocity norm on the dynamics in social relationships (e.g., Axelrod & Dion, 1988; Bowen & Jones, 1996). The norm of reciprocity is built on two fundamental principles: (1) people should help those who have helped them, and (2) people should not harm those who have helped them (Gouldner, 1960). This social norm has been regarded as a stabilizing force in any social system (Gouldner, 1960). In addition, empirical research has suggested various advantageous effects of the reciprocity norm in the business and management contexts, including limiting customers’ likelihood to switch to competitors and to engage in an unethical behavior (Friedman & Friedman, 1996; Friedman & Herskovitz, 1990), and reducing opportunism in supply chain relationships (Bowen & Jones, 1996; Maitland, Bryson, & Van De Ven, 1985). While most reciprocity norms studies have primarily focused on its benevolent effects, the research that examines its malevolent effect has been limited to date. Abbink, Irlenbusch, and Renner’s study on corruption and reciprocity (2002) and Shang, Chen, and Chen’s study on digital music file sharing and reciprocity (2008) are among the few studies that have tapped into the potential dark side of the reciprocity. As such, this study aims at filling this research gap in the literature by empirically investigating the dark side of reciprocity.

In this study, we develop an a priori hypothesis, suggesting that the norm of reciprocity can lead to an ethical compromise on managerial decision makers in business exchanges. We then empirically test this reciprocity-ethical compromise thesis by conducting experimental studies.
with business professionals in two cultural contexts: the U.S. and Kenya. Using replicated experiments in two cultural settings in two different countries helps enhance the generalizability of the findings.

HYPOTHESIS DEVELOPMENT - RECIPROCITY-ETHICAL COMPROMISE

Despite the benevolent impacts of the norm of reciprocity, this social norm can arguably lead to an ethical compromise when a party in a reciprocity-based business relationship is compelled to advocate an ethically questionable or even unacceptable practice by the other party in the relationship. We contend that this ethical compromise is ironically driven by a moral force as well as an instrumental force embodied in the norm of reciprocity. As a moral force, the norm of reciprocity exerts an influence over decision-making agents in exchange relationships and obliges them to return a favor to their exchange partners who have helped and supported them before. This creates the vulnerability of one party that can be exploited by the other (Cialdini, 1998). Under the influence of the moral norm of reciprocity, the decision-making agents in exchange relationships are more vulnerable to accept an unreasonable or even ethically questionable request by the other party. As the decision-making agents are aware of their moral obligation to repay to the other party, they may overlook the ethical ramifications of their decision. In other words, the moral force of reciprocity may potentially supersede other ethical considerations involved in the decision at hand. As an instrumental force, the norm of reciprocity can also govern exchange relationships and can offer pragmatic long-term benefits to exchange partners. This social norm ensures that the contribution that one party makes to the well-being of the other in an exchange relationship will be repaid in the future, fostering the cooperation in the relationship (Blau, 1964; Cialdini, 1998; Gouldner, 1960). From egoistic standpoints, reciprocating good deeds received from others enhances an individual’s chance of receiving benefits in the future (Gouldner, 1960), and thus reciprocation is considered an optimal strategy for long-term self-interest (Axelrod, 1984; Rappaport & Chammah, 1965). Thus, the reciprocity norm may lead to an instrumental necessity that the parties in an exchange relationship need to cooperate with each other for their long-term self as well as mutual benefits. This instrumental force can also suppress an exchange party’s free will and increase the likelihood that the exchange party will cooperate and comply with a request from the other party in an exchange relationship even if the request is deemed ethically questionable. Collectively, the moral obligation and the instrumental necessity driven by the norm of reciprocity can weaken other ethical considerations of decision-making agents in exchange relationships. Thus, the decision-making agents under the influence of the norm of reciprocity may potentially engage in an ethical compromise when facing an ethically questionable request from their exchange partners. The above theoretical arguments suggest the reciprocity-ethical compromise hypothesis as follows.

Reciprocity-Ethical Compromise Hypothesis: Under the influence of the norm of reciprocity, decision-making agents in exchange relationships are more likely to engage in an ethical compromise by accepting an ethically questionable request from their exchange partner.

To test the proposed reciprocity-ethical compromise hypotheses, we used a scenario-based experiment as our research methodology. The first study was conducted with business
professionals in the U.S. while the second study was conducted with business professionals in Kenya. The replicated experiments in two vastly different contexts help further validate our findings and their generalizability. The two studies are described in the following sections.

STUDY 1

Participants and Experimental Design

To test the proposed reciprocity-ethical compromise hypothesis, we used a scenario-based experiment as our research methodology. Participants in Study 1 were 175 experienced business professionals in the U.S. The participants were randomly assigned to two groups: one experimental group and one control group. All participants were then asked to read an ethical dilemma scenario developed based on the Microsoft antitrust lawsuit case. As part of the lawsuit, Microsoft was charged with engaging in illegal monopolization and/or monopoly maintenance and illegally entering into exclusive dealing and exclusionary agreements with Intel. An incident leading up to the charges was that while Sun and Intel were establishing a technology partnership to optimize Sun’s operating environment for Intel’s processors, Microsoft intervened the process by contacting Intel and convincing Intel not to cooperate with Sun, which was a primary competitor of Microsoft at the time. Based on this incident, we created a fictitious scenario in which Company W (a pseudonym name for Intel) is considering a mutually beneficial business relationship with Company X (a pseudonym for Sun). However, the top manager of Company Y (a pseudonym name for Microsoft), an established business partner of Company W, has approached the top manager of Company W and ask him/her not to form the partnership with Company X, which is the prime competitor of Company Y. The participants in this experiment assume the role of the top manager at Company W. Facing with this dilemma, the participants have to make a yes-no decision whether to comply with the request from Company Y (see Appendix for the full description of the scenario). Given that anticompetitive conducts are considered ethically or even legally questionable, we consider the participants’ decision to comply with Company Y’s request as an ethical compromise. All participants were presented with the same information in the given scenario briefly summarized above. However, only the participants in the experimental group were provided with the reciprocity manipulation materials indicting that Company Y served their company well in the past and if they make a decision in favor of Company Y now, Company Y would provide even greater support to their company in the future when it can. Those in the control group were not presented with the reciprocity manipulation materials. The manipulation check was successfully performed as the participants in the experimental group indicated that when making the decision, they took the manipulation materials regarding reciprocity norm into consideration to a greater extent than those in the control group (p<0.001).

Data Analysis and Results

The decision of whether to comply with the ethically questionable request was the dependent variable and was coded as 1 and 0 for the compliance decision (engaging in an ethical compromise) and the non-compliance decision (not engaging in an ethical compromise), respectively. The reciprocity manipulation was the independent variable and was coded as 1 and 0 for its presence and absence in the given scenario, respectively. Control variables included
ethnicity, gender, age, years of work experience, and years of management experience. The overall chi-square test of the full model and the improvement of the goodness-of-fit (measured by the difference of \(-2\) log likelihood in the full and control models) were both statistically significant at \(p < 0.05\). The full model results indicated that the reciprocity manipulation was positively related to the likelihood that participants would comply with the ethically questionable request and thus engage in an ethical compromise \((p < 0.05)\), providing a strong support for the reciprocity-ethical compromise thesis as stated in the previous section. In addition, Work Experience was positively related to the likelihood of ethical compromise \((p < 0.1)\), indicating that the participants with more work experience were more likely to engage in an ethical compromise than those with less work experience. In contrast, Age was negatively related to the likelihood of ethical compromise \((p < 0.05)\), suggesting that older participants were less likely to engage in an ethical compromise than younger participants.

**STUDY 2**

Given that a replication of experimental research can strengthen the validity of the findings, we replicated the same experiment with 90 experienced business professionals and MBA students recruited in Kenya. We followed the methodological steps (i.e., research design, random assignment, manipulation, data analysis, etc.) taken in Study 1, with only one exception that we excluded Ethnicity from the data analysis since only one of 90 participants was Caucasian.

The logistic regression analyses results indicated that the overall chi-square test of the full model and the improvement of the goodness-of-fit (measured by the difference of \(-2\) log likelihood in the full and control models) were both statistically significant \((p < 0.05)\). Consistent with the results of Study 1, the full model results of Study 2 indicated that the reciprocity manipulation was positively associated with the likelihood of ethical compromise \((p < 0.05)\), thus supporting the reciprocity-ethical compromise hypothesis. In contrast to those of Study 1, the results of Study 2 indicated that none of control variables was significantly related to the likelihood of ethical compromise.

In summary, the results of both Study 1 and Study 2 consistently yielded support for the reciprocity-ethical compromise hypothesis, suggesting that under the influence of the norm of reciprocity, the decision-making agents are more likely to comply with an ethically questionable request by their exchange partner, thus engaging an ethical compromise. However, the effects of demographic variables including age and work experience were not consistently significant in both studies. Since the main hypothesis was supported by both studies and the results regarding the reciprocity-ethical compromise thesis were qualitatively indifferent, we combined the data from both studies and performed the data analysis using three different models, 1) without country of participants, 2) with country of participants, 3) with country of participants and its interaction with reciprocity. These results collectively support the proposed reciprocity-ethical compromise hypothesis and suggest that the reciprocity-ethical compromise relationship may potentially be a global phenomenon, given that there is no significant difference across participants in two different countries.
DISCUSSION AND CONCLUSION

This research lends support to the malevolent effect of the dark side of reciprocity in business decision-making, as the findings suggest that the norm of reciprocity can exert its influence over decision-making agents and compel them to engage in an ethical compromise. As the current literature focuses primarily on the benevolent effects of reciprocity (e.g., Bowen & Jones, 1996; Deckop, Cirka, & Andersson, 2003; Shore & Wayne, 1993), this research departs from the literature by articulating a general reciprocity-ethical compromise thesis to highlight the dark side of reciprocity and then empirically testing it in two vastly different contexts: the U.S. and Kenya. The consistent findings in both the U.S. and Kenyan studies may suggest the global nature of the reciprocity-ethical compromise relationship unveiled in this research. The findings of this study also inform decision-making agents that they need to be aware that the reciprocity norm has not only its benevolent role, which is well documented in the literature, but also its malevolent role that many may overlook. While decision-making agents should embrace the benevolent role of reciprocity in curbing opportunism and strengthening loyalty and commitment in exchange relationships (e.g., Bowen & Jones, 1996; Shore & Wayne, 1993), they should guard against the malevolent role of reciprocity that leads to an ethical compromise. This study is one of the few that examine the dark side of reciprocity. More studies in this line of research are still needed to improve an understanding of this important phenomenon and hopefully to unveil a specific mechanism to counteract the dark side of reciprocity.

There are some limitations inherent in this study, which can provide future research directions. First, this study only examined the overall effect of reciprocity on the likelihood of ethical compromise and did not examine the separate effects of the moral-based and instrumental-based reciprocity. Future research could investigate the effects separately to improve the understanding of these two influencing mechanisms of reciprocity. Second, this study had a narrow research scope focusing on the norm of reciprocity and excludes the potential impact of decision-making agents’ personalities on the likelihood of ethical compromise. It is possible that the decision-making agents with certain personalities are more susceptible to submission to the moral and/or instrumental forces of reciprocity. Future studies could examine this line of inquiry. Third, the current research tested the reciprocity-ethical compromise hypothesis only in one ethical dilemma context of anticompetitive conducts. To enhance the validity of the findings, future research needs to test the reciprocity-ethical compromise hypothesis in various ethical contexts. Finally, the experimental studies involved participants from only two countries. To strengthen the claim that the reciprocity-ethical compromise relationship is considered a global phenomenon, more experimental studies in different countries with contrasting cultural contexts are needed.

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