Agency Theory and Alcohol Distribution: A Framework for Public Policy Discourse

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The author proposes a framework which expands the discourse of a well-discussed theory -- agency theory. The framework integrates elements of agency theory, transaction cost analysis (TCA), power-dependence theory, micro-level social contracts, and the Deterrence Doctrine to posit the relationships between different forms of ownership and the likelihood of contractual violations. The incorporation of micro-level social contracts into the model, as a primary moderator, coupled with firm-level ownership moderation, constitute contributions to this literature. Furthermore, a new dimension of contract enforcement, permanence, is proposed. Guided by an alcohol distribution framing, implications for managers and public policy-makers are proffered and discussed.

The "agency problem," a classical theoretical and substantive quandary prevalent within many disciplines, seeks to best align the goals of principals (those delegating tasks) and agents (those delegated to) in a multitude of diverse scenarios (Eisenhardt, 1989). In the context of firm structures, firms have long strived to mitigate the discrepancy between these distinct sets of goals, while balancing the level of behavioral monitoring requisite to accomplish this objective (Eisenhardt, 1989). Ramifications from the divergence of principal and agent goals may include a variety of opportunistic behaviors (self interest-seeking behaviors), disadvantageous outcomes, and violations of contractual obligations (Eisenhardt, 1989).

Though the confluence of discourse on agency theory has traversed many decades and, in the process, accumulated a wealth of academic breadth and depth, its application retains novel utility, yet. Agency theory, even as a seasoned theoretical mainstay, may still yield much to the theory, development, and practice of the marketing discipline -- through its application to untraditional contexts within the marketing domain. As such, a new framework is constructed -- navigated via a prospective scenario with a multitude of implications. The prospective scenario through which this framework will be considered is a melded matter of marketing and public policy, and one which undoubtedly both encompasses and embodies the classic notion of the "agency problem."

The distribution of alcohol in the United States is an issue rife with implications for marketing channels, as well as one with significant public policy ramifications. The dialogue of alcohol distribution is not incipient and, in the minds of many, the conversation is still far from being settled. Since the ratification of the 21st Amendment, repealing Prohibition (the 18th Amendment), the merits of each alcohol distribution channel have been debated feverishly (ARG, 2011). After the repeal of Prohibition, two options for the distribution of liquor were available. Federal law allowed states the autonomy to decide between distributing liquor directly, called state control, and licensing the retail duties to private establishments, deemed local option (ARG, 2011). This distribution decision, made by each individual state, is the focal point of the examination for the forthcoming framework.

As alcohol distribution is concerned, those on each side of the conversation have empirical support for the veracity of their position. Studies from Connor et al. (2011) and Grunewald (1995), serve as proponents for the local control option, while empirical investigations by Cook (2012), Her et al. (1999), Huckle, Pledger, and Casswell (2012), and Paschall (2009) all provide support for the state-controlled method of distribution. As such, the potential alcohol-related negative consequences of each method remain embroiled in controversy.

Thus, it is here that the examination begins and the framework aspires to contribute to the discourse on agency theory, alcohol distribution, and marketing and public policy. Due to the potential gravity of adverse consequences from the "agency problem," specifically pertinent to this context, the merits of such a framework become clear. Can one structure of ownership, as determined by the framework, be more effective at preventing transgressions of policies intended to stymie contractual violations within this principal-agent relationship (e.g., illegal distribution of alcohol [straw purchases], transactions to underage persons, failure to ask for identification, transactions beyond specified hours, etc.)?

It is because of the aforementioned utility of agency theory that it provides an appropriate theoretical foundation for this article. Additionally, when synthesized with the explanatory mechanisms of TCA, power-dependence theory, the Deterrence Doctrine, theories of control and monitoring, and micro-level social contracts, the author will present a predictive framework that may be used to further develop a multi-level marketing perspective.

Contributions of this conceptual development include: 1) theorizing as to the effect of firm-level moderation within a framework predicting the incidence of contractual violations, 2) positing the explicit effect of micro-level social contracts on the incidence of contractual violations, within the presence of increased behavioral monitoring, 3) the introduction of a new dimension of contract enforcement, *permanence*, to the Deterrence Doctrine, which provides a more comprehensive perspective on the notion of enforcement effectiveness.

Although a prospective scenario, alcohol distribution, is presented to serve as the lens through which the framework can be considered -- due to the large gravity of its implications for marketing managers and public policy-makers -- the proposed framework is intended to have the requisite robustness for application to a variety of marketing applications. The conceptual cultivation of the aforementioned framework is presented next.

CONCEPTUAL FRAMEWORK

Agency Theory

The "agency problem" that develops when cooperating parties have divergent goals is the basis for agency theory. The focus is placed squarely upon the relationship between a principal, one who delegates a task, and the agent, the individual performing the task which has been assigned (Eisenhardt, 1989). The primary ambition of agency theory is determining how to best resolve the conflict between the goals and desires of the principal and the agent, as well as how the principal can most (cost) effectively verify the behavior of its agents (Eisenhardt, 1989). The adversity which is characteristic of these situations is often derived from both the cost and the degree of difficulty inherent in monitoring the behavior of an agent (to determine if the agent is abiding by the contractual terms of the relationship). Multiple hurdles become salient in the quest to align the goals of principal and agent including: the self-interests of each, bounded rationality (i.e., limited processing ability and information), risk aversion of each, goal conflict, and the difficulty/costliness of obtaining information (Eisenhardt, 1989).

Theoretically, the most effective way to align the goals of principal and agent is situation-specific. Each individual relationship must be directed by a contract which is suitable for the context and parameters of the particular relationship. With the distinct differences between state controlled alcohol distribution and the local option, the ownership, behavioral monitoring, and contract agreements will all have different effects -- due to acute contingencies. These contingencies are discussed further next.

In the state control option, the individual state is responsible for operating its own retail establishments and hiring citizens as its agents to operate the stores. In a very different arrangement, the local option, states license the privilege to distribute alcohol to private establishments for a fee. In this situation, the employees are not only agents of their direct employer, but they are still required to adhere to the laws of the government agencies which oversee these operations. Therefore, it is reasonable to infer that the behaviors of agents in each situation are likely to be distinct. Differences in these forms of control are identified and explained further next.

Enforcement and Deterrence Doctrine

Enforcement literature, particularly in marketing, has placed its focus primarily upon severity -- defined as the magnitude of enforcement response (Antia et al., 2006). Enforcement is defined as "the severity of the principal's disciplinary response to an agent's violation of a contractual obligation" (Antia and Frazier, 2001, p. 67).

Deterrence, or the preventive effect of actual or threatened punishment on potential offenders (Ball, 1955), is the primary basis of the Deterrence Doctrine. In addition to the dimension of severity, the doctrine advocates a broader notion of enforcement, encompassing the additional dimensions of "certainty" and "speed" of the response (Howe and Brandau, 1988; Manson, 2001; Posner, 1985). Certainty can be defined as "the general propensity for a principal to undertake enforcement in response to violations" (Gibbs, 1975). For corrective action to be taken, however, the principal must be able to procure the appropriate information about violations once they occur (Dutta, Heide, and Bergen, 1999) and also have the motivation to enforce punitive corrective actions (Antia and Frazier, 2001). As proposed by the doctrine, it is the interaction of these three dimensions which is most effective in deterrence and enforcement (Antia et al., 2006).

Though the interaction of these three extant dimensions is likely to present a moderate to substantial deterrence effect, a comprehensive assessment of these dimensions leaves an opportunity to strengthen it further. Thus, a fourth dimension of enforcement is proposed: *permanence*. The notion behind this dimension serves to solidify the construct of enforcement, by crystallizing its conceptualization and reinforcing its effectiveness.

Permanence is hereby defined as: the degree to which a contract termination is perpetual. In other words, can the contract be reestablished after a violation that leads to its termination? Work by Antia et al. (2006) has previously defined severity as "the strength or intensity of corrective actions across detected violations." Tangential to this dimension, the costs associated with the termination of a contractual relationship (i.e., harsh degree of severity) are alluded to in the Antia et al. (2006) article; however, neither the ability to reestablish a contract (or not) nor the costs -- monetary or otherwise -- are captured within the scale items for this dimension. It is because of this void that the fourth dimension, permanence, is brought to the present discussion. The three dimensions mentioned previously, combined with the fourth proposed here, provide a more comprehensive picture of the enforcement elements that are required for effective deterrence.

As described later, multiple layers of enforcement may be present in principal-agent scenarios. The ramifications of each must be considered when applying such a framework. In this particular context, two distinct levels of enforcement are pertinent: 1) potential sanctions from an outside authority's monitoring (federal and state government) and 2) within-store managerial monitoring and sanctions. In a principal-agent relationship such as the alcohol distribution example used here, the primary source of enforcement is outside authorities, due to the ability to, ultimately, revoke retailing privileges. There are multiple levels to this governmental enforcement: 1) the state board that is responsible for enforcing the laws of that state (Alcohol Beverage Control Commission, Liquor Control Board, Business License Services, etc.) and 2) the federal alcohol enforcement agencies (Bureau of Alcohol, Tobacco, Firearms and Explosives). As such, the enforcement of each potential violation carries with it different penalties, depending on the state jurisdiction in which a firm is located. With this in mind, the following propositions posit the relationship between the dimensions of government enforcement, the monitoring of behavior, and the occurrence of violations.

P1: Higher perceived likelihood of contractual violations will increase the level of behavioral monitoring of agents.
P2a: When each of the four dimensions of enforcement are enacted, less violations of the contractual agreement will occur.
P2b: The interaction of the four dimensions (permanence, severity, certainty, speed) will have the strongest deterrent effect.

Behavioral Monitoring

Information attainment on an agent's behavior is a primary goal of the principal in a principal-agent relationship. Through acquisition of this information, the principal can determine its agent's compliance with the contractual agreement and levy the appropriate enforcement, if necessary. This information can be purchased, at a cost, through increased behavioral monitoring (Eisenhardt, 1989). Although the financial element is usually considered here, costs associated with monitoring may also involve time, effort, and/or social expenditures. This monitoring can come in the form of direct observation, surveillance, or other methods of gauging behavioral outcomes.

When a principal makes a decision to monitor the behavior of its agents, the appropriateness of the monitoring intensity must be carefully considered. According to agency theory and TCA, the presence of behavioral monitoring should be an effective control mechanism for agent behavior, thereby reducing the occurrence of partner opportunism (Williamson, 1981). There is, however, literature that presents a contrary perspective regarding the effectiveness of behavioral monitoring. For instance, Frey (1993) suggested that in the presence of monitoring, a "crowding out effect" is likely to exist, increasing shirking behaviors (reducing work effort) by the agent. These shirking behaviors from the agent are due to a feeling of distrust which exists when/if the agent perceives a psychological contract (personal relationship) as having been diminished by the monitoring of their behavior.

However, the effect of these negative "reactance" behaviors to monitoring may be successfully attenuated by the presence of social norms, also described as micro-level social contracts (Heide, Wathne, and Rokkan, 2007). This attenuation is particularly effective in the case of behavioral monitoring, considered a more obtrusive form of control (relative to the monitoring of agents' outcomes). Rather than increasing partner opportunism due to the perception of tightly-controlled behavioral monitoring, these informal micro-level elements may serve as buffers which allow for the suppression of opportunistic behaviors in the presence of behavioral monitoring (Heide, Wathne, and Rokkan, 2007).

The relationship between the level of behavioral monitoring and the occurrence of contractual violations is theorized to be moderated by the presence of micro-level social contracts within this multi-level monitoring scenario. This moderation will be elaborated upon further later. However, the direct effect of behavioral monitoring is presented to be as such:

P3: When behavioral monitoring is more intense, the incidence of contract violations will increase, due to the "reactance" effect.

Ownership Type

In the alcohol distribution scenario used here to examine the framework, the type of firm ownership is likely to have a direct impact upon the monitoring of the behavior of the agent. Further, the type of ownership has the potential to affect many facets of any agent-principal relationship. Depending on the ownership type, the implications for enforcement of potential contractual violations are very different. For example, when a state operates its own retail environments, the employee faces sanctions from the failure to properly perform its duties as an agent of the state. Since the retail premises are owned by the individual state, the state will not likely be inclined to enforce the termination of its own stores. In other words, depending on the type of ownership, the stakes are much different.

As mentioned previously, this dynamic is altered drastically when the ownership is local option. In this type of agreement, as a licensee (agent) of the state, the individual retailers are responsible for their own monitoring and enforcement of employee behavior. In addition to this, the licensee (owner) of the retail establishment is still under the state and federal jurisdictions of enforcement (outside sources). A licensee operating under the local option is subject to lose her/his very livelihood because of violations of the principal-agent agreement with the state (through its own agents/employees).

Let it be noted here that the designation of ownership type also includes franchises and plural governance structures, further reinforcing the applicability of the framework for other marketing scenarios. These forms of ownership/governance affect the behavior of agents in ways which are specific to each situation. From the examination of acute ramifications and responses in the present distribution example, other utility may be inferred and tested within the framework.

When specifically considering the distinctness of the local option and state control ownership types, the ownership form's ability to moderate the relationship between (government) enforcement and behavioral monitoring is made salient. Hence, the relationship between enforcement and behavioral monitoring is proposed as such:

> *P4a: Privately owned firms will face more behavioral monitoring, due to an additional level of monitoring within the principal-agent relationship.*
> *P4b: Privately owned firms will exhibit more effective enforcement, manifesting in the experience of fewer contractual violations.*

Power-Dependence Theory

The effect of the power structure on any given partner relationship is significant and well-established. Emerson (1962) and Gaski (1984) both extended the conversation on power-dependence, with work discussing themes such as power dynamics, social relations and mutual dependence, and interdependence. In particular, Emerson (1962) describes the power structure between any two parties as determined by the social relationship -- not by the attributes of the actors. In other words, power is not an attribute of an individual -- rather, it is defined by the relationship between two parties. Some degree of mutual dependence is necessary for the presence of power. One party must be able to grant/deny/facilitate/hinder the gratification of the other (Emerson, 1962). Therefore, one party's power in a relationship lies in the other party's dependency. Power can be alternatively described as "the amount of resistance to achieving one's goals that can be overcome" (Emerson, 1962, p. 32). Therefore, if one party may overcome the impediments to their goals that are controlled by the actions of the other party, the power asymmetry in the relations can be reduced, subsequently.

A definition of power offered by Gaski (1984, p. 10) defines it as "the ability to create a change in another's behavior." Stated differently, power can cause someone to do something that they would not otherwise do. The *perception* of power is what creates the power (and power asymmetries) in a relationship, rather than some actual source of power (Gaski, 1984). When these definitions are considered within the context of the example presented, it is not difficult to assess and reason the effect of the power dynamic between the federal and state agencies which regulate alcohol distribution and the dependence that local option licensees have in retaining their distribution privileges.

In the alcohol distribution structure, the two options of distribution are distinct in that the power-dependence dynamic is virtually nonexistent (on the firm level) for the state control option. More specifically, in the case of state control, these firm-level consequences are not apparent -- because the individual state runs the retail locations on their own behalf. As a source of revenue, it is highly unlikely that the state would enact sanctions beyond the employee level (ceasing operation of a store). With local option, however, these sanctions may take place at multiple levels. Employee-level and firm-level ramifications are apparent for contractual violations of local option licensees. Therefore, it stands to reason that the equity (or inequity) within the power-dependence dynamic dramatically alters the implications from contractual violations in each distinct form of firm ownership.

Since local option licensees operate retail establishments at their own peril and own cost, they are subject to penalties which are more likely to affect their personal livelihood. Due to this structure, the likelihood of behavioral monitoring is increased. These owners' dependence is highly asymmetrical and they may monitor agents' behavior more closely in an effort to protect their assets. The disadvantageous outcomes from stricter behavioral monitoring (opportunism, distrust), however, may be attenuated by the presence of social norms and the micro-level social contracts which result from them.

Transaction Cost Analysis

Relational Governance and Relational Marketing

As described previously, the importance of relationships is not to be understated in marketing cooperation. TCA commonly suggests there are two primary forms of governance structure, hierarchical and market (Williamson, 1981). For some time, many marketing scholars focused on these forms of governance in empirical research and conceptual articles, adhering to the notion that these two forms of governance were mutually exclusive and the only two options which were available. More recently, however, a departure from this view has transpired.

Recognition of the importance of social elements in firm relationships has been emphasized of late. Bradach and Eccles (1989) outlined several forms of long-term relationships that exemplified the importance of relationships: cooperative arrangements, relational contracting, joint ventures, quasifirms, global coalitions, and dynamic networks. Moreover, Lusch and Brown (1996) discuss interdependency and contracting in a setting of intrafirm cooperation. They use the dependency between wholesalers and distributors to focus on constructs such as long-term orientation, relationship length, and relational behaviors. Although a significant proportion of empirical research has examined the importance of these social/relational components in intrafirm settings, relational marketing's importance can -- and has -- been expanded to interfirm marketing, as well.

The idea of "clean" distinctions in firm governance may have been a misnomer from the very beginning. In fact, most firms are likely to display some combination of multiple governance forms.

As a exemplar of the importance of relationships within firms, Morgan and Hunt (1994) have ratiocinated the significance of relationship marketing. Through their use of dual models, they describe relational exchange through supplier partnerships, lateral partnerships, buyer partnerships, and, most importantly -- for this conversation -- internal partnerships. The category of internal partnerships describes relationships between employees and a firm. All of the relationships in the key mediating variables (KMV) model are formed by antecedents (shared values, communication, opportunistic behavior, etc.) and are mediated by relationship commitment and trust (Morgan and Hunt, 1994). Constructs such as propensity to leave, cooperation, functional conflict, and uncertainty constitute the outcomes in the KVM model. It is within these outcomes that the imperativeness and significance of relationship marketing may be understood, for it is between the parameters of the firm-employee relationship that social contracts and social norms are of the utmost importance.

The Role of Social Norms, Relational Governance, and Social Contracts

Alternative governance mechanisms, such as norms of relational exchange, may be used to manage opportunism in marketing channels and marketing relationships (Brown, Dev, and Lee, 2000). Relational exchange characterizes cooperative agreements in which norms of relationship preservation, role integrity, and harmonization of conflict are intensified. The sharing of norms and values which typifies these relationships is a primary mechanism in limiting opportunism (Brown, Dev, and Lee, 2000). As such, these relational norms are likely to shape and guide the behavior of partners in both intrafirm and interfirm situations. Additionally, they may "play a very significant role in structuring economically efficient relationships" between partners (Heide and George, 1992 p. 32).

Relational governance, a firm structure described above, located on the continuum between hierarchical and market governance, shares multiple parallels with the notion of the "clan" structure (Ouchi, 1980). The clan structure of governance is typified by the normative requirements of reciprocity, legitimate authority, and common values and beliefs; traditions drive the formation of these normative requirements (Ouchi, 1980). Within these clan structures, all members of the transactional network must share the norms of the clan for efficient functioning. Clan structures and relational governance have both been found to have benefits, relative to other governance structures (market and hierarchical), such as a more positive corporate culture and increased job satisfaction (Lund, 2003).

Heide, Wathne, and Rokkan (2007) determined that micro-level social contracts, informal agreements "with notions of legitimacy and protection" which have a foundation in social norms, can moderate the relationship between behavioral monitoring and opportunism (or other negative relationship outcomes). According to Heide, Wathne, and Rokkan (2007) and Ouchi (1979), when discussing monitoring, an existing contract not only grants a party (e.g., a buyer) monitoring rights within a specified range, but also safeguards the exchange partner. Although these effects have been supported previously empirically, the potential for multi-level monitoring present in this context lends itself to additional inquiry. Due to this, these micro-level social contracts are theorized to affect the relationship between behavioral monitoring and contractual violations as such:

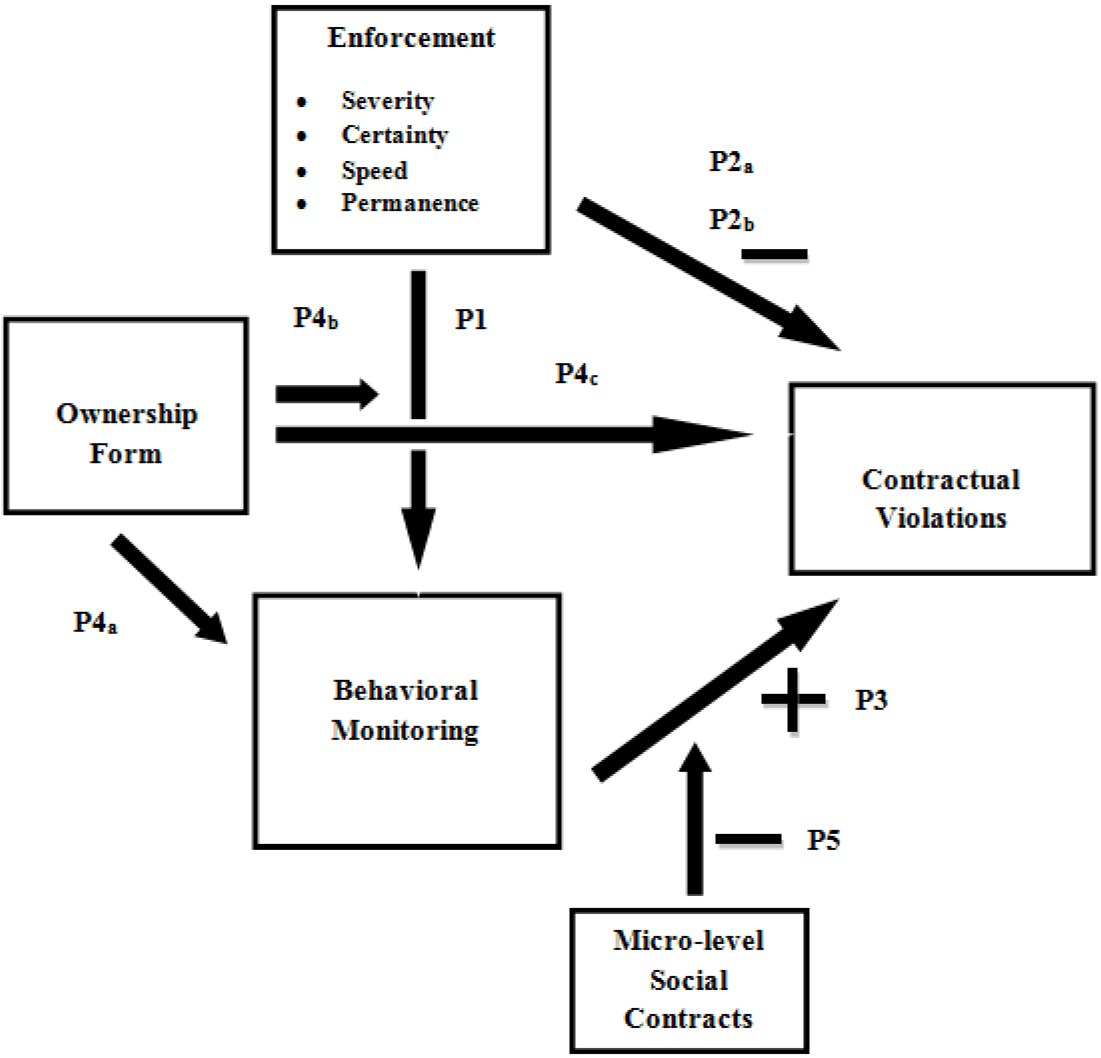
P5: Under intense behavioral monitoring, especially multi-level, instances of contractual violations will be decreased with the presence of micro-level social contracts.

Social governance (social norms) and clan structures share many of the same qualities and attributes. Due to this, they are likely to be highly correlated. The existence of social norms may happen without the presence of a clan structure; however, the foundation of a clan structure is based upon social norms (Ouchi, 1980). Clan structures, relational governance, and social norms are all posited as being more likely to be present in the local option form of distribution. This is primarily because of the likelihood of organizational identification due to the perception of less-formal social relationships in the governance structure and because of the social norms which are likely to be present. Employees are theorized to identify less with the perceived hierarchical governance structure of the state control distribution form and to identify more with the social governance and clan structure which is more likely to be present in the local option distribution structure. If the effects established by Lund (2003) hold true (more positive corporate culture and increased employee satisfaction), then the logic of the relationship between ownership structures and governance forms may prove viable.

In summary, the presence of micro-level social contracts should be more lucid in a local option form of distribution. These social contracts are likely to manifest as a direct byproduct of the social norms and clan structures discussed previously. Regardless of how these micro-level social contracts emerge, they remain a vital component of the framework. They may allow for the attenuation, or mitigation, of the negative effects of behavioral monitoring. Whether the social contracts are derived from a hierarchical governance structure, a market governance structure, or something in-between -- such as a relational/clan governance structure -- their importance in the framework is fundamental. It is posited, though, that the presence of these micro-level social contracts will be more prevalent in local option forms than in state control forms.

Figure 1, following immediately, represents a visual depiction of the conceptual framework narrated previously.

FIGURE 1
CONCEPTUAL FRAMEWORK OF THE RELATIONSHIP BETWEEN OWNERSHIP FORM AND CONTRACTUAL VIOLATIONS



DISCUSSION AND CONCLUSION

The framework presented here integrates foundational marketing theories with other complementary theories of marketing to produce a framework with predictive viability for marketers and public policy-makers. The development of this framework is intended to provide insight into the proposed scenario of alcohol distribution. It may, however, have the requisite robustness to be applied to an affluence of marketing contexts.

Although agency theory and TCA provide a foundation for the conceptual framework, its heart lies in ownership type, social norms, and micro-level social contracts. Thus, the ownership type of a firm is posited as determining the degree of social norms present. When a work environment is inclined to the formation of social norms (as is posited to be likely in the local option), micro-level social contracts are more likely to result. Moreover, when a firm is governed by a relational structure -- likely to contain more social norms -- a more positive organizational culture has been shown to be a consequence (Lund, 2003).

At this point, the second major portion of the framework takes hold. The relatively more productive and more positive firm environment which results from increased social norms and the clan structure/relational governance is theorized to beget the cultivation of, and adherence to, more micro-level social contracts. Once this occurs, micro-level social contracts assume the role of a "buffer" between any level of behavioral monitoring (particularly more-intensive) and have been supported to allow negative outcomes such as opportunism to be mitigated -- or at least severely reduced.

Theoretical Assumptions

The underlying assumptions of these theories provide cohesiveness to the integrated framework, as they are ostensibly in accord. Perhaps more importantly, however, is the *lack* of conflict present amongst the underlying theories. The theoretical harmony between these theories further supports the conceptual development of this particular framework and strengthens it theoretical potential.

For instance, the assumptions commonly accepted as being pertinent to agency theory are: self-interest, bounded rationality, risk aversion (human assumptions), goal conflict, efficiency as the effectiveness criterion, and information asymmetry between principal and agent (organizational assumptions), and information being available as a purchasable commodity (Eisenhardt, 1989). For TCA, assumptions include: bounded rationality and opportunistic behavior [behavioral assumptions] (Williamson 1981). The assumptions of some degree of mutual dependence, and power (some degree of inequity) are discussed previously for power-dependence theory (Emerson, 1962; Gaski, 1984). Finally, the Deterrence Doctrine has no discernible underlying assumptions.

As observed by the assumptions presented above, agency theory and TCA share multiple assumptions (i.e., bounded rationality, self interest/opportunism) and the framework meets the prescribed assumptions characteristic of power-dependence relationships. Thus, the theoretical synergy of these foundational elements is bolstered by the congruence of their respective assumptions.

Managerial Implications

Upon examination of the proposed relationships within the currently presented framework, the widespread managerial implications become clear. For a local option alcohol distribution firm -- or any firm which deems behavioral monitoring as a necessity -- these social norms and micro-level social contracts are essential. Additionally, when multiple levels of monitoring (enforcement) are present -- within or outside of a firm -- micro-level social contracts may have an even more prominent role.

In each of these instances, the appropriate level of behavioral monitoring to protect assets and investments may be deployed, while maintaining strong social ties, high levels of employee morale, employee job satisfaction, and, ultimately, less contractual violations. When these theorized relationships hold, an advantageous environment is created for the firm owner/proprietor and the employees, alike. Managers need not fear opportunistic behaviors, shirking, alienating employees, or jeopardizing carefully crafted social norms. In essence, the framework posits relationships which allow the "best of both worlds" for the employer (manager) and employee. The time, effort, financial, and other costs which are associated with the cultivation of these social relationships may begin to yield a favorable risk : reward ratio.

Managers should be aware of their unique situation-specific needs and move forward with appropriate monitoring and enforcement -- depending on their ownership type and their ability to forge micro-level social contracts. Retail firms in the example presented here, as well as corporations which franchise their valuable brands, the prospective franchisees, and those in plural forms, are likely to benefit from the framework.

Public Policy Implications

As discussed earlier, the dialogue concerning alcohol distribution and the potential adverse societal consequences is far from decisive. This framework intends to contribute to a seemingly perpetual discourse by theorizing in regards to principal and agent relationships, within the alcohol distribution context, which may prevent violations of contractual obligations. With the attenuation of contractual violations at the retail level of alcohol sales, disadvantageous alcohol-related outcomes (e.g., underage consumption) are likely to be reduced, in turn.

When the decision to privatize is considered by individual states, the potential for *increased* alcohol-related contractual violations may not merit concern. In fact, the decision to privatize may allow licensees of the state to exercise *more* effective control over the retail distribution of alcohol. The consequence of this counterintuitive, increased effectiveness may yield dividends, in the form of desirable social outcomes, for the physical and psychological well-being of the public.

Concluding Remarks

Theoretically, the framework extends agency theory and TCA, allowing further empirical exploration and testing of the domains of the two theories. Additionally, the framework also expands the literature of control and monitoring, deterrence, social norms, and social contracts, by providing a strong theoretical link between the literatures. Whereas these streams once stood individually, or with weakly inferred relationships, the framework presented is likely to fortify their theoretical affiliations. Further, in a novel contribution to the deterrence and enforcement literatures, the construct of *permanence* is introduced. As the fourth dimension of enforcement, it may serve as the final element which solidifies the construct of enforcement.

It is the purpose of the author, within this work, to supplement the discourse of two domains: 1) marketing/channels of distribution and 2) public policy. As these conversations proceed, a new perspective may be offered to the respective issues of each. Though these dialogues progress, their trajectories are not always linear. Therefore, these dialogues do not necessarily move towards resolution. However, if the framework presented in this article augments the theory and substantive reach of each domain in a meaningful way, its purpose has been achieved. The predictive utility of the framework may be supported and refined through empirical inquiry, providing further guidance to marketing managers and public policy-makers, alike.

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