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# Supply chain unethical behaviors and continuity of relationship: Using the PLS approach for testing moderation effects of inter-organizational justice

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ABSTRACT

Unethical behaviors in supply channels have been analyzed extensively in the business ethics literature. However, specifically regarding the medical supply chain literature, analysis of unethical behavior in a buyer–supplier relationship has received limited attention. The importance attached to ethical values in buyer–supplier engagements positively affects the continuity of the relationship. In this study, the following issues have been investigated: (1) whether the unethical behaviors of the supplier have a negative impact on the continuity of the relationship between the parties, and (2) the moderating effects of the procedural and distributive justice of the buyer on the relationship. Data have been collected from 307 pharmacies and analyzed utlizing the PLS (Partial Least Squares) based structural equation modeling technique. The findings obtained indicate that only the deceitful unethical behavior of the supplier directly affects the continuity of the relationship. At the same time, procedural and distributive justice of the buyer negatively influences the continuity of the relationship. However it has been determined that procedural and distributive justice do not moderate the relationship between the unethical behavior and continuity of the relationship. The research that has been carried out brings forward important results with regard to all suppliers that intend to develop relationships with the pharmaceutical sector and buyer firms.



## 1. Introduction

Ethical corporate behaviors are critical in all business environments. In particular, the success of a buyer–supplier relationship depends on long term orientations within an ethical context. Ethical factors are considered and increased as a basic obligation in terms of effective fulfillment of management activities (Desselle and Zgarrick, 2009). Svensson and Baath (2008) summarized the basis growing interest into ethical behaviors highlighting such contemporary issues as globalization of markets, protection of core values by entities, and the increasing importance given to universally accepted honesty rules.

The competitive environment, heating up with the emergence of new and powerful competitors in the markets with regard to all sectors, tempts entities to perform unethical maneuvers in their commercial relations with the aim of gaining a competitive advantage (Morris, 2005). Transaction and auditing costs of entities increase due to the fact that such operations based on the derivation of unfair advantage are difficult to detect. Accordingly, trust between parties is betrayed, conflicts arise, and relations become strained. Williamson (1985) points out the importance of fair implementations as well as legal and particular regulations in terms of the prevention of opportunistic and unethical behaviors (Luo, 2007).

The primary subjects constituting a basis for the effective management of activities carried out between parties in many sectors can be summarized as follows (Desselle and Zgarrick, 2009): (a) regulations including ethical rules, which increase the commitment to the entity should be made, (b) the implementations should be fair and (c) required respect for the individuals should be displayed.

Accordingly, attitudes and behaviors pursuant to ethical standards and fairness in implementations in buyer–supplier relations are important for the continuity of the ongoing relationship. Conversely, unethical attitudes and behaviors may cause unsustainability in commercial partnerships; thus resulting in destructive outcomes for both parties (Umar et. al., 2013). Hence, the commercial partners

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should strive to eliminate unethical behaviors and practices in their relationships – both inbound and outbound of the organizations.

In relation to drug marketing, the primary ethical problems have been identified as: incompliance with the honesty principle, refusal to accept responsibility, disrespect to self-determination and privacy, discrimination and favoritism, bribery and corruption, unethical behaviors in target market selection, unethical attitudes and behaviors in decisions taken for services and products, unethical implementations in distribution channels, and promotion activities (Fassin, 2005; Gonzalez-Padron et al., 2008).

The objective of this study, therefore is to illuminate how deceitful, subtle and opportunistic behaviors may affect the continuity of the relationship, by means of handling the relationship between the pharmacist and pharmaceutical wholesale suppliers from the pharmacist's perspective. In addition, this study explores the effects of procedural and distributive justice of the pharmacist on the continuity of the relationship and the moderating role between unethical behaviors of the supplier and the continuity of the relationship.

## 2. Literature review, hypotheses and the research model

### 2.1. The ethical context in supply chains

Supply chain ethics carry out increasing importance with respect to business implementation (Ferrell et al., 2013; Özlen et al., 2013; Lu et al., 2012). The goal of a supply chain is to achieve efficient flow in the supply of goods and services. An additional outcome of supply chain management is to improve trust and collaboration among supply chain partners. Ethical supply refers to the practice of providing goods and services to customers while subscribing to an ethical code (Beamon, 2005).

Illegal activities and unethical behaviors conducted by organizations are observed intently by society (Svensson and Baath, 2008). The ethical problem confronted frequently with respect to the supply chain is that customers consider sellers as faulty and blame them. However, generally the source of the problem arises in the product or service formation phase, in other words in the phase related to the supplier. As the supplier of the products is free from any legal and factual liability to the final customer, the fault is directed toward the seller entity (Levin, 2008). The primary issue of ethical discussions are the results of the behaviors, legal structure, moral limitations, determination of ethical principles, responsibilities on the individual or group basis and compliance with the determined principles and responsibilities (Manning et al., 2006).

An ethical thought can be developed at two levels. The first and lower level is of rules or ethical norms; the second and higher one is the level of principles or values (Gallo, 2004). Although subjects related to ethics include uncertainty at a certain level, they make the fulfillment of some selections between possible alternatives. Ethics at the organizational level explain the values and principles within a framework via which decisions are determined. Adjudication made by the organization in compliance with ethics depends upon laws, national ethics standards, organizational culture, and the interaction of different organizational cultures included in the supply chain (Manning et al., 2006).

Studies held in the field of management point out the formation of official programs and policies of entities within the framework of ethical values (Weaver et al., 1999). The objective of the official programs established within organizations is to bring the behaviors of the personnel in compliance with ethical standards. It has been determined that internal business programs supporting ethical behaviors and policies that are effectively implemented positively impact the performance of the entity (Donaldson and Preston, 1995; Quinn and Jones, 1995). Therefore, the achievement of success in the supply chain depends upon the importance attached by the members to ethical values and principles (Levin, 2008).

### 2.2. Unethical and oppotunistic behaviors in the supply chain

The entities tend towards certain unethical behaviors with the purpose of assuming an advantage over their competitors (Morris, 2005). A tendency toward unethical behaviors occurs depending upon the hierarchical state of the market in which the entity operates and the profits to be obtained by the entity (Luo, 2007). Studies indicate that unethical behaviors result from imperfect moral values. The source of unethical behaviors in business can be traced to the ethical climate and policies carried out by the entity (Badenhorst, 1994). Unethical practices observed in many forms include, in addition to outright fraud: unfair competition and communication, non-respect of agreements, and unfair attitudes and treatment of stakeholders (Freeman, 1984; Fassin, 2005).

The presence of unethical behaviors affects the duration of the relationship established between the buyer and the supplier. Unethical behaviors provide short-term gains for the parties; however, it shortens the duration of the relationship between the parties and eliminates the long-term gains (Hill et al., 2009). Acquisition of long-term gains depends upon the execution of activities of the firms within the framework of ethical behavior and also it can play a critical role in the formation and maintenance of long-term relationships between the buyers and the suppliers (Román, 2003).

The literature indicates that unethical implementations between buyers and suppliers are the result of two reasons; one of them is internal and the other is external (Carter, 2000b). The internal reasons include features related to the organization such as leadership approaches, personnel's behaviors, sanctions, training, policies, and pressure towards achieving success. The external reasons include inter-organizational features such as the structure of the government, the duration of the relationship, and the balance of power.

When the literature in this field is analyzed it is seen that ethical issues in a buyer–supplier relationship are often handled within the viewpoint of purchasing (Turner et al., 1994). Several studies have examined the antecedents of unethical behaviors. Lower levels of unethical behavior are associated with the establishment of a corporate formal ethical policy, providing ethics training programs, periodic review sessions, rewards, punishments, and positive examples set by management (Carter, 2000a).

Carter (2000b) has classified two unethical purchasing behaviors: deceitful and subtle. Deceitful practices relate to activities purposely misleading the supplier; subtle practices are the indirect breach of a contract. Das (2005) also emphasized that four types of deceitful behavior are: Type 1: low relational risk, short deceit horizon; Type 2: high relational risk, short deceit horizon; Type 3: low relational risk, long deceit horizon; and Type 4: high relational risk, long deceit horizon.

Conversely, deceitful behaviors are generally related to the outcomes (Hill et al., 2009). Research indicates that deceitful implementations of the seller adversely affect the satisfaction level of the supplier. Kaynak and Sert (2011) have attributed the undesirable effect of subtle and deceitful behaviors on buyers' satisfaction.

Unethical behaviors provide short-term gains for the one of the parties. As unethical attitudes and practices such as subtle, deceitful behaviors negatively affect the credibility, image and reputation of the entity, it will impact its long-term commercial relations in a negative manner and will create a decrease in the sales and profits over time (Hill et al., 2009). Therefore;

**H1a.** Subtle behaviors of suppliers negatively affect the continuity of the relationship.

**H1b.** Deceitful behaviors of suppliers negatively affect the continuity of the relationship.

Opportunistic behavior, which has been recognized as part of the fraud triangle,suggests that other components of corporate fraud are incentives and attitudes (Arnold et al., 2012). Williamson (1995) also introduced the concept of opportunism as *transaction cost economics theory*. Regulations based on contract and structural regulations have been established by means of *Transaction Cost Theory*; conversely, relational regulations and regulations towards justice have been realized through the *Social Exchange Theory* (Luo, 2007). As a result, *transaction cost theory* and *social exchange theory* are the dominant theoretical perspectives in opportunism-related researches (Williamson, 1985; Hill, 1990; Lai et al., 2005; Hawkins et al., 2008). Opportunism is defined as self-interest seeking with guile (Williamson, 1993). Opportunism has parallels with deceit, yet numerous differences exist such as withholding or distorting information, or a failure to maintain obligations (Saini, 2010).

According to the definition of opportunism, it is an internal phenomenon, triggered by other multiple variants ans mechanisms. With respect to the prevention of opportunistic behaviors, Williamson (1979, 1985) highlighted the importance of legal regulations (e.g., auditing based upon contract), particular regulations (e.g., preservation of credibility) and justice (e.g., shared ownership). Similarly, Luo (2006) has put forward four regulations enabling the limitation of opportunistic behaviors: (1) regulations based on contract, (2) structural regulations, (3) relational regulations, (4) regulations towards justice.

Madhok (1995) and Conner and Prahalad (1996) explored governmental regulations and their relationship to opportunism. Sako (1992) asserted that opportunism arises when organizations are dependent on each other for specific reasons; in other words, when there is a bilateral monopoly (Laaksonen et al., 2008). Williamson (1985) described opportunism as the aim of deriving personal benefits by cheating as a result of the lack of honesty during transactions. In contrst, he also stated that opportunism refers to the incomplete or distorted disclosure of information; especially to calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse.

Opportunism remains an important role in business research because it is common and may have a significant impact on firm performance (Hawkins et al., 2008). In research carried out by Morgan and Hunt (1994), it was modeled that opportunism negatively affects trust. Joshi and Arnold (1997) observed the effects of dependence on opportunism, which is moderated by the level of relational norms in the buyer–supplier relationship. Luo et al. (2014) have suggested that the distributive justice has a negative effect on opportunism but the effect of procedural justice on opportunism is not significant. Jap and Anderson (2003) emphasized that opportunistic behavior exerts a significant negative effect on the expectation of relationship continuity.

Through comprehensive studies, Wathne and Heide (2000) suggested methods and governmental strategies towards the control of opportunist implementations (Morris, 2005). In addition, Moore and Cunningham (1999) indicated that effective execution of the buyer–supplier relationship relies upon the avoidance of opportunistic behaviors by the parties. Additional research has asserted the existence of significant results between opportunistic behavior and continuity of buyer–supplier relationships (Hill 1990; Brown, et al., 2000).

**H1c.** Opportunist behaviors of the suppliers negatively affect the continuity of the relationship.

### 2.3. Inter-organizational justice

Organizational justice theory is useful framework to examine behavior and performance, based on perceived justice of individuals within a work environment (Colquitt, 2001). Research carried out in the last century have generated certain amendments with respect to the dimension of the justice concept. Initially, the concept of justice was described simply as distributive justice; however later it diverged into two separate aspects, namely distributive and procedural aspects (McFarlin and Sweeney, 1992). With increasing academic interest in the justice issue, the concept of interactional justic has been added to the foregoing justice aspects (Deutsch, 1985; Greenberg, 1990, Cropanzano et al., 2001). Currently, organizational justice has been defined under three categories: distributive, procedural, interactional (Cohen-Charash and Spector, 2001; Rupp et al., 2014).

Perceptions of justice and injustice have been linked with a broad variety of employee attitudes and behaviors including trust, satisfaction, commitment, turnover, and a number of negative behaviors such as theft and more general unethical behaviors (Greenberg, 1990; Trevino et al., 2006).

Fulfillment of justice during such processes as purchasing activities is of key importance. In this field, where experimental research has been limited, detection of the effects of fair implementations carried out between parties on the process is of great importance, because fair behaviors of the buyers towards sellers on the basis of equal treatment and their impartial and equitable attitudes are of great importance with respect to the continuity of the relationship (Podsakoff and MacKenzie, 1994).

*Procedural justice.* The concept of procedural justice is defined as the fair regulation of policies and procedures and fair fulfillment of processes and procedures (Brashear et al., 2004). Tyler (1994) handle the concept of procedural justice as the fairness of the instruments used during the decision-making process towards the organization. Similarly, Folger and Konovsky (1989)describe procedural justice as a concept explaining how and in what way the personnel are awarded or punished for performance or negative behavior, the operation of a decision-making mechanism used during the process and how personnel perceive the results they acquire. Briefly, procedural justice focuses on the process of decision-making related to the implementation of justice (Scandura, 1999).

Approaches attaching importance to procedural justice during the strategic decision-making process facilitate the acceptance of new internalization norms by individuals and enable them to avoid unethical behaviors and attitudes by eliminating differences in the present management perception and style (Luo, 2007). Therefore;

**H2a.** Procedural justice of buyers positively affects the continuity of the relationship.

*Distributive justice.* The concept of distributive justice has been defined in various ways by many authors. Foley et al. (2002) have expressed distributive justice as equal treatment to the individuals who display similar behaviors towards moral or objective situations and also different treatment to the individuals who display different behaviors (Foley et al., 2002). According to Sheppard et al. (1992), distributive justice points to perceived justice experienced as a result of decisions taken, and when it is evaluated in terms of a buyer–supplier relationship, it is viewed as dependent upon the policies implemented (Griffith et al., 2006).

In general terms, distributive and procedural justices have different structures with regards to conceptual and functional aspects. Folger and Konovsky (1989) emphasize that distributive justice is in relationship with outputs based on certain behaviors, while procedural justice occurs as a result of attitudes and behaviors based on rules. Sheppard et al. (1992) have stated that distributive justice is in relationship with the results while the procedural justice is in relationship with producers and processes (Brashear et al., 2004). The literature on the buyer–supplier relationship indicates that distributive justice displayed by the buyer positively affects the continuity of the relationship. Therefore;

**H2b.** Distributive justice of buyers positively affects the continuity of relationships.

### 2.4. Moderating effects of organizational justice

Fairness displayed by the parties during relations at the point of distributive justice is effective in the restriction of unethical behaviors such as avoidance of obligations and liabilities (Luo, 2007). Additionally, studies based on buyer–supplier relationships have established that fair procedural and distributive justice positively affect the continuity of the relationship (Morgan and Hunt, 1994). At the same time, procedural and distributive justice policies positively affect the attitudes and behaviors of the parties towards each other (Griffith et al., 2006). Therefore;

**H3.** The procedural justice of buyers has a moderating effect on the relationship between unethical [(a) subtle, (b) deceitful, (c) opportunistic] behaviors of suppliers and the buyers, and the continuity of the relationship.

**H4.** The distributive justice of buyers has a moderating effect on the relationship between unethical [(a) subtle, (b) deceitful, (c) opportunistic] behaviors of suppliers and buyers, and the continuity of the relationship.

### 2.5. Continuity of the relationships

The survival of entities operating in competitive markets depends upon customer loyalty and the long-term relations established between firms. In terms of entities, it is a well-known fact that the long-term relations established with customers result in greater profit when compared to new customers (Blodgett et al., 1997). Long-term relations established between buyers and suppliers assists in the the prevention of adverse results in many fields, when handled within a narrow point of view; and they enable the continuity of the relationship when evaluated comprehensively (Prud'homme, 2008).

Enhancement of the continuity of relationship mainly depends upon the respect displayed by the parties towards ethical values, as the importance attached to ethical principles supports the behaviors increasing the business value (Kim et al., 2009). Similarly, enhancement of continuity in the relationship between the parties will prevent the problems occurring as a result of short-term relations and in the long run it will provide advantages in many fields for the entities (Griffith et al., 2006). When such explanations are evaluated, the dimension of the damage to be caused by the termination of the relationships is clearly understood.

Mutual execution of fair policies by parties in the buyer–supplier relationship supports the continuity of the relationship, and accordingly, internal conflicts and conflicts between the parties decrease and thus satisfaction is enahanced. At the same time, long term relations established between the buyer and the supplier positively affect the ethical behaviors and enable the efficient fulfillment of the activities (Lusch and Brown, 1996). When the converse is considered, the difficulty of achieving success within the entity and under the market conditions is seen clearly in terms of the parties.

Existence of unethical behaviors in buyer–supplier relations and the unfair implementations of the buyer will not make the maintenance of the relationship possible. In addition, analyzing reasons for unethical behaviors not only decreases the frequency of such behavior, but also affects the ethical behaving responsibility of the managers in a positive manner (Prud'homme, 2008). Reduction of unethical behaviors between the buyer and the supplier and fair attitudes of the entities with regard to their implementations will negatively affect the continuity of the relationship.

In the light of these assessments in the buyer–supplier relationship, the effect of unethical behaviors of the supplier on the continuity of the relationship and the moderating role of the organizational justice of the buyers are displayed in Fig. 1.

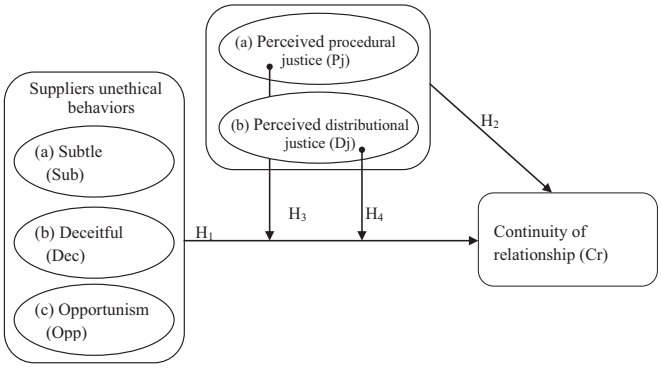


**Fig. 1.** Research model.

## 3. Research methodology

### 3.1. Measures

Multi-item scales developed in previous studies have been used in order to test the identified hypotheses. All the items have been measured by means of a 5-point Likert scale in the following manner: "1: strongly disagree, 5: strongly agree".

The questionnaire utilized for this study was comprised of items whose validity and reliability have been tested through prior studies. The unethical behaviors of the supplier are composed of three aspects: deceitful, subtle and opportunist. Unethical behaviors were measured by ten items in total: four items for subtle behaviors, three items for deceitful behaviors adopted from Carter (2000a), and three items for opportunistic behaviors formed by utilizing from the study of Morgan and Hunt (1994). Procedural and distributive justice of the buyer were measured by means of adapting Luo's study (2007) by ten items in total: five for procedural justice and five for distributive justice. Lastly, in order to evaluate the continuity of the relationship between the parties the two items of scale were adapted from Nordawier et al. (1990).

### 3.2. Sample and data collection

The pharmaceutical distribution market is in the hands of a limited number of firms, and the distribution is undertaken by a variety of wholesale suppliers in Turkey (Karakoc, 2005, p. 54). In this manner, the medicine market is highly concentrated and can be expressed as an oligopoly. Three leading wholesalers have an approximate market share of 87% (Kretschmer, 2011). Additionaly, there is a network of smaller wholesalers operating as sub-distributors on a regional or in limited local areas. The pharmacy chain is regulated by the government as manufacturers–distributors–pharmacies. Vertical integration by wholesalers into pharmacies is prohibited. Direct channels do not exist in the drug market within Turkey; all pharmaceutical products flow through traditional wholesale channels (Kretschmer, 2011).

For this study, the sample involves pharmacies operating in Turkey. These pharmacies are primarily located in İstanbul. The sample population consists of 1832 pharmacies operating in 14 districts on the Anatolian side of İstanbul; the Bosphorus waterway divides Istanbul into a European side and an Asian, or Anatolian side. The data were collected via random sampling from each of the 14 districts. During the data collection process, the questionnaires were distributed randomly. Due to such factors as ease of access to the pharmacies included in the research, the possibility of in-person interactions, and a high rate of return vis a vis other collection methods (Yu and Cooper, 1983), data was collected through personal visits to the sample pharmacists. The participants were

requested to evaluate their primary suppliers, in other words their pharmaceutical wholesale suppliers.

Following determination of the scales to be used, the draft questionnaire was evaluated within the framework of negotiations held with academicians and pharmacists from Turkey, who have a proven expertise within the field of ethics. In order to test the validity of the Turkish versions of the scales used in the questionnaire, a translate-back-translate method was utilized. The questions were translated into Turkish first and those translated questions were subsequently translated into English again by a different specialist, and accordingly the original scales were compared with the translated versions, resulting in conceptual integrity between them (Beaton et al., 2000). In order to pilot the questionnaire, it was administered to 70 pharmacies operating in the pharmaceutical sector. In order to provide content validity, in this phase consultations regarding the concepts included in the questionnaire were held with the pharmacists. Following analysis of the pre-test and subsequent adjustments, a final data collection stage was implemented.

During the research process, 396 pharmacies were approached, with 334 providing feedback. Twenty-seven questionnaires were excluded incomplete data. Accordingly, the number of viable questionnaires was 307, with a respose rate of 78%. Also, nonresponse bias was tested via Armstrong and Overton's (1977) procedure. For this reason, we compared early and late respondents. No significant differences were realized between the two groups. Thus, data reasonably confirmed the lack of of a nonresponse bias.

In terms of demographic indicators, 55% of the participants comprising our sample were female, and 45% were male; 99.7% of participants have a graduate degree.

### 3.3. Reliability and validity

Reflective scales were used in this study (Kleijnen et al., 2007). In order to evaluate the psychometric features of measurement instruments, a null model, with which there is no structural relation, was utilized. To calculate reliability, a Chronbach alpha, composite reliability (CR) and the average variance extracted (AVE) were utilized. Internal consistency is demonstrated when the reliability of each measure in a scale is above 0.70 (Brown, 2006; Kline, 2011). Cronbach's α and composite reliability values explain over the threshold value of 0.70, as recommended by Nunnally and Bernstein (1994). Accordingly, the measurement model has provided requirements for internal consistency. Convergent validity has been established by the examination of factor analysis results displayed, as seen in Table 1; each manifast variables (MV) are loaded above 0.60 to the related latent variables (LV). Convergent validity is also adequate if each of the constructs in the model has an average variance expected (AVE) of at least 0.50 (Fornell and Larcker, 1981). AVE measures are above the cut-off of 0.50 for all constructs. The factor scores, descriptive statistics, Cronbach alpha, composite reliability and AVE results are shown in Table 1.

Discriminant validity has been analyzed by means of comparing the correlation matrix belonging to the LV of the measurement

**Table 1**
Measurement model results (factor loadings, descriptive statistics, Cronbach $\alpha$, composite reliability and AVE).

| *Constructs* *Indicators* | *Factor Loadings* | *Mean* | *Std. deviation* | *Cronbach α* | *Composite reliability* | *AVE* |
|---|---|---|---|---|---|---|
| ***Subtle (Sub)*** | | ***1.56*** | ***0.60*** | ***0.86*** | ***0.91*** | ***0.71*** |
| Supplier firm representatives, | | | | | | |
| 1. ___ show an approach disprasing his competitors. | 0.87 | 1.70 | 0.77 | | | |
| 2. ___ display an exaggerated approach about they own services. | 0.83 | 1.69 | 0.79 | | | |
| 3. ___ do not comply with the legal regulations and professional principles with respect to the promotion. | 0.81 | 1.32 | 0.54 | | | |
| 4. ___ carry out advertisment activites by means of communication mediums which are considered as inconvenient. | 0.85 | 1.52 | 0.74 | | | |
| ***Deceitful (Dec)*** | | ***2.15*** | ***0.75*** | ***0.78*** | ***0.87*** | ***0.70*** |
| 5. ___ are oppressive about payments. | 0.81 | 2.62 | 1.16 | | | |
| 6. ___ have insistent attitudes with regard to the products that we do not need to purchase. | 0.81 | 1.68 | 0.65 | | | |
| 7. ___ have incentive attitudes to make us purchase more products than enough. | 0.89 | 2.17 | 0.86 | | | |
| ***Opportunistic (Opp)*** | | ***1.33*** | ***0.49*** | ***0.87*** | ***0.92*** | ***0.79*** |
| 8. ___ have exploitative attitudes in pricing. | 0.87 | 1.35 | 0.52 | | | |
| 9. With the expectation of increase in the price. represents don't say that have a product which is avaliable in fact. | 0.93 | 1.31 | 0.55 | | | |
| 10. ___ give priority to the sale of high-profit medicine. | 0.88 | 1.33 | 0.58 | | | |
| ***Perceived procedural justice (Pj)*** | | ***4.48*** | ***0.58*** | ***0.95*** | ***0.96*** | ***0.84*** |
| 1. In order to make the purchase process fair. required regulations and structuring activities have been carried out. | 0.85 | 4.35 | 0.70 | | | |
| 2. Planning. organizational and management activities are fair. | 0.91 | 4.50 | 0.62 | | | |
| 3. Sharing of administrative information and sources used in purchase process is dependent upon certain rules. | 0.95 | 4.53 | 0.60 | | | |
| 4. Execution and inspection of the contracts related to purchase are carried out in a fair manner. | 0.95 | 4.50 | 0.60 | | | |
| 5. Decisions related to purchase are explicitly defined and implemented. | 0.92 | 4.51 | 0.64 | | | |
| ***Perceived distributive justice (Dj)*** | | ***3.72*** | ***0.93*** | ***0.97*** | ***0.98*** | ***0.90*** |
| 6. Our income. we obtain for the investments we make for the sale of the supplier's products and our efforts. is fair. | 0.95 | 3.83 | 0.99 | | | |
| 7. Our financial gain we obtain for the roles and responsibilities assigned by the supplier is fair. | 0.94 | 3.83 | 1.00 | | | |
| 8. Our gain we obtain as a result of cooperation with such supplier is fair within the pharmaceutical sector. | 0.95 | 3.69 | 0.98 | | | |
| 9. Our gains when compared to the gains of the supplier via our pharmacy are fair. | 0.95 | 3.62 | 0.99 | | | |
| 10. Our gains we obtain for the promotion and marketing activites of the supplier are fair. | 0.94 | 3.65 | 0.97 | | | |
| ***Continuity of relationship (Cr)*** | | ***1.49*** | ***0.59*** | ***0.89*** | ***0.95*** | ***0.90*** |
| 1. We expect our relationships with this supplier for a long time. | 0.94 | 1.53 | 0.67 | | | |
| 2. We want to keep our relationship with this supplier essentially “evergreen”all the time. | 0.92 | 1.44 | 0.57 | | | |

model displayed in Table 2 with the square roots of average variance extracted shown on the diagonal by each LV. According to Compeaus and Higgins (1995) the occurrence of MV factor loading higher in the related LV than the unrelated LV and the occurrence of convergent validity and average variance extracted stated by LV (AVE) greater than the LV cross-correlation provides discriminant validity.

For the purpose of the globally evaluated structural model, a Goodness of Fit (GoF) index was computed (Raposo et al., 2009). General criteria for evaluating a GoF index is to calculate the geometric mean of the average commonality and the average R-square. Its value ranges from zero to one, where greater values are more desirable. A satisfactory GoF index for our model was 0.609 (Tenenhaus et al., 2005). Additionally, other indicators were interpreted to model fit when provided $p < 0.01$ for APC ($=0.108$) and ARS ($=0.501$) and AVIF ($=3.127 < 5$) (Kock, 2012) as illustrated in Table 3. When the final power of the model is considered, R-squared was calculated at 0.54, indicating that 54% of variance is explained by the model. Both the $\beta$ and the R-squared are sufficient for analysis, and $\beta$ values between 0.20 and 0.30 yield meaningful interpretations (Chin, 1998).

### 3.4. Structural model

PLS (Partial Least Squares) is a multivariate modeling technique used in recent years to set forth the causal relations and test the structural model (Hair et al., 2011). PLS-SEM is advantageous when used with small sample sizes, non-normal and categorical data (Haenlein and Kaplan, 2004; Hair et al., 2013). PLS is considered a powerful analysis technique when compared to other techniques such as regression or structural equation modeling (SEM), because it can display the skewed distribution of the sample among small-scale samples, and it can determine the relations kept in the background due to multicolinearity problems and measurement errors (Eskildsen et al., 2004; Reinartz et al., 2009). Essentially, PLS combines principal components analysis and multivariate regression in order to define the dependent variable or variables included in the model (Edvardsson et al., 2000).

In order to calculate the measurements and structural parameters within the framework of PLS based structural equation modeling (PLS-SEM), WarpPLS software was used in this research (Kock, 2012). Before the parameter estimations of the measurement model and structural model with PLS path, the research sample has been increased to 500 by means of Bootstrapping method. According to Cassel et al. (1999), PLS rates the actual values of the coefficients related to each variable in the model only when a sample in the mentioned size is used. In this study, the effect of subtle, deceitful and opportunist unethical behaviors on the continuity of relationships was tested and included within the model together with the moderating effects of the buyer's procedural and distributive justice on the relationship.

### 3.5. Testing of hypotheses

The PLS-based structural equation modeling technique was utilized to examine: (a) the effects of unethical activities on the continuity of relationships, (b) the effects of organizational justice on the continuity of relationships, and (c) the moderating role of unethical behavior and continuity of the relationship on dimensions of the organizational justice.

Path analysis results of the model are displayed in Table 2. Considering the direct relations included in our model, it has been determined that only the supplier's deceitful behaviors ($\beta = -0.317$, $p < 0.01$) have significant and direct effects on the continuity of the relationship; subtle and opportunist unethical behaviors demonstrated no significant effects. Therefore, hypothesis H1B has been supported. Conversely, it has been found that the subtle and the opportunist behavior of the supplier has no effect on the continuity of the relationship, accordingly hypotheses H1a and H1c have been rejected.

Hypotheses 2a and 2b investigated the relationship between organizational justice of the suppliers and the continuity of the relationship. Organizational justice diverges into two distinct dimensions: procedural and distributive justice. Perceived procedural justice ($\beta = -0.26$, $p < 0.05$) and distributive justice attitudes ($\beta = -0.24$, $p < 0.01$) have significant and direct effects on the continuity of the relationship. Therefore, hypotheses H2a and H2b have been accepted.

In the relationship between the deceitful, subtle and opportunist behaviors of the supplier and the continuity of the relationship, when the moderator effects of the buyer's perceived procedural and distributive justice are considered, the analysis results indicate no evidence related to the moderating effect. For this reason, hypotheses H3 (including H3a, H3b, H3c) and H4 (including H4a, H4b, H4c) have been rejected. The findings from the results of the path analysis are discussed in following section.

## 4. Discussion

Focusing on unethical behaviors, organizational justice and continuity of the relationships is an important step toward a better understanding of the critical factors for supply chain ethics. This study aims to make a contribution to the literature by proposing a model, for both pharmacists and researchers, which explains the effects of unethical behaviors of suppliers on the continuity of relationships, and the moderating effects of the buyer's procedural and distributive justice on buyer–supplier relationships.

Unethical behaviors were examined with three sub-constructs in this study. Subtle unethical behavior was not shown to affect continuity of relationships. In the case of subtle behavior, the buyer–supplier relation might appear ordinary, yet both the continuity of relations and the absence of its direct effect exist in the relevant literature. Williamson (1996) assumes that subtle behavior may appear initially in nonlinear pricing schemes and it is much more prevalent than is commonly believed, implying that details should be written into contracts for subtle behavior Additionally, Williamson (1996, p. 143) adds subtle incentive features that are incorporated in nonstandard contracting practices. In a more recent study, it has been suggested that subtle unethical behavior has a significant and negative impact on trust. (Hill et al., 2009). Carter (2000a, 2000b) also states that there exists a positive relationship between subtle and satisfaction. On the other hand, in terms of the pharmaceutical sector, very few firms control a major share of the market. As the pharmacists in this study indicated, subtle behaviors of suppliers and sales representatives are viewed as ordinary by the customers, as both parties strive to maximize their interests in the job relations with the buyers. Thus, the research findings herein are all consistent with the literature.

Deceitful unethical behavior has a direct and negative effect on the continuity of relationships. Accordingly, if deceitful behavior increases, the continuity relations of the supply chain appear to be impossible to maintain. Carter (2000b) points out that deceitful practices have significant negative effects on satisfaction. Additionally, he notes that those who tend to behave in a deceitful manner during their commercial relations will sooner or later pay the price. Otherwise, the potential deceitful behaviors of supplier firms may bring substantial harm to buyer firms, whereas behaviors that may severely damage the relationship between the buyer and supplier may result in high relational risk (Das, 2005). Hill et al. (2009) indicate that deceitful activities have a significant negative association with long-term relationships. Therefore, in correspondence

with the literature, the research findings demonstrate that deceitful behavior negatively affects the continuity of relationships.

Opportunism can be defined as aggressive selfishness and disregards the impact of the firm's actions on others (Hawkins et al. 2008). Opportunist behaviors of the supplier have no significant effect on the continuity of relationships. One of the reasons for this may stem from the supplier's perceiving that opportunist behaviors are looking out for oneself. Another reason may arise from types of opportunism. As Luo (2006) suggests, opportunism has been classified as a strong form and a weak form. Weak-form opportunism can be seen in the pharmaceutical sector, which is why weak form opportunism has been considered in this study. It has been emphasized in previous studies that opportunist suppliers are more likely to pursue the weak form than the strong form because the weak form is less dangerous and less destructive to the relationship (Luo, 2006). Opportunistic behavior may result in the termination of relationships and opportunistic behavior may also negatively infiuence the buyer's trust (Morgan and Hunt, 1994). Therefore, the relation between the opportunistic behavior and the continuity of relationship suggests alignment with the extant literature.

Inter-organizational justice has been clasified in two sub-dimension such as procedural and distributive justice. It has been defined as 'perceived' justice from the point-of-view of the buyer's perspective Procedural justice and distributive justice have a direct and significant effect on the continuity of the relationship. When the supplier's representatives/salespersons apply procedural justice on the pharmacists and enable them to perceive this, then it is possible to mention the continuity of the relationship. Conversely, the distributive justice perceptions of the pharmacists positively affect the continuity of the relationship. Griffith et al. (2006) also confirm that a buyer's perceptions of distributive and procedural justice on the part of the supplier lead to long-term orientation and relational behavior. In addition, Liu et al. (2012) also realized significant positive effects of both procedural and distributive justice on continuous commitment. This cumulation of results supports our findings.

Additionally, the moderator effect of the dimensions of procedural justice and distributive justice in relation to unethical behavior and continuity of relationship has been examined. However, no evidence has been found. Summarizing, we find that continuity of relationship is highly and negatively influenced by deceitful unethical behavior, and positively affected by procedural justice and distributive justice.

## 5. Conclusion

This study contributes to unethical behavior and organizational justice literature by broading the level of the buyer–supplier relationships in supply chains. Researchers have been focused on unethical behaviors especially individual, group and organizational level; paying little attention to supply chain relations.

This study gives contribution to unethical behavioral research by adding the opportunistic behavior as the third variable to the concepts of subtle and deceitful. One point that makes this study original comes from examiningthe moderating effects of the procedural and distributive justice in the relationships between unethical behavior and continuity of relationship.

The major result of this study shows that deceitful behaviors of the supplier negatively affect the continuity of the relationship. At the same time, the results suggest that the buyer's procedural and distributive justice positively affect the continuity of the relationship.

The findings also set forth that the non-existence of statistical evidences indicating the presence of any relationship between the supplier's subtle and opportunist behaviors and the continuity of the relationship. Finally, the analysis indicates that the buyer's procedural and distributive justice and unethical behaviors of the supplier have no moderating effect on the continuity of the relationship.

In line with other studies carried out in the literature, in the relationship established between the pharmacies and pharmaceutical wholesale suppliers providing service in the sector, the unethical behaviors and buyer's unfair implementations negatively affect the continuity of the relationship. The conducted research shows the importance of ethical behaviors for the firms operating in the pharmaceutical sector.

This study presents the results of unethical behaviors in terms of both parties in the relations of pharmacies with the suppliers, by analyzing the business phase of the pharmaceutical activities. As in all sectors, when the importance attached to the ethical values increase in the pharmaceutical sector, the problems will be solved easily.

### 5.1. Limitations

Our results provide important explanations of long-term outcomes of unethical behavior and inter-organizational justice coupled with the moderation role of proedural and distributive justice. It shall be useful to mention such limitations for the benefit of future studies. One limitation of this study is, it has been conducted in an emerging country, which should be taken into consideration; and the fact that results can change according to the culture, economy and welfare levels of the societies should not be ignored. In addition, the study was conducted only in the pharmaceutical sector; accordingly, the design, analyses, results and interpretation of the research have been carried out by considering a single sector. The findings to be obtained as a result of the implementation of the study shall be beneficial for other sectors in terms of the elimination of certain problems.

### 5.2. Further research

As the study evaluates the pharmacies in the pharmaceutical sector by taking the ethical factors into consideration from a business point of view which is an untouched area, it has great potential for future researches. Within the context of ethical perspectives, handling the relationships of pharmacies with their suppliers within the framework of dependency on the supplier or insistent power of the supplier shall make important contributions to the literature. In addition, measuring the effects of unethical behaviors on the reliance between the parties shall offer a new point of view. Future research should increase the sample size and broaden the geographic location to obtain larger data and also can be added the new constracts to conceptual model to improve generalization of the findings. And also the responses from non-pharmaceutical sector and their supply chain partners should be investigated. Finally, a comparison of the results for similarities or differences by dyadic relationships in buyers and suppliers should be made.

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