CONTRACTUAL GOVERNANCE

PERSPECTIVES IN EMERGING MARKETS

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ABBREVIATIONS

AVE	Average variance extracted
BU	Behavioral uncertainty
BUASP	Buyer asset specificity
BUDEP	Buyer dependence
CR	Construct reliability
ADAPT/CONTADAPT	Contingent adaptability
ECE (EAC)	Ex ante contractual efforts (Ex-ante costs)
EPS	Ex post contractual specifications (contingent adaptability)
EOCD	Organization for Economic Co-operation and Development
EU	European Union
EXTSPC (TSPC)	Ex ante contractual term specificity (term specificity)
FC	Foreigness of supplier
FDI	Foreign Direct Investment
G4S	Group for securicor
IDV	Individualism
IT	Information Technology
IJV	International joint venture
LTO	Long-term orientation
MAS	Masculinity
NEWREL	Network relations
OPPORT	Opportunism
PDI	Power distance

PLS	Partial least square
PRISK	Perceived risk
REPT	Reputation
RELNORM	Relational norms
S&P	Standard and Poor
SEM	Structural equation modelling
TCA (TCE)	Transaction cost analysis (economics)
TECHUNC	Technological uncertainty
UAI	Uncertainty avoidance
UK	United Kingdom
US (USA)	United States of America
UNCTAD	United Nations Conference of Trade and Development
VIF	Variance inflation factor
VOLUNC	Volume uncertainty
WEF	World Economic Forum
WFTO	World Fair Trade Organization

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CHAPTER ONE

1.0 Introduction.

Inter-firm relations play a central role in today's business, from outsourcing, joint ventures, to alliances. Contractual governance merits studying, because in global business, the final product involves different firms (Min & Zhuo, 2002). These firms are often from different countries. Such a trend is likely to continue due to the intensified role of emerging markets in the global economy. Emerging markets have recently become an interesting and growing area of research due to their growth potential in global business. Recent statistics have indicated that 38.9% of world manufacturing goods are now coming from developing markets, 57.6% from developed markets and 3.5% from transition markets, with both developing and transition markets constantly rising while developed markets continually falling (UNCTAD, 2012). Ernst & Young (2013) article on six global trends shaping the business world have also estimated that 70% of world growth over the next few years will come from emerging markets.

Changes in the research patterns have not gone along or at least in proportion to changes in the world business. Contracts are about ''getting things done in the real world'' (Macneil, 1980:5), and thus proper knowledge of the context and its linkage to contractual governance is essential. Most firms stuck in emerging markets because of applying ''traditional thinking'' (Khanna, Palepu, Sinha, 2005:63) that does not take into account contextual factors. Transactions do not function without institutions (Khanna & Palepu, 2010), nor does contracts function independent of society (Macneil, 1980). There is no good reason to assume that theoretical predictions are generalizable to every market if institutions and exchange cannot be separated. Applying institutional thinking into contracts does not go without challenges (Williamson, 1993).

The focus of the thesis is to address four gaps within contractual governance literature. These gaps are content (completeness and the psychological aspect of a contract) and context (using emerging markets) by nature.

First is that most studies that have explored contractual completeness in both traditional economics (Masten & Crocker, 1985; Spier, 1992; Hart & Moore, 1999; Maskin & Tirole, 1999; Saussier, 2000) and outside economics (Luo, 2002, 2005; Poppo & Zenger, 2002; Reuer & Arino, 2002; Anderson & Dekker, 2005; Aubert et al, 2006; Argyres & Mayer, 2007; Argyres, Bercovitz & Mayer, 2007) have not provided strong empirical examination on the institutional role on the concept. Most works used general models (especially those of economics), single economies or homogeneous institutions, but heterogeneous institutions are important for validity reasons (Oxley, 1999). Luo (2002) suggested the concept of contractual completeness is made up of two dimensions (contractual term specificity and contingent adaptability). According to Luo, ''contingency adaptability is the extent to which unanticipated contingencies are accounted for and relevant guidelines for handling these contingencies are delineated in a contract, while term specificity concerns with how specific and detailed the terms are'' (2002: 905). Some scholars consider 'term specificity' as an attribute for 'complexity' and has investigated on complexity (Poppo and Zenger, 2002; Reuer and Ariño, 2002, 2003; Ariño and Reuer, 2004).

Both the first (Grossman & Hart, 1986; Hart & Moore, 1990) and second generation (Bolton & Faure-Grimaud, 2010; Hart & Moore, 2008; Tirole, 2009) views of incomplete contracts suggest that the variations in the structural aspects of a contract are exogenously and endogenously determined. Parkhe operationalization of the concept of degree of contractual safeguards motivated studies that were outside the domain of economics (Deeds and Hill, 1999; Reuer and Ariño, 2002, 2003; Ariño and Reuer, 2004).

Contractual completeness makes sense when we look at the optimal version of contracts. ''An optimal contract trade off'' the effects between rigidity and flexibility (Hart & Moore, 2008:4). In other words, optimal contractual choice, among other things is influenced by the costs and benefits analysis, which is endogenous to parties in the transaction (Crocker & Reynolds, 1993). According to the authors, the parties in the contractual arrangement can intentionally decide to choose low levels of contractual completeness. The optimal level of a contract, according to Crocker and Reynolds (1993) can be found when the marginal costs of increasing completeness are equal the marginal benefits of reducing incompleteness.

Second and closely similar to the first is that, in spite of dynamic approaches on the concept of completeness, the argument of two dimensions of contracts (Luo, 2002) has not been developed sufficiently to display the theoretical distinction (similarities or differences of the dimensions). We believe there is still work to be done in terms of consolidating the theoretical strength of these dimensions. It is also worth noting that most of contractual dimensions that emerge in empirical studies are based on factor analysis. Providing both empirical and theoretical strength on these dimensions is essential for broadening our understanding of contractual governance.

The third is on the partners' psychological responses in the contractual relations, i.e. satisfaction in contractual dealings. There is the argument that contracts are not optimal, but rather they are at satisficing level (Bolton & Faure-Grimaud, 2010). If partners can reach contractual agreements that are at satisficing levels, the key question that has not been adequately addressed is on which drivers are responsible for this satisficing level. The concept of contractual satisfaction was mentioned by Grønhaug & Gilly (1991), but there was no empirical development of the concept. The concept of contractual fairness that was introduced by Klein (1980) and later developed in the study by Poppo & Zhou (2013) is closely linked to the concept of contractual satisfaction. Though we understand fairness is one of the attributes for satisfaction (see Huseman, Hatfield and Miles (1987) and Tse & Wilton (1988) on equity theory), it does not capture all facets of the concept.

Fourth, is on international comparisons of contractual satisfaction in heterogeneous emerging markets. Looking at contractual satisfaction by comparing contextual environments will enhance our understanding on whether the drivers of contractual satisfaction are influenced by contextual surroundings.

We use four empirical papers that cover each gap we have identified above. The data used was obtained from two heterogeneous emerging markets; Tanzania (advancing or less advanced emerging market) and Poland (advanced emerging market). The rationale for selecting these economies is provided in the next section on the research context (section 1.1). Each paper links upon the other. Paper one addresses the first gap (use of heterogeneous institutional data in studying contracts) where we focus on a single dimension of contractual completeness (ex-ante contractual term specificity) and

examines how it differs within the institutional setting of heterogeneous emerging markets of Tanzania and Poland. The findings indicate that relational dimensions (reputation and history) and ex-ante contractual costs (these include searching, negotiation and drafting costs that are incurred prior to contracts) have a complementary effect on contractual completeness (ex-ante term specificity). The effect was stronger in more advanced than in less advanced emerging markets. This paper suggests the drivers of contractual completeness differ in terms of strength rather than the direction of effect across the heterogeneous emerging markets.

The contribution of this paper is on the role of institutional context in shaping specific dimensions that influences the structural elements of contracts. Further, we incremented the debate on the complementary versus substitute roles of relational governance (Möllering, 2002; Lazzarini et al., 2004; Eriksson and Sharma, 2003) using the institutional perspective. The findings present the rationale behind divergence and convergence of results which were not well explained in the past literature.

In paper two we address the second gap (on differences in the contractual dimensions) by adding the second dimension (contingent adaptability) of contractual governance and analyze how it differs with ex-ante term specification (from previous paper). Building upon Luo (2002) work on two dimensional view of contractual completeness, the paper finds that the key difference between the two contractual dimensions (contingent adaptability and term specification) is the level of assets and how they interact with volume uncertainty. This is one of the important advancements in the contractual governance theory, because there has not been a strong theoretical explanation on what shape the differences in these dimensions.

Paper three addresses the third gap (on contractual satisfaction) by exploring the idea of contractual satisfaction and how it is influenced. The paper suggests that, while ex-ante term specificity, contingent adaptability, reputation and trust have a positive influence on contractual satisfaction, opportunism has a negative one. The findings make a contribution in terms of introducing the concept of contractual satisfaction in the study of contractual governance and deviates from the held assumption that the level of details can lead to negative outcomes (Macaulay, 1963) such as opportunism. This paper suggests

also that by allowing for both term specificity and contingent adaptability, the parties are relatively satisfied. A key note to take in this paper is that it is not how the terms are tightened that determined safeguard, but it is how contracts are designed in terms of balancing the terms and flexibility aspects. Such a balance will be the optimal choice that provides satisfaction to exchange parties.

Paper four addresses the fourth gap (on international comparisons of contractual satisfaction) by acquiring the idea from paper 3 into an international level through the comparison of contractual governance using institutional context. The major findings suggest that ex ante efforts (costs) and ex post specifications have a significant positive effect on contractual satisfaction. This effect is stronger in advanced emerging market (Poland).

The contribution of this report is that, contractual satisfaction (that is experienced at the optimal choice) can significantly differ from one transaction to the other as a result of ex ante efforts and ex post specifications (contingent adaptability). Another key take from this paper is that the level of contractual satisfaction can vary between institutions as a function of cost and level of adaptability that will be allowed.

The rest of the introduction chapter is organized as follows; Section 1.1 provides the context for the study. Section 1.2 to 1.5 provides an overview of research objective and research questions. Section 1.6 provides an overview of the relevance of the study. This includes both theoretical and practical relevance. Section 1.7 provides the organization of the thesis.

1.1 Research Context

This study uses two countries from emerging markets; Tanzania and Poland. The regions that the countries have been selected are significant in today's business economy. Whereas Eastern and Central Europe have been viewed as an attractive debt market after the Eurozone crisis (Oprita, 2012), Sub-Saharan Africa on the other hand, has been named as the region with the second highest economic prospects in the world for the years 2011-20 (Economist, 2011).

What distinguishes emerging markets themselves with well-developed markets is the intensity and nature of institutional dynamics (Hafsi &Farashi, 2005) together with "degree to which they have successfully adopted rule-based market governance systems'' (Roth & Kostova, 2003:317). Institutions are ''regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior'' (Scott, 1995: 33). The institutional spectrum ranges from formal (such as rules and regulations) to informal (such as trust and reputation). Albeit formal institutions are important, nevertheless this does not override the germaneness of informal ones (Hill, 1995). Institutions in our definition consist of culture, regulations and norms actions that shape the way people behave (See North, 1990). We define institutional context as the embedded (aggregated) cultural, regulatory and norms actions.

Key institutional dimensions that are mostly used in literature are legal, normative and cognitive actions (North, 1990; Scott, 1995), thus it is important to compare the two economies using these dimensions. According to World Bank data (2004-2014), Tanzania and Poland have made radical legal reforms especially on contractual procedures. From 2012 to now, this dataset (World Bank, 2004-2014) indicates that Poland is doing relatively better in terms of reducing legal procedures than Tanzania. The same dataset indicated that Tanzania is doing better in terms of the length of time it takes to enforce contracts (less time to enforce contracts). From 2008 to date, the cost of enforcing contracts is relatively similar for Poland and Tanzania. Normative aspects deal with how firms or individuals abide by the rules. We use corruption perception index as a proxy for assessing the normative institutions. Poland is doing relatively better in terms of corruption index (low corruption in Poland) compared to Tanzania (Transparency International, 2001-2013), implying the high propensity for business firms in Poland to abide to normative standards. Cognitive elements deal with cultural aspects of the society. Poland and Tanzania are relatively similar in terms of power distance and long-term orientation, but differ in terms of individualism, masculinity and uncertainty avoidance (Hofstede Centre, 2014). Poland ranks higher in all three dimensions (individualism, masculinity and uncertainty avoidance).

In addition to the above comparative institutional dimensions, economic and political histories are important features that shape nations. The two economies have relatively

comparable patterns that are deduced from historical and economic landscapes. These comparable features are important to justify for their comparisons. Tanzania moved from a failed African socialism (Ujamaa) that was followed by implementation of structural adjustment programs in mid1980's. On the other hand, Poland disintegrated from the communist regime toward a capitalism path (Prazmowska, 2010). In addition, since Poland joined the Organization for Economic Co-operation and Development (EOCD) in 2004, it has experienced a significant economic growth (EOCD, 2006). The country was also ranked among key emerging markets of Europe (Dow Jones, 2012; S&P, 2010). Further, Poland was the only country in East and Central Europe to sustain economic growth during the 2009 recession (Oprita, 2012). On the other hand, Tanzania is marked as one of the fastest growing economies in Africa (Economist, 2011) and is among the top 15 countries in Africa in terms of foreign direct investments (FDI); these 15 countries have attracted 82% of new FDI projects in Africa since 2003 (Ernest & Young, 2012).

In relatively speaking, Poland can be considered an advanced emerging market while Tanzania is an advancing, or less advanced emerging market due to critical differences in technological and institutional transformation. World Economic Forum (2010) indicates that while Tanzania is considered to be a factor driven economy, Poland is considered to be in transition from efficiency to innovation driven economy.

1.2 General Objective of the Study
To address some key gaps of contractual governance theory in the context of heterogeneous emerging markets

1.3 Specific Objectives
- Explain drivers of contractual completeness and their roles in heterogeneous emerging markets
- To address the two dimensional view of contractual completeness
- Develop contractual satisfaction view
- Address international comparison of contractual satisfaction in the context of heterogeneous emerging markets

1.4 General Research Question

What are key theoretical drivers of contractual governance in heterogeneous emerging markets?

1.5 Specific Research Questions

Q1: What are the drivers of contractual completeness and their roles in heterogeneous emerging markets?

The literature on contractual completeness has evolved in different models and perspectives. The international aspect, however, has been at a large extent limited. The early literature involved the data from relatively advanced institutions, a matter that has led to limitations on the generalizability of findings. The studies that took place in China and Eastern Europe (Xin & Pearce, 1996; Roth & Kostova, 2003; Peng & Zhou, 2005) have indicated the role of specific institutional layout in influencing the contractual governance. It is also worth mentioning that even this cluster of studies that extended the literature on contracting; either used a single country or a set of relatively homogeneous countries. In search for generalizing findings, it is important that studies compare relatively heterogeneous institutions (Oxley, 1999). Another aspect is on the parameters that influence the degree of contractual completeness within the context of emerging markets. Based on the previous literature, the relational aspects of contracts have shown a unique influence on contractual governance. Key arguments on this uniqueness have been linked with cultural differences. There is strong debate when it comes to the role of relational dimensions on contracting. Whereas some have supported for the complementary (Aubert et al, 2006; Blomqvist, Hurmelinna & Seppänen, 2005; Hart and Moore, 2008; Klein, 1996; Möllering, 2002; Seppänen, Blomqvist & Sundqvist, 2007), others have supported the substitutive role (Gulati, 1995; Oxley, 1997; Yu, Liao, Lin, 2006). Though most studies are in favor of complementary role, we have not obtained strong evidence on these roles and their level of influence across heterogeneous economies. Further, the cost element of establishing contracts can extensively vary from one country to the other, so ex-ante contractual costs are of relevance to examine.

Q2: Are there predictive differences or similarities on the two dimensions (contingent adaptability and term specificity) of contractual completeness?

Dimension(s) of contractual governance is another interesting and growing area of research. Key dimensions (term specificity and contingent adaptability) have been highlighted in the literature (Luo, 2002; Reuer & Ariño, 2007) but there is still a little understanding of their theoretical differences and determinants for their choice in the contracts. The evolution in this area of contractual governance research broadens the scope of how one can view a contractual structure. This development confirms the earlier literature on the endogenous choices of contractual completeness (Crocker & Reynolds, 1993). Depending on the orientation of the parties and the structure of the contractual arrangement to be implemented, parties have a range of options to decide (in terms of dimensions), but we intend to study on what influence such choices.

Q3 and 4: What are the key drivers of contractual satisfaction?
This part combines two questions (question three and four). Question three will only address the drivers of contractual satisfaction in a single country and question four will expand this by using the institutional context of heterogeneous emerging markets. Before we explore the conceptual reasoning behind contractual satisfaction, it is better to look at the optimal contractual reasoning. At the optimal level of a contractual arrangement, parties maximize the benefits and the cost involved in a given contractual choice (Crocker & Reynolds, 1993). Both costs and benefits are perceived by parties and sometimes cannot be computed in arithmetic terms. The fulfilled motive for why parties decide to govern their relationship by contracts will partly be reflected by their degree of satisfaction. For example, if parties decide to increase the degree of assets' safeguard; a fulfillment of this motive will not only be a function of how the structure was managed, but also by how partners feel about it. The satisfaction element of contracts is thus a psychological side of the contractual exchange. It is possible for parties to feel satisfied with their contractual arrangement even if the level of completeness is low. The implication is that completeness does not necessarily mean contractual satisfaction. This is one of the important perspectives that need to be taken into account in the study of a contractual satisfaction. To get a better understanding on the contractual satisfaction, one can also take a look at the classical consumer satisfaction framework.

The most referred framework on consumer satisfaction is the disconfirmation paradigm (Hill, 1986). The expectation (on which the evaluation is based upon) is an important dimension in this paradigm. Hill (1986) identified the drivers of expectation to include, among other things; product, prior experience and information about the referents market activities. The important note one can draw from the disconfirmation paradigm is that the elements which form the bases for satisfaction evaluation are independent. The concept of relationship (Crosby and Stevens, 1987) and information (Spreng et al, 1996) satisfaction are closely related to contractual satisfaction but differ in terms of properties that are measured. In this study we intend to take the perspective of satisfaction in resolving some questions connected to the psychological side of the inter-firm exchange.

1.6 Relevance of the Study

1.6.1 Theoretical contribution
Theoretical contribution of this study is addressed in terms of content and context aspects.

Content: The study has contributed to the dimensions of contractual completeness and drivers of contractual satisfaction. There has been little theoretical research on how the two dimensions of contractual completeness differ. The current study has made a theoretical contribution on differences and similarities of the two dimensions and their theoretical implications. Further, the concept of contractual satisfaction which is relevant in business cooperation and continuity has been brought into the contracting literature.

Context: In terms of context, the concept of contractual completeness has been revisited by applying the international context. Past studies have used single markets or closely similar emerging markets in examining contractual governance, but the current study used heterogeneous emerging markets.

1.6.2 Practical contribution
As the business platform moves toward emerging market, it is relevant to have a practical understanding on key issues surrounding inter-firm relations. There is just a theoretical convention that relations are necessary, but with little implication on how this is reflected

in a contractual setting. The study provides a practical tool on conditions which relational and non-relational components are to be given emphasis in an inter-firm contractual design. In addition, the study provides a practical know how on the expected outcome of some of the relational /non-relational components within different contextual settings. Such know-how may empower firms with proper strategic decisions.

1.7 Organization of Thesis

This thesis is organized in terms of chapters. Each chapter covers a specific issue. Chapter two presents key concepts relating to the dependent variables. In this chapter, we present the concepts of contractual completeness and contractual satisfaction. Further, empirical reviews are also presented in this chapter. Chapter three presents the relevant theories that are applied. These include; transaction cost, relational governance, satisfaction frameworks and institutional perspectives.

Chapter four addresses the methodological and descriptive statistics. In this chapter, we present the research approach, research design, data collection methods, and data analysis. Further, we present the quality assessment aspects. Key issues that are addressed in the quality assessment are; validity and reliability. Chapter five to eight present a series of papers that build up the thesis. Each paper increments the other. Chapter four covers paper1 which deals with contractual completeness by comparing the two countries (Tanzania and Poland).

Chapter six covers, paper 2 that builds upon Luo (2002) work on two dimensional view of contractual completeness; Contingent adaptability and ongoing contractual term specificity. Chapter seven covers, paper 3 which brought into perspective the concept of contractual satisfaction using the Polish data set.

Chapter eight covers, paper 4 that extended the idea from paper 3 by taking contractual satisfaction further in the international landscape. It was not a mere retesting of paper 3, but there were additional variables with theoretical improvement. Chapter nine provides a final remark by giving an overall picture of the contribution, the future research and the study limitation. Figure 1 below provides a general layout of the papers in the thesis and how they link each other. References for chapters one up to four will be presented at the end of chapter four, where those of chapter five up to nine will be presented at the end of each chapter.

Figure 1: Organization of papers and concepts

Foreigness of supply firm

RELATIONAL GOVERNANCE

Reputation

History

Norms

Trust

TRANSACTION COST

Asset specificity

Behavioural uncertainty

Environmental uncertainty

Ex-ante/ex-post costs

Opportunism

CONTR COMPLITENESS

CONT ADAPT

EX-ANTE TERM SPEC

CONTRACTUAL SATISFACTION

INSTITUTIONAL CONTEXT
Embedded cultural norms, rules and cognitive actions

KEY

———— Paper 1   ▬▬▬ Paper 2   ▪▪▪▪▪▪ Paper 3   ----- Paper 4

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CHAPTER TWO
KEY CONCEPTS

2.0 Introduction
This section covers the key concepts of the study; contractual completeness and contractual satisfaction. In each of the concepts, we present the theoretical argument followed by an empirical review. Section 2.1 starts with the concept of contractual completeness, while 2.1.1 provides the empirical review of the concept. Section 2.2 provides the theoretical aspects of contractual satisfaction, followed by 2.2.1 which reviews the past studies on satisfaction within inter-firm relations.

2.1 Contractual Completeness
Relaxations on the assumptions for completeness led to increased research attention on the contractual completeness (Furlotti, 2007). Parkhe operationalization of the concept of the degree of contractual safeguards attracted later studies on contracts which were outside traditional economic models (Deeds and Hill, 1999; Reuer and Ariño, 2002, 2003; Reuer et al., 2003; Ariño and Reuer, 2004). Luo (2002) suggested the concept of contractual completeness to be made up of two dimensions (contractual term specificity and contingent adaptability). Some scholars consider 'term specificity' as an attribute of 'complexity' and investigated the complexity aspect of contractual governance (Poppo & Zenger, 2002; Reuer & Ariño, 2002, 2003; Ariño & Reuer, 2004). The content of 'term specificity' according to Furlotti has little to do with the ''articulation and extensiveness of the contract'' (2007:81). In spite of the move toward contractual complexity, the researches on completeness have not adequately addressed the call from Williamson (1996) who emphasized on the need to incorporate institutional context in studying contracts. An extensive review provided in table 1 below indicates this gap.

Most definitions of contractual completeness focus on term specification (Brown, Potoski, & Van Slyke, 2007; Saussier, 2000). Based on the second-generation view of contracts, completeness can be viewed as the degree of detail used to describe activities and objectives, which may cover all possible situations and contingencies (Al-Najjar, 1995; Brown et al., 2007; Hendrikse & Windsperger, 2011; Saussier, 2000). Hendrikse

and Windsperger define contractual completeness as the "ratio between specific rights and residual rights where specific rights refer to detailed specification of decision action in the ex-ante period and residual rights refer to the planning of decision procedures which enable decision making about specific actions in the ex post period" (2010:4).

Albeit contractual completeness is hard to achieve (Bernheim & Whinston, 1998; Furlotti, 2007; Macaulay, 1963; Macneil, 1980; Neu, 1991; Nakhla, 2003), it is possible to study the degree of contractual completeness (Al-Najjar, 1995; Brown et al., 2007; Hendrikse & Windsperger, 2011; Saussier, 2000) which will likely vary in heterogeneous emerging markets. The first generation of incomplete contracting theories (Grossman & Hart, 1986; Hart & Moore, 1990) explains incompleteness by high enforcement costs due to exogenous verifiability constraints in the contract execution period. The second generation of incomplete contracting theories (Bolton & Faure-Grimaud, 2010; Hart & Moore, 2008; Tirole, 2009) argued that the incompleteness of contracts results primarily from adaptation and endogenous verifiability problems under bounded rationality of contract partners. The incomplete contract theory gives some clue on the impact of contractual incompleteness, but does not provide sufficient knowledge in relation to the differences in contractual completeness levels nor does it explain the extent to which those levels emerge as an outcome of parties' goodwill (Roxenhaull & Ghauri, 2004).

Term specification and contingent adaptability (planning) are important dimensions of a contract, according to Luo (2002). ''Contingency planning clauses can be defined as a part of a contract that is designed to support within-agreement adjustments by proscribing the ways in which the contractual partners will deal with changes that might arise during the execution of the contract''(Argyres, Bercovitz and Mayer, 2007:5). These contingencies can increase the willingness of the vulnerable party to commit the exchange (Klein, 1993). Term specificity concerns with how ''specific and detailed the terms are'' (2002: 905). Spier pointed out that ''in an intermediate range, some contracts will be complete and others will be incomplete; the exact pattern will depend on the information structure as well as the nature of the transactions costs'' (1992:433).

Aspects that hinder contractual completeness can occur before the contractual period (*ex-ante*) or after (*ex post*). While the latter is associated with adaptation problems (Grossman

& Hart, 1986; Hart & Moore, 1990), the former is associated with the bounded rationality of the contractual partners (Bolton & Faure-Grimaud, 2010; Hart & Moore, 2008; Tirole, 2009). Both relational and non-relational factors are also important in addressing contractual completeness. If relational dimensions are in a continuum (Ferguson, Paulin, & Bergeron, 2005) from weak to strong, with the former having a high degree of formal contractual constraints and the later a low degree, then the degree of contractual completeness will be influenced by this continuum.

Debate on the contractual governance has argued for both complementary (Aubert, Houde, Party & Rivard, 2006; Blomqvist, Hurmelinna & Seppänen, 2005; Hart and Moore, 2008; Klein 1996; Möllering, 2002; Seppänen, Blomqvist & Sundqvist, 2007) and substitutive (Gulati, 1995; Oxley, 1997; Yu, Liao, Lin, 2006) roles of relational governance on contracting. Whereas large part of literature has supported for the complementary roles, there are key issues that have not been clearly addressed in the literature (in relation to these perspectives). The first is whether there are differences (in these roles) across different institutional structures in emerging markets. The second is on the extent or the level of influence that these dimensions have across these markets. This second aspect has hardly been addressed in the literature. Further the cost component is an important aspect when it comes to optimal contractual designing (Crocker & Reynolds, 1993). The literature on institutions has already indicated the relevance of including the contextual surrounding in the study of contractual governance (Williamson, 1996). It is important to provide a clue to these perspectives of contractual completeness so as to empower firms with better predictions that ensure proper strategic alignment when dealing with different emerging markets.

2.1.1 Empirical review for contractual completeness

An increase in asset specificity has been argued to increase the level of details (specifications) in contracts (Dyer, 1997; Poppo and Zenger, 2002), but the endogenous decision among exchange partners can influence such a specification level (Crocker and Reynolds, 1993; Saussier, 2000). Research on contractual completeness assumes that more elaborate and complete contracts limit opportunism (see Macher & Richman, 2008; Shelanski & Klein, 1995).

Collaborative relationships between firms have also been found to influence governance (Gulati, 1995), however Macher & Richman (2008) establish that such collaborative relationships have an influence only on the least stringent provisions that firms apply for coordination purpose. The relational governance research also associates complete contracts with performance (Gong et al., 2007; Poppo & Zenger, 2002; Ryall & Sampson, 2009), but Lusch and Brown (1996) found contrary observation; that normative contracts positively influence performance when increased trust between firms improves relationship quality.

The study of writing contracts within the petroleum coke that was conducted by Goldberg and Erickson (1987) concluded that the increased numbers of contractual provisions are translated as an attempt of exchange parties to safeguard their specific assets. This finding was consistent with Crocker and Masten (1988) study in the natural gas industry that also found that the length of terms covered was positively related to specific assets.

A range of studies conducted by Joskow (1985, 1987, 1988b, 1990) attempted to find the impact of asset specificity on contractual duration and price adjustments within the context of the coal industry (coal suppliers and coal-burning electric plants). The findings from these studies indicated that the greater the specific assets, the longer the contractual period. These findings were supported by Saussier (1999) study in the coal transportation in France. Aubert and colleagues (2006) did not find conclusive results on the impact of asset specificity on contractual completeness, but authors argued that these results were still premature to reject the null hypothesis on the net impact of specific assets on contractual completeness. Further, the authors suggested that, firms trade-off the costs of designing, negotiating and implementing more complete contracts with the benefits of doing so.

Crocker & Reynolds (1993) studied the relationship between contractual incompleteness and opportunistic behavior using the context of Air force engine procurement with contracts from the 1970s and 1980s. Their findings suggested that the contract is more complete when there is a history of dispute among the parties and less complete when there is in temporal or technological uncertainty. An important element of their study was that contractual completeness was treated as endogenous concept. Crocker and Reynolds

(1993) view more 'complete' contracts as the simplest (fixed price), while Saussier (2000) view them as having the largest number of clauses.

Zollo and colleagues (2002) study on strategic alliances suggested that prior relations between firms can lead to the development of inter-organizational routines; these routines can allow firms to avoid the need for detail mechanisms in monitoring and coordinating. In connection to volume uncertainty, Aubert and colleagues (2006) found that firms facing greater volume uncertainty seek less complete contracts, while firms dealing with easily measurable dimensions and standardized activities aim for more complete contracts. Acheson's study (1985) was performed in the fish industry at Maine lobster market and findings indicated that the fisherman and pond operators structured their agreement in a way that reduced information cost and opportunism (that is linked with information asymmetry). Lyon (1994) study was within the context of engineering sub-contractors and found out that formal contracts are less frequently applied for projects with high technological conflicts.

Some studies looked at specific dimensions of contracts. For example Mayer and Bercovitz (2003) examined the concept of contingent adaptability and their findings suggest that there is a positive association between contracts and level of task interdependence. Further, they found a negative association between contracts and appropriability of technology. Argyres and colleagues (2007) applied the same database and found that prior relationships (history) have a positive relationship with contingency provision. Elfenbein and Lerner (2005) studied contingencies in the context of alliances in internet portals and their partners and found that the proxy for the anticipated conflict of interests and uncertainty has a positive impact on the use of contractual contingencies.

The literature on contracting has indicated that the increased number of clauses in a contractual relationship can lead to contractual complexity (Reuer & Ariño, 2007; Barthélemy and Quélin, 2006). Findings on the contractual complexity have suggested that the concept is a multidimensional with its different dimensions having unique antecedents (Reuer & Ariño, 2007). In the table 1 below, we provide a summarized view of past studies that have looked at the concept of contractual completeness and related concepts. The review indicates that even though the topic has moved into a different

angle (on complexity), the institutional influence (use of heterogeneous markets) on contractual completeness is something that has not been adequately addressed in the literature.

Table 1 Review of contractual completeness

Author	Predictors/Variables	Outcomes/Dependent Variables	Context	Methodology	Findings/Remarks
Masten & Crocker (1985)	Excess, demand, Depth (of the well), Number of buyers, Number of sellers, Concentration of pipes in the region	Take or pay provisions (specified take percentage, applicable price ceiling, the actual price of gas)	Natural gas in USA	Empirical analysis. Data was obtained from a survey covering multiple sources.	Take percentage is significantly lower for wells associated with a small number of sellers and large number of buyers, each of which raise the alternative value of the gas. Externalities do not result in a divergence of private and social valuations, take obligations contained in contracts written in unregulated environments provide for efficient adaptation to changing circumstances in long-term contractual relationships.
Mulherin (1986)	Specific assets, length of time, Number of pipelines in the field, Number of gas producers	Contractual complexity (in terms of provisions)	Gas industry in USA	Empirical analysis. Data were based on producer-pipeline gas contracts between 1940-54	Contractual provisions used in particular producer-pipeline agreements were systematically affected by the nature of the bilateral contracting hazards.
Hart & Moore (1988)	Specific investments, payoffs, risk assumptions	Incomplete contracts and contingencies	Conceptual models	Game and Mathematical model	Because parties can rescind the original contract and write a new one, severe limitations are placed on the form the revisions can take. Where parties are risk neutral and must undertake relationship specific

					investments, they will not be able to sustain efficient investment levels even if the messages are verifiable.
Chung, (1991)	Exogenous uncertainty, buyer and seller's specific assets,	Contractual incompleteness	Conceptual models	Mathematical model and Economic assumptions	In the case where the parties are risk neutral and must make specific investments, it is possible to induce efficient investments and the first best regardless of the allocation of the ex post decision authority. In the case where the parties are risk averse, but where there are no specific investments, it has been shown that it is generally not possible to implement the first best.
Spier (1992)	Transaction cost, principal type, ex ante costs, ex post costs	Incomplete contract	Conceptual model	Mathematical model, game, economic assumptions	In the presence of transaction costs, incompleteness may act as a signal of the principal's type. Two types of transaction costs are considered: those incurred ex ante (drafting costs) and those incurred ex post (enforcement or verification costs). The presence of either of these costs, asymmetric information leads to more contractual incompleteness than full information does.
Crocker &	Reputation,	Contractual	Air Force	Empirical analysis	Degree of contractual

Reynolds (1993)	opportunism, environmental uncertainty	incompleteness	engine purchase from General Electric and Pratt and Whitney	using contractual data	incompleteness chosen in practice, reflects the relative magnitudes of these economic costs. Variables associated with higher levels of environmental complexity, such as technological uncertainty or remote dates for contract performance, increase the costs of drafting complete contracts. A record of past opportunistic behavior or the potential to hold-up in a sole-source environment, on the other hand, increases the likelihood of ex post redistributive efforts, and results in the use of more complete contracts
Lyon (1994)	Vulnerability, complexity, size, trust	Formal contract	UK engineering subcontractors	Empirical analysis involving 91 firms. Data was collected through a survey.	Vulnerability has a positive impact on the use of formal contracts while the complexity and trust had a negative impact. Size was not significant
Bernheim & Whinston (1998)	Static contracting problem, dynamic setting, structural inter-temporal linkages (current choice affects future), dynamic setting without structural	Contractual incompleteness	Conceptual models	Game and mathematical models and economic assumptions	Incompleteness is an essential feature of a well-designed contract. Once some aspects of performance are unverifiable, it is often optimal to leave other verifiable aspects of performance unspecified.

	inter-temporal linkages.				
Hart & Moore (1999)	Specific investments, payoffs, renegotiation, commitment	Incompleteness	Conceptual models	Mathematical model, economic assumptions and conceptual cases	The contract is incomplete if the parties would like to add contingent clauses, but are prevented from doing so by that fact that the state of nature cannot be verified. The way contract is completed is not optimal from an ex-ante perspective. Parties would like to ensure that price is independent of seller's cost, but this may not be compatible with their ex-post incentive constrain. Optimal complete contracts subjects to commitment and incentive constraints.
Maskin & Tirole (1999)	Dynamic programming, Specific investments, partners' behavior, prior beliefs	Contractual incompleteness (optimal completeness)	Conceptual model	Mathematical model, game and economic assumptions	Transaction costs need not interfere with optimal contracting (transaction costs need not be relevant), provided that agents can probabilistically forecast their possible future payoffs. Optimality results hold very generally provided that the parties can commit themselves not to renegotiate. Renegotiation may be hard to reconcile with a framework that

				otherwise presumes perfect rationality
Segal (1999)	Seller costs, specific investments, uncertainty, ex ante and ex post surplus.	Contractual complexity and renegotiation	Conceptual models	Mathematical models, game, economic assumptions	As environment becomes more complex, the outcome under any message-contingent long-term contract converges to that of the incomplete contract model where trade is contractible ex post, but not ex ante. When trades are costly to describe, both ex ante and ex post, the incomplete contracting result is extended to broader class of environment
Chen (2000)	Service quality cost of providing service, value of service to the buyer, social surplus, residual rights.	Verification arrangements (contracts)	Conceptual models	Mathematical model and economic assumptions	Once human behavior (self-interested) is taken into account, an incomplete contract may become optimal even if complete contracts are available. Social surplus can increase contract cost. An incomplete contract is more likely to be adopted if people in a society are more willing to keep promises, and are relatively low should the promise be broken. Allocation of residual rights in incomplete contracts has important implication for resource allocation

Saussier (2000)	Asset specificity, uncertainty	Contractual incompleteness	France electric power sector contracts of between 1977-1997	Empirical analysis. Dataset had about 29 contracts for the transportation of coal to Électricité de France power plants.	Contracting parties choose the level of completeness that will be most effective in minimizing transaction costs. Parties' choice of contractual terms reflects a trade-off between the specification costs and rigidities associated with specifying detailed performance obligations in uncertain transactions and the greater flexibility expected cost of establishing the terms of ex post trade in less definite relational contracts.
Arruñada, Garicano & Vazquez (2001)	The number of dealerships in network, length of relationship, quality of products sold	Manufacturer level of discretion (completion, monitoring and termination)	Dealership in Spain	Empirical analysis. Data was collected from a survey of dealership contracts of networks operating in Spain. Final sample used was 23.	Contracts substantially restrict the decision rights of dealers and grant manufacturers extensive rights to specify and enforce dealers' duties. The allocation of decision rights and incentive intensity differs across brands, however. This variation is explained by incidence of moral hazard.
Luo (2002)	Contractual completeness, cooperation	Performance	International joint-ventures in China	Empirical analysis of 293 international joint ventures. The data involved survey and archive records	When contracts are more complete, cooperation contributes more to performance. Contribution of contractual completeness (contingent adaptability and

					term specificity) to performance declines as completeness increases, but the contribution of cooperation remains linear.
Poppo & Zenger (2002)	Asset specificity, longevity of relationship, Tenure and budget	Performance, relational governance, contractual complexity	Executives from information services exchange	Empirical analysis using survey data from a sample of the information service exchange	Formal contracts and relational governance function as complements. Contractual complexity indirectly increases exchange performance by increasing relational governance, which in turn increases exchange performance.
Reuer & Ariño (2002)	Governance misfit, specific assets, environmental uncertainty, firm's strategy, contractual safeguards	Contract renegotiations (can be a proxy for contingent adaptability)	Spanish firms engaging in alliance relations between 1986-1992	Empirical analysis. Data was collected using a survey that focused on firms engaging in alliance in relations in Spain between the years 1986-1992. A final sample was 91 respondents	Firms tend to change the governance alliances when a misalignment exists between the chosen governance structure and features of the transaction. Asset specificity affects alliance design as well as post-formation governance decisions. Contractual alterations are also more likely when firms employ less extensive contractual safeguards in their alliances and when a parent firm's strategy change. Cross-border alliances are any more or less likely to experience contractual

					renegotiations than domestic alliances.
Luo (2005)	Institutional environment, environmental uncertainty, knowledge proprietariness, dependency, host country legal incompleteness, interference by host country, economic exposure	Contractual completeness (contingent adaptability and term specificity and contractual obligatoriness)	International joint ventures (IJV) in China.	Empirical analysis. Data was collected from surveys involving senior executives in China during 1998-1999. Final sample used was 110.	Term specificity and contractual obligatoriness increase when the proprietariness of resources to be invested in the IJV or the incompleteness of the host country's legal system increase. Contractual obligatoriness increase functions of economic exposure and environmental volatility, whereas contingency adaptability in a contract arises when interplay dependency, investment uncertainty and knowledge proprietariness intensify or when environmental hazards escalate. If IJV contract is structured multidimensionality as above, can curtail opportunism and guide venture evolution at the same time.
Elfenbein & Lerner (2005)	The efforts required by partners, Internet traffic, the financial position of partners, industry development,	Technical performance and product market performance contingencies	Contracts between internet portals providers and firms involving USA users only (between	Empirical data analysis of 100 internet portal alliance contracts	Contracts involve fewer contingent control rights as industries have matured. Where incentive conflicts are potentially greater, more contingent control rights are used.

				1995-1999)	
Anderson & Dekker (2005)	Transaction characteristics (uncertainty, size, asset specificity, task specificity) Transaction partner characteristics (competitions and power)	Contract extensiveness	Small and medium IT firms in Netherlands	Empirical study with 858 firms. Data was obtained by survey	Size, asset specificity and task complexity have a positive impact on contract extensiveness. These transaction characteristics have different effects on different dimensions of contracts (right assignment, after-service, product and price, and legal recourse)
Aubert et al (2006)	Asset specificity, volume uncertainty, dependency measurability, standardization of transaction, organizational skills, technical skills	Contractual completeness	Information technology firms in Canada	Empirical analysis (probit model). Data used was gathered from a survey of information technology firms in Canada. A final sample was 196 firms.	Firms arbitrage between the costs of writing complete contract and those associated with the level of risk exposure. They allow identification of critical factors that influence the level of contract completeness. These include uncertainty, measurability and standardization of transaction as well as organizational skills. Asset specificity did not have a significant impact
Barthélemy and Quélin (2006)	Core-related specificity, switching costs, adapting human assets and environmental uncertainty	Contract complexity, Ex-post transaction costs	Survey of European and American outsourcing contracts	Empirical analysis. The data involved 91 outsourcing contracts signed between 1992 and 1997.	High switching costs result in dense contracts. Core-related specificity has a positive impact on the complexity. The greater the uncertainty about the outsourcing client's future needs, the more will elaborate

					clauses have to be included in the contract in order to deal with unexpected contingencies
Argyres & Mayer (2007)	Complexity, appropriability	Types of contract terms (extensiveness), primary loci of contract design capability	Conceptual	Conceptual	Firm's contract design capabilities evolves through learning trade-offs for different types of contractual provisions. Knowledge about the trade-offs reside differently in managers, engineers, and lawyers regarding different types of contractual provisions
Argyres, Bercovitz & Mayer (2007)	History (as a proxy for trust), controls (interdependency, innovation)	Contingency planning and task description	IT services and computer hardware between a firm (Compstar) and various buyers (mostly Fortune 500 companies)	Empirical analysis. 386 contracts from computer firm that supply IT services and computer-related hardware. The period covered by the dataset is from 1986-1998.	Contingency planning and task description behave as complements in contractual design. Complementarity reflects patterns of learning to contract. A repeated exchange between two firms leads to greater effort in contingency planning in subsequent contract, a finding that is also consistent with learning effects, but not with frequently made claims that contracts and trust are substituted
Reuer & Ariño (2007)	Asset specificity, prior ties (as proxy for trust), time-bound alliances, open-ended collaborative	Contractual complexity	Spanish firms that engaged in alliance relationships (years between	Empirical analysis. Data was collected using a survey that focused on firms engaging in	Two underlying dimensions of contractual complexity were identified; based upon enforcement and coordination functions of different

	relationships		1986-1992)	alliance in Spain between the years 1986-1992. A final sample was 91 respondents	contractual provisions. Usage of particular contractual provisions is a function of asset specificity as well as whether the alliance's duration is pre-specified or open ended. Firms that have collaborated with each other in the past are not likely to negotiate enforcement provisions; rather, repeat collaborators are less likely to adopt contractual provisions that are informational in nature and are geared to the coordination of the alliance.
Battigalli & Maggi (2008)	Verifiable contingencies and actions, multitask, external environment, agent's behavior, cost of writing contracts	Optimal contracting (formal and informal contracting)	Conceptual models	Mathematical models and economic assumptions	It might be optimal to regulate a task by rigid rules, that is, by writing a non-contingent clause once and for all, or to leave a task to the agent's discretion with no informal agreement to take the efficient action. If we interpret a contract implementing the first-best outcome as ''complete'' contract, then the main implication of large writing costs is that they generate contractual incompleteness. Alternative mode of governance that could avoid the

					costs of writing detailed contracts, namely giving authority to the principal. If the principal could instruct the agent on what actions to take in each period, there would be no need to specify contingencies or actions in a contract.
Hendrikse & Hu (2009)	Uncertainty (from market), reputation, quality of products	Contractual completeness	Fruit and vegetables market in China	Empirical analysis. Data was obtained from multiple-case designed which included primary farmers and agribusiness (downstream marketing)	Contractual completeness varies substantially across different supply chains in China. A contract is more complex when the firm designing the contract sells high quality product. It is not clear if market uncertainty determines the completeness of contract. Reputation has no effect on the completeness of a contract
Zhou & Poppo (2010)	Asset specificity, environmental uncertainty, behavioral uncertainty, perceived legal enforceability	Explicit contracts, relational reliability	Manufacturing firms in China	Empirical analysis. Data was collected using a survey that involved manufacturing firms engaging in buyer-supplier exchange relations. Final sample used was 399.	When managers perceive that the legal system can protect their firm's interests, they tend to use explicit contracts rather than relational reliability to safeguard transactions involving risks. When managers do not perceive the legal system as credible, they are less likely to use contracts, and instead rely on the

					relational reliability to safeguard transactions associated with specialized assets and environmental uncertainty, but not those involving behavioral uncertainty. Legal enforceability does not moderate the effect of relational reliability on contracts, but does not weaken the effect of contracts on relational reliability.
Hendrikse & Windsperger (2011)	Behavioral uncertainty, environmental uncertainty, trust, specific investments, the intangibility of system specific know-how, contract design capability	Contractual completeness	Franchising sector in Austria	Empirical analysis. The data involved a survey on franchising firms (using managers as respondents). A final sample was 52 firms.	The degree of contractual completeness depends on behavioral uncertainty (negatively), trust (positively), franchise specific investment (negatively), environmental uncertainty (negatively), the intangibility of system know-how (negatively) and contract design capabilities (positively)

2.2 Contractual Satisfaction

Most models on relationship satisfaction tend to ignore contracts as an important dimension to be evaluated in inter-firm relations. Crosby (1987) three attributes model of overall relationship satisfaction (core service, contact person and the institution (firm)) did not indicate the position of contracts in evaluating the inter-firm relationship. Overall satisfaction provides an aggregated account of all attributes, thus it is difficult to represent an in-depth knowledge of satisfaction/dissatisfaction at a transaction specific (attribute) level. Though contractual satisfaction is a subset of overall satisfaction, it is a transaction specific evaluation. Relationship satisfaction is also an overall satisfaction evaluation because it provides an aggregated assessment (evaluation) of all attributes in a relationship. Contractual satisfaction is thus a subset of an inter-firm relationship satisfaction, but its evaluation is entirely based on aspects that pertain to a contractual relationship. Contractual structures have an important role in inter-firm relations. Macaulay (1963) pointed that rely on complex contracts or partial or complete equity ownership to manage an exchange relationship may signal a lack of trust to exchange partners. Ghoshal and Moran (1996) made the similar observation.

It is relevant to study contractual satisfaction because by default contracts do not operate at an optimum level (Bolton & Faure-Grimaud, 2010). Understanding what lead parties to be satisfied at a particular contractual arrangement will provide us with a rich source of knowledge on drivers behind satisficing contractual arrangements. In addition, satisfaction is important in business relations (Dwyer, Schurr, & Oh, 1987; Pfeffer & Salancik, 1978) because it increases cooperation (Lusch, 1976) and continuity (Anderson & Sullivan, 1993; Ganesan, 1994; Ping, 2003). In today's business world the fairness (as one of the attribute for satisfaction) in the contractual dealings matters a lot. According to World Fair Trade Organization (WFTO) (2014), the EU public procurement directive voted for deliberate choice of fair trade products. This new law, according to WFTO confirms the direction set by the court of Justice of the European Union in the North Holland case ruling, which for the first time clarified that public contracts can award additional points to products ''of fair trade origin''. Similar trends are taking place in emerging markets. For example South Africa has established a consumer protection Act (Timothy & Posthumus, 2010) which aim at establishing a balance between the supplier

and buyer in situations where one party has more experience and knowledge that can result into unfair contracts.

Grønhaug & Gilly (1991) study on the transaction cost approach to consumer dissatisfaction mentioned this concept (of contractual satisfaction), but it was not developed further. A concept of unfair contractual arrangement was introduced in the literature of transaction cost by Klein (1980) and a recent study from Poppo & Zhou (2013) has further developed the concept. It is important to revisit fairness literature because fairness is a concept that is related to satisfaction (see Tse & Wilton, 1988) but does not cover all facets of satisfaction. The concepts of relationship (Crosby and Stevens, 1987) and information (Spreng et al, 1996) satisfaction are also closely related to contractual satisfaction but differ on the basis of attributes that are evaluated. In an attempt to study specific elements of satisfaction, Spreng and colleagues (1996) introduced the concept of information satisfaction. The author defined the concept as a ''subjective satisfaction judgment of the information used in choosing a product'' (p. 18). This study introduces a concept of contractual satisfaction in line with the interaction level of relationship satisfaction (Crosby and Stevens, 1987).

To get a clear understanding on what contractual satisfaction entails, one needs to go back to Hill (1986) popular disconfirmation paradigm of consumer satisfaction. The key elements that have been consistently overlooked in the empirical works are drivers of expectation. Hill (1986) identified the components of expectation to be; the product, prior experience and information about the referents market activities. The basis for the debate on an aggregate (Oliver, 1997) versus transaction specific (Anderson & Sullivan, 1993; Spreng et al., 1996) evaluation of satisfaction is established in the expectation formation process. The important aspect which one can draw from the disconfirmation paradigm is that the elements that contribute toward satisfaction are independent. For example the quality of the product is one thing and the way it is offered is something else.

Some firms can have a great product, yet weak market activities and information, while others can have completely opposite sets of dimensions that form the bases for expectation. Treating and evaluating each element in the process as independent allows us to obtain rich and very practical information. We define contractual satisfaction as an

ex post evaluation of experiences of inter-firm relationship that is governed by a contract. There is a lack of studies that have focused on contractual satisfaction.

What distinguishes contractual satisfaction with other forms of satisfaction is the fact that the episodes evaluated are those that relate to contracts and not necessarily performance outcomes. Overall satisfaction does not account for the specific attributes of satisfaction and it is difficult to trace the source of satisfaction/dissatisfaction. At a management level, it is very helpful to obtain feedback on very specific attributes. Contracts have both standards and normative expectations. Standards are those specifications set ex-ante, while normative are those aspects which partners perceive as moral obligations even though they are not written down. Contractual satisfaction on that matter covers evaluation of both agreed and normative expectations.

2.2.1 Empirical Review on satisfaction

Empirical findings from both consumer and channel/business relations literature have a range of findings. The extensive findings are partly a function of a broad list of constructs and theories in attempting to explain satisfaction. Since our focus is on contractual governance, our review will be based on key findings from the field of industrial business relations. We provided this review in table 2.

In this table 2 we have also indicated the levels by which satisfaction was studied. Satisfaction can either be general/overall or transaction specific. Whereas the overall satisfaction reflects the evaluation of all experiences across all services in relationship (Jonsson & Zinelding, 2003), transaction specific focuses on specific experience for a particular service level. Most studies in both consumer and industrial/channel relations have focused on the overall satisfaction as opposed to transaction specific satisfaction (Anderson & Sullivan, 1993; Spreng et al., 1996).

Empirical research on satisfaction has supported the positive impact of relational dimensions on satisfaction. These include the positive impact of trust (Caceres & Paparoidamis, 2007; Doucette, 1996; Mohr and Spekman, 1994; Razzaque & Boom (2003)), reputation (Jonson & Zinelding, 2003), relational norms (Doucette, 1996),

commitment (del Bosque Rodrı´guez,et al, 2006) and communication (Mohr and Spekman, 1994). Dependency and power have also been found to influence satisfaction (Dwyer, 1980; Razzaque & Boom, 2003).

Transaction cost variables have also been found to influence satisfaction. Ghijsen and colleagues (2010) found a positive impact of asset specificity on satisfaction. Their finding was also supported by Ping (2003). Grønhaug & Gilly (1991) study that applied transaction cost to consumer satisfaction, found that dissatisfaction experienced can be ''related to market institutional arrangements outside the responsibility of the individual seller'' (p. 180). They also found out that ''many problems relate to realized risks are not covered in consumers' contracts'' (p. 175).

The review we have provided (in the table 2 below) on a range of satisfaction studies that was conducted on satisfaction in the area of business or industrial relations, have indicated a consistent gap in terms of integrating contracts on the general model of satisfaction. This gap can be traced back to Crosby (1987) work on three key attributes of overall relationship satisfaction. This study will focus on this construct (contractual satisfaction) given the relevance we have pointed above.

Table 2: Empirical review

Author(s)	Level of Analysis	Predictor Variables	Context	Definition of satisfaction	Findings
Ghijsen, Semeijn and Ernston (2010)	Overall supplier satisfaction	Specific assets, influence strategies, dependence, promise	Germany automotive industry	Define supplier satisfaction as ''the feeling of equity with the relationship no matter what power imbalances exists'' (Benton and Maloni 2005, p.19)	Influence strategies and capital specific assets had significant negative and positive on satisfaction respectively, while promises, human specific assets had no impact on satisfaction.
del Bosque Rodríguez et al (2006)	Economic and non-economic dimensions of satisfaction	Communication, trust, commitment	Food sector distributors in Spain	Economic satisfaction is the evaluation performed by a channel member of the economic results derived from his relationship with his partner, such as turnover, margins and discounts (Geyskens & Steenkamp, 2000, p. 667). The non-economic satisfaction refers to the evaluation of interactive experiences (Scheer & Stern, 1992) and it has been linked with exchanges that reflect the good psychological behavior of the members (Gassenheimer & Ramsey, 1994, p.667)	Credibility, trust (credibility and benevolence), and commitment have a positive impact on non-economic satisfaction, while communication and commitment has a positive effect on economic satisfaction. Further, there is a positive relationship between economic and non- economic satisfaction.
Benton and Maloni (2005).	Overall satisfaction	Power, performance	Automobile industry in USA	Supplier satisfaction is defined as the feeling of equity with the relationship no matter what power	Power-affected buyer-supplier relationship had a significant impact on supplier satisfaction.

				imbalance exists (p.5).	
Razzaque & Boon (2003)	Overall	Trust and dependence	Experimental design	A positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another (Frazier et al., 1989; Gaski & Nevin, 1985, p. 27)	Trust and dependence have significant positive impact on satisfaction. The interaction between trust and dependence has a positive impact on satisfaction.
Jonsson & Zineldin (2003)	Overall relationship satisfaction	Communication, adaptation, reputation, coercive power, non-coercive power, cooperation, relationship bonds, dependency and relationship benefits	Swedish lumber dealers and their suppliers (single company versus many suppliers)	Customers (buyers') cognitive and affective evaluation based on personal experience across all service episodes within a relationship or an emotional response to the difference between what customers expect and what they ultimately receive.	When not considering the level of trust and commitment, all predictor variables had a positive impact on relationship satisfaction with the exception of coercive power which had a negative impact. However to full understand the impact of these relational variables, the effect of trust and commitment should be controlled
Ping (2003)	Overall satisfaction	Alternative attractiveness, relationship investment and voice	Hardware retailers	A result of comparison to alternatives (Thibaut & Kelley, 1959), as well as relationship reward, cost, and fairness	Alternative attractiveness, relationship investment and voice were the most important antecedents of satisfaction
Sanzo (2003)	Overall satisfaction	Trust, conflict, perceived value	Spanish industrial firms	It therefore includes an evaluation of the economical and non-economical aspects of the relationship. In this way, economic satisfaction can be understood as a positive affective	Trust and perceived value have a positive impact on satisfaction, while conflict has a negative one.

				response that one of the participants has, with respect to the economic rewards, derived from the relationship in which they are immersed—margins, sales volume. Noneconomic satisfaction implies a positive affective response towards relationship's psychological aspects, in such a way that a satisfied participant enjoys working with the partner, (p. 329)	
Backhaus & Bauer (2001)	Attribute satisfaction and overall satisfaction	Critical incidents	Industrial clients with transportation services of a major German logistics company	Attitude satisfaction refers to evaluation concerning a particular attribute in exchange, while overall satisfaction is aggregates of several attributes	The data suggest that negative incidents loom more significantly than positive incidents. The degree of nonlinear satisfaction formation increases significantly, with the strongest changes being measured for companies with positive incidents. Negative incidents strengthen the effect of low attribute satisfaction on overall satisfaction. Therefore, a negative incident appears to be most critical if the satisfaction level was already low.
Geyskens & Steenkamp (2000)	Economic and Social satisfaction	Coercive and non-coercive power.	Alcohol industry (barkeepers and brewery)	Distinguished between economic and social satisfaction. Economic satisfaction is defined as a channel	Contingent/non contingent use of no-coercive power has a positive impact on economic

				member's evaluation of the economic outcomes that flow from the relationship with its partner such as sales volume, margins, and discounts. Social satisfaction is defined as a channel member's evaluation of the psychosocial aspects of its relationship, in that interaction with the exchange partner are fulfilling, gratifying, and facile (p.13)	and social satisfaction. Contingent use of coercive power has a negative impact on social satisfaction. No-contingent use of coercive power has negative impact on economic and social satisfaction
Wong (2000)	Overall satisfaction	Co-operative culture, commitment, constructive controversy	Not specified	Used definitions from; Cadotte et al (1987) that is, an affective state that is the emotional reaction to a product or service experience. Oliver 1999 definition of pleasurable fulfilment as also used. (P. 428)	Cooperative culture, commitment and constructive controversy are three variables affecting supplier satisfaction
Geyskens, Steenkamp & Kumar (1999)	Overall satisfaction (economic and social)	Various antecedents related to satisfaction.	Literature review from past studies.	Economic satisfaction is a positive response to the economic rewards that flow from the relationship with its partner, such as sales volume and margins. Non-economic satisfaction is a positive affective response to non-economic, psychosocial aspects of its relationship (p. 224).	Economic and non-economic satisfaction are distinct constructs with differential relationships to various antecedents and consequences. Further satisfaction is conceptually and empirically separable from the related constructs of trust and commitment.
Mayo, Richardson and Simpson (1998)	Overall satisfaction	Power and influence strategies	Wholesale beer distributors	Used the definition from Schul, little and Pride (1985) that satisfaction is an affective response of individual channel members toward the salient	The use of power sources is a better predictor of satisfaction than the use of the influence strategy (Coercive power or

				aspects of the channel organization (p. 18).	influence has a negative impact, while non-coercive power/influence has a positive impact.
Selnes (1998)	Overall satisfaction	Communication, commitment, conflict handling	Food producers in Norway. Product line as cafeteria and restaurants	No definition	Communication, commitment and conflict handling had a positive impact on satisfaction
Ghosh et al (1997)	Overall satisfaction	Expectation, relationship style, distribution size	U.S.A industrial distributors	No definition	Among the expectation dimension, only price benefit influence satisfaction. The impact of expectation and outcomes on relationship satisfaction are moderated by relationship style and distributor size.
Andaleeb (1996)	Overall satisfaction	Trust and dependence	Business executives	An overall positive affect and reflects the focal organization's (a buyer's) overall contentment regarding its relationship with another party (p.80)	Trust and dependence have significant impact on satisfaction
Gassenheimer, Calantone & Scully (1995)	Overall satisfaction in the dealer's supply selection process	Norms, asset specificity, relationship quality	Office systems/furniture industry	Maintained Anderson and Narus (1984:45) definition that satisfaction is "a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm"	Satisfaction does not directly predict the increased share of purchases from the dealers.
Gassenheimer & Ramsey (1994)	Overall satisfaction (of a dealer)	Power and dependence	Office system and furniture industry	Maintained Anderson and Narus (1984, p. 66) view that satisfaction is "a positive affective state resulting	Mutual dependence and power dependence imbalances makes a difference in reseller

				from the appraisal of all aspects of a firm's working relationship with another firm"	satisfaction, but the impact hinges upon whether the supplier is the primary, secondary, or tertiary supplier in terms of annual purchases by the reseller.
Ganesan (1994)	Overall satisfaction (with previous outcomes)	N: B- This was a reverse model, where satisfaction predicted trust and long-term orientation.	Retail buyers and vendors supplying them	A positive affective state based on the outcomes obtained from the relationship (p. 4).	Satisfaction has a positive impact on trust (credibility and benevolence) and long-term orientation
Ping (1993)	Overall satisfaction	Voice, loyalty, neglect, exit, opportunism	Hardware retailers in USA	No definition	Voice has a positive impact on satisfaction, while exit and neglect had a negative one.
Lewis and Lambert (1991)	Overall satisfaction	Performance, reinvestment, dependence, credit	Single fast food system	No definition	Amount of credit (or blame) has a positive impact on satisfaction. Satisfaction is the one's partner across a variety of dimensions would directly influence satisfaction with the overall performance. There is a direct relationship between satisfaction with overall role performance
Anderson & Narus (1990)	Overall satisfaction	Cooperation, conflict, relative dependence (influence over and by partner	Manufacturer and distributor firms	Cited Anderson and Narus (1984, p. 66) that satisfaction is ''a positive affective state resulting from the appraisal of all aspects of the firm's working relationship with another	Trust and outcome given comparison levels have a direct positive impact on satisfaction, while conflict has a negative influence. Further dependence,

				firm''	communication and cooperation had an indirect positive impact.
		firm), outcomes given comparison levels			
Michie & Sibley, (1985)	Overall satisfaction	Coercive and non-coercive power	Franchisees of a large firm	No definition	Franchisee satisfaction is explained by coercive and non-coercive power sources
Schul, Little Jr. Pride (1985)	Overall satisfaction	Channel climate dimensions (Autonomy, consideration, initiating structure and reward orientation)	Franchisee and Franchisor relations in the real estate brokerage industry	Affective attitudes and feelings concerning the domain of characteristics describing the internal environment of the channel organization and the relationship between the channel member and other institutions in the channel arrangement.	Initiating structure, consideration, autonomy and reward orientation have a positively related with satisfaction.
Anderson & Narus (1984)	Overall satisfaction.	Comparison level, manufacturer control,	Electronic distributors	A positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm.	Comparison level had a positive impact on satisfaction while manufacturer control has a negative effect
Ruekert and Churchill (1984)	Overall satisfaction	Channel satisfaction construct was divided into different measures (single and multi- item measures)	Wholesalers and retailers	Channel member satisfaction comprises the domain of all characteristics of the relationship between a channel member (the focal organization) and another institution in the channel (the target organization) which the focal organization finds rewarding, profitable, instrumental, and satisfying or frustrating, problematic, inhibiting, or unsatisfying (p. 227)	Multi-item measures (which ask for differently, how satisfied the channel member is in the specific aspects of the relationship) and multi-item measure which asks for respondents' cognition or belief about the working of the relationship have strong internal consistency, are highly correlated and behave as expected with other behavioral

					constructs.
Bagozzi (1980)	Job satisfaction	Motivation, performance, verbal intelligence	Industrial sales persons and secondary information from company records	No definition	Job satisfaction was found to vary with performance. Further individual differences (such as self-esteem) functioned as important antecedents. Performance/satisfaction relation was shown to depend, in part, upon the degree to which individual evaluate outcomes associated with the job. The greater the value placed on job outcomes, the higher the level of satisfaction with attainment of subsequent rewards.
Dwyer (1980)	Overall channel members satisfaction	Power bases, cooperativeness and perceived self-control	Laboratory simulation	No definition	Satisfaction stems from perceived self-control over decision areas and perceived cooperativeness of the partners in the channel.

CHAPTER THREE
THEORETICAL REVIEW AND CONCEPTUAL FRAMEWORK

3.0 Introduction

This chapter presents the theories or frameworks that are relevant to this study. These include; transaction cost, relational governance, satisfaction and institution based view. The choice of these theories is based on their relevance to the studied phenomenon. We start this section with a conceptual framework followed by the presentation of these theories/frameworks.

3.1 Conceptual Framework

The literature on contractual governance suggests that contracts are not complete though the degree of completeness will vary from one contract to the other (Bernheim & Whinston, 1998). The reason why parties choose to undergo contractual governance is to ensure safeguard. This safeguard is not completely assured in the contractual setting (See Williamson, 1975). Literature on contracts also suggests that parties objectively decide to leave some aspects unspecified or allow for flexibility (Crocker and Reynolds, 1993). High level of contractual completeness has also been argued to generate opportunism (Woolthuis et al., 2005) and thus act as a negative signal. For example, in a marriage contract when one partner proposes on how to divide assets in case of a divorce; this might signal a divorce intention in the future. The partners in a contractual setting will have a contractual choice that is shaped by the cost and benefit analysis. The optimal contractual choice is a point where the cost of designing a particular level of contractual completeness and the benefits of doing so is equal (Croker & Reynolds, 1993). Figure 2 below provides the brief overview of this idea.

Figure 2: Conceptual framework
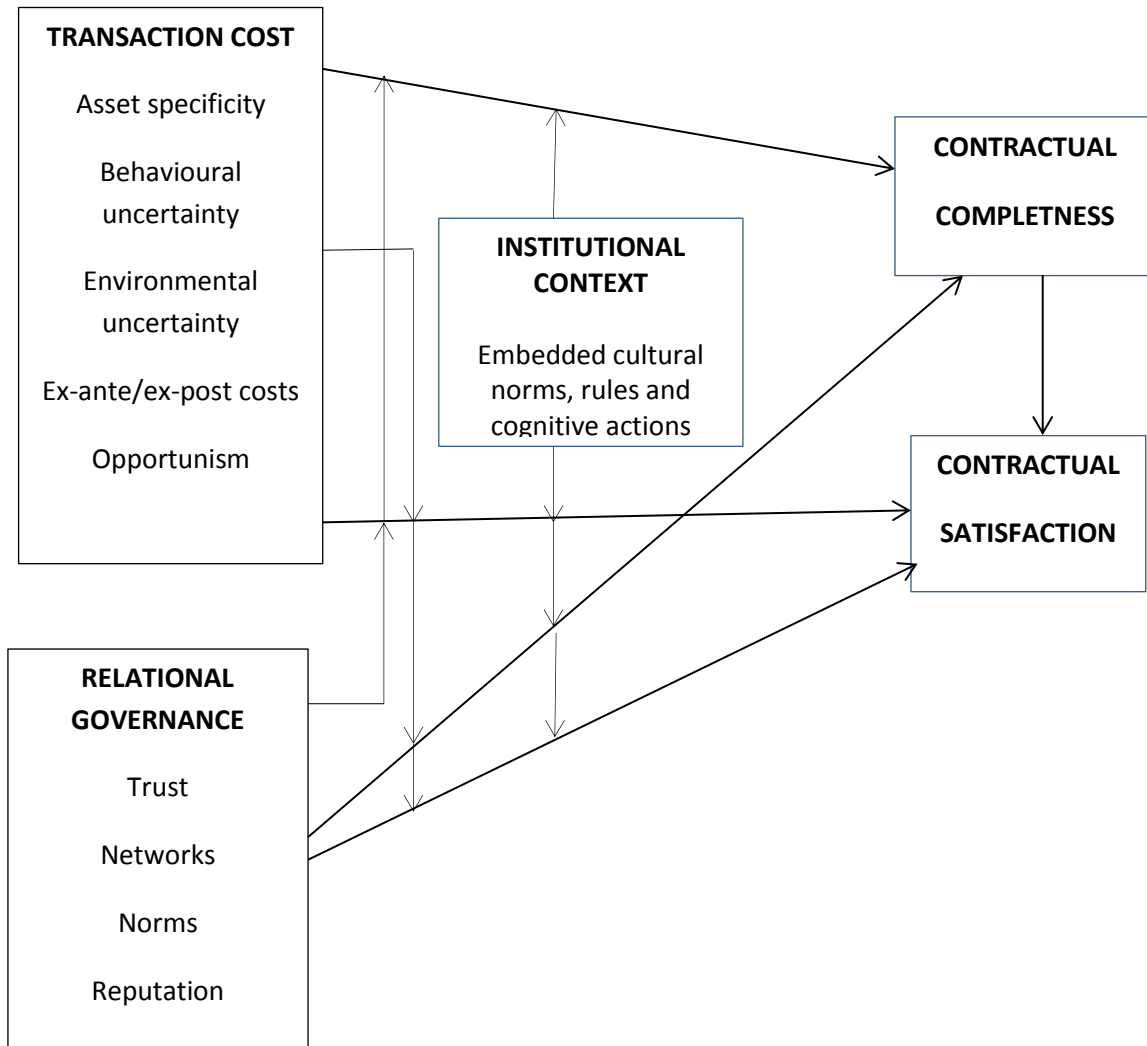
The table 3 below summarizes the above conceptual model and specific relations to be tested. We organized these relations with respect to the papers where they were tested. The table provides the outcome variables, moderator/mediators, predictors and interactions.

Table 3: Overview of tested relations

Paper#	Predictor Variables	Moderator/Mediator Variables	Interactions	Outcome Variable
1	Trust	Institutional context		Contractual completeness
	Reputation (REPT)			
	Ex ante costs (EAC)			
2	Relational norms (RELNORM)			
	Foreignness of supplier (FC)		BUASPX TECHUNC	Contingent adaptability and Term specificity
	Buyer asset specificity (BUASP)		BUASPXVOLUNC	
	Technological uncertainty (TECHUNC)			
	Volume uncertainty (VOLUNC)			
3	Contractual Term specificity (TSPC)	Contingent adaptability		Contractual Satisfaction
	Contingent adaptability (CONTADAPT)	Contractual term specificity		
	Opportunism (OPPORT)			
	Trust			
	Reputation (REPT)			
4	Behavioral uncertainty (BU)	Institutional context	ECEXBU	Contractual satisfaction
	Ex ante contractual efforts (costs) * (ECE)		EPSXTRUST	
	Ex post contractual specifications (contingent adaptability) * (EPS)			
	Trust			

Use of synonyms was based on the differences in journal preferences on the terms

N.B: Contractual term specificity=ex-ante term specificity,
Contingent adaptability= ex-post contractual specifications

3.2 Transaction Costs Theory, Contractual Governance

Assigning governance mode on the basis of low (economica) transaction costs (Heide 1994; Williamson, 1985) is the focus behind the transaction cost analysis. Under the assumption of bounded rationality, key attributes of transaction cost are asset specificity, uncertainty and frequency (Williamson, 1985). Transaction cost analysis (TCA) perspective argues that inter-firm exchanges that are vulnerable to unforeseen contingencies cannot be governed by complete contracts (Buvik & Grønhaug, 2000). TCA response to issues surrounding safeguarding is "either to implement stronger contractual safeguards or to impose vertical integration (Buvik & John, 2000; Heide & John, 1990). Without contractual governance guiding the inter-firm transactions, the moral hazard of opportunism will be extensively high (Peng & Heath, 1996).

Vertical coordination is among the intermediate/relational forms of governance (Stern & Reve, 1980). According to Williamson (1985, 1991), the escalation of specific assets calls for vertical coordination as a mechanism for controlling the ex post transaction costs.

Four central costs in transactions include; searching, contracting, monitoring and enforcing costs (Hennart, 1993; North, 1990; Williamson, 1985). All these costs differ in emerging markets with some markets displaying heterogeneous properties. Some markets, for example, will have low searching cost, but high enforcement costs.

Contracting as a safeguard is viewed as primacy in western (Choi et al., 1999; Dyer, 1997) though an alternative range of ''self-enforcing'' agreement (Sako, 1991; Telser, 1980; Williamson, 1985) is viewed as a feasible solution in countries with weak institutions. Self-enforcement agreements include, but not limited to: trust (Bradach and Eccles, 1989; Dore, 1983), reputation (Kreeps and Wilson, 1982; Weigelt and Carnerer, 1988), as well as hostages (Williamson, 1983). Self-enforcement mechanism is not a thing for only developing or emerging markets, but even advanced economies like Japan still employ such safeguards with relatively ''low maintenance cost'' (Dyer, 1997).

The question, about which form of safeguarding (contracting) is best, has been partly answered by the findings from the study conducted by Dyer (1997) on US and Japanese

auto industry. The findings showed that the Japanese firms were able to reduce their transaction costs in the long - run compared to USA (where most contracts are on a short-term basis). In other words, the relational aspects that develops in long-term contracts, reduces the repetitive costs for establishing new contractual agreements.

3.3 Relational Governance

Relational governance (Dyer and Singh, 1998; Dyer and Chu, 2000) is the exchange that is as much driven by social dimensions (Gundlach & Achrol, 1993; Macneil, 1980). These dimensions play a critical economic role (Granovetter, 1985) in addressing the limitations posed by formal contracts (Poppo & Zenger, 2002).

Relational norms are based on mutual expectations (Cannon, Achrol & Gundlach, 2000). Further, such norms give rise to more specific relational components like trust (Argyres, 2007; Gulati, 1995), history (Crocker & Reynolds, 1993; Kramer, 1999) and reputation (Worden, 2003; Carson, Madhok & Wu, 2006). These provide safeguard (Jap & Anderson, 2003) or non-legal sanctions (Macaulay, 1963) in proportion to their presence in relational channels (Brown, Dev, & Lee, 2000; Heide & John, 1992). Reason firms conform to social norms is to gain legitimacy (Oliver, 1997) which reduce the transaction cost (Dyer, 1997), lower dependence on formal constraints (Hills, 1995) and improve performance (Griffith, 2002).

Some researchers have examined whether relational governance functions as a substitute for complex explicit contracts (Bradach & Eccles, 1989; Dyer & Singh, 1998). Whereas some have supported the complementary view of relational governance (Aubert, Houde, Party & Rivard, 2006; Blomqvist, Hurmelinna & Seppänen, 2005; Hart and Moore, 2008; Klein, 1996; Möllering, 2002; Seppänen, Blomqvist & Sundqvist, 2007), others support the substitutive role (Gulati, 1995; Oxley 1997; Yu, Liao, Lin, 2006). These two roles are not contradictory to each other. Some authors have also argued that the extensive use of contracts can be a sign of mistrust (Bradach and Eccles, 1989) and thus evokes opportunistic behavior (Woolthuis et al., 2005).

Empirical evidence tends to disconfirm the substitution view (Ivens (2005), but the complementary view is nevertheless to be disconfirmed (Bennett and Robson, 2004; Poppo and Zenger, 2002). Poppo and Zenger (2002) acknowledge that relational behavior

may contribute in the refinement of a formal contract (complement) during the negotiation phase. Practical example on complementary use of relational governance has been shown by Zhuo and colleagues where they pointed out that ''partners who are meeting for the first time can rely on informal contracts to initiate business transactions in China; ''only after time has passed and trust-based relationships are in place will parties use formal provisions to coordinate exchange'' (2003: 93). In other words, trust evolves as a mechanism to enhance the contractual governance.

3.4 Satisfaction

The concept of satisfaction has been addressed in both consumer and industrial (Cardozo, 1965, Churchill and Suprenant, 1982; Oliver, 1977; Tse & Wilton, 1988; Westbrook 1981) marketing research (Gassenheimer & Ramsey, 1994; Andaleeb, 1996; Selnes, 1998; Wong, 2000; Jonsson & Zineldin, 2003).

Satisfaction is a positive personal cognitive or affective emotional response in comparison between desired and actual outcomes (Anderson, 1994; Jonsson & Zinelding, 2003; Spreng, MacKenzie, & Olshavsky, 1996). Satisfaction happens in the course of a working relationship between firms (Anderson & Narus, 1984: 45). Although most studies on satisfaction have been on consumers (Anderson, 1996, 1998; Anderson & Sullivan, 1993; Giese & Cote, 2000; Spreng et al., 1996), the concept is applicable in diverse fields (Westbrook, 1981).

In consumer research, satisfaction has been defined in various terms. These include; ''consumer's response to the evaluation of the perceived discrepancy between prior expectations and actual performance of the product as perceived after its consumption'' (Oliver and Swan, 1989: 204); a judgment that a product or service provided a pleasurable level of consumption'' (Oliver, 1997: 13); ''a feeling developed from an evaluation of the user experience'' (Cadotte, Woodruff and Jenkins, 1987: 305); a global evaluative judgment about product usage/consumption (Westbrook, 1987: 260).

In industrial business relations/channel literature, satisfaction has also been defined in various perspectives. These include; ''an overall positive effect and reflects the focal organization's (a buyer's) overall contentment regarding its relationship with another

party'' (Andaleeb, 1996: 80); and "a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm" (Anderson and Narus, 1984: 45). Satisfaction has also been defined in terms of power balance. For example, Benton and Maloni (2005) defined it as the feeling of equity with the relationship no matter what power imbalance exists (p. 5). Geyskens & Steenkamp (2000) distinguished between economic and social satisfaction. They defined economic satisfaction as a channel member's evaluation of the economic outcomes that flow from the relationship with its partner such as sales volume, margins, and discounts, while social satisfaction was defined as a ''channel member's evaluation of the psychosocial aspects of its relationship, in that interaction with the exchange partner are fulfilling, gratifying, and facile'' (p. 13). In consumer research there is a range of frameworks that have been used to study consumer satisfaction. We will present the most key ones.

Confirmation/disconfirmation paradigm: Confirmation/disconfirmation paradigm (Churchill and Surprentant, 1982; Hill, 1986; Oliver, 1980) is a widely used framework in studying consumer satisfaction. The paradigm can be traced back from the developments made by Oliver (1980) in interpreting the adaptation level theory (Helson, 1969). Among other things the adaptation theory suggests that one perceives stimuli relative to adopt standard. The disconfirmation paradigm is composed of four constructs; expectation, performance, disconfirmation and satisfaction. The expectation provides bases for comparison or establishes standards against which performance can be evaluated. Figure 3 below provides a descriptive overview of the paradigm.

Figure 3: Disconfirmation paradigm

▪ Functional quality ▪ Technical quality	▪ Product itself ▪ Prior experience ▪ Information from referents ▪ Marketing activities

Perceived Performance → Comparison ← Expectations

Comparison → p>E → Positive Disconfirmation → Satisfaction

Comparison → P~E → Confirmation → Indifferent or Neutral

Comparison → P<E → Negative Disconfirmation → Dissatisfaction
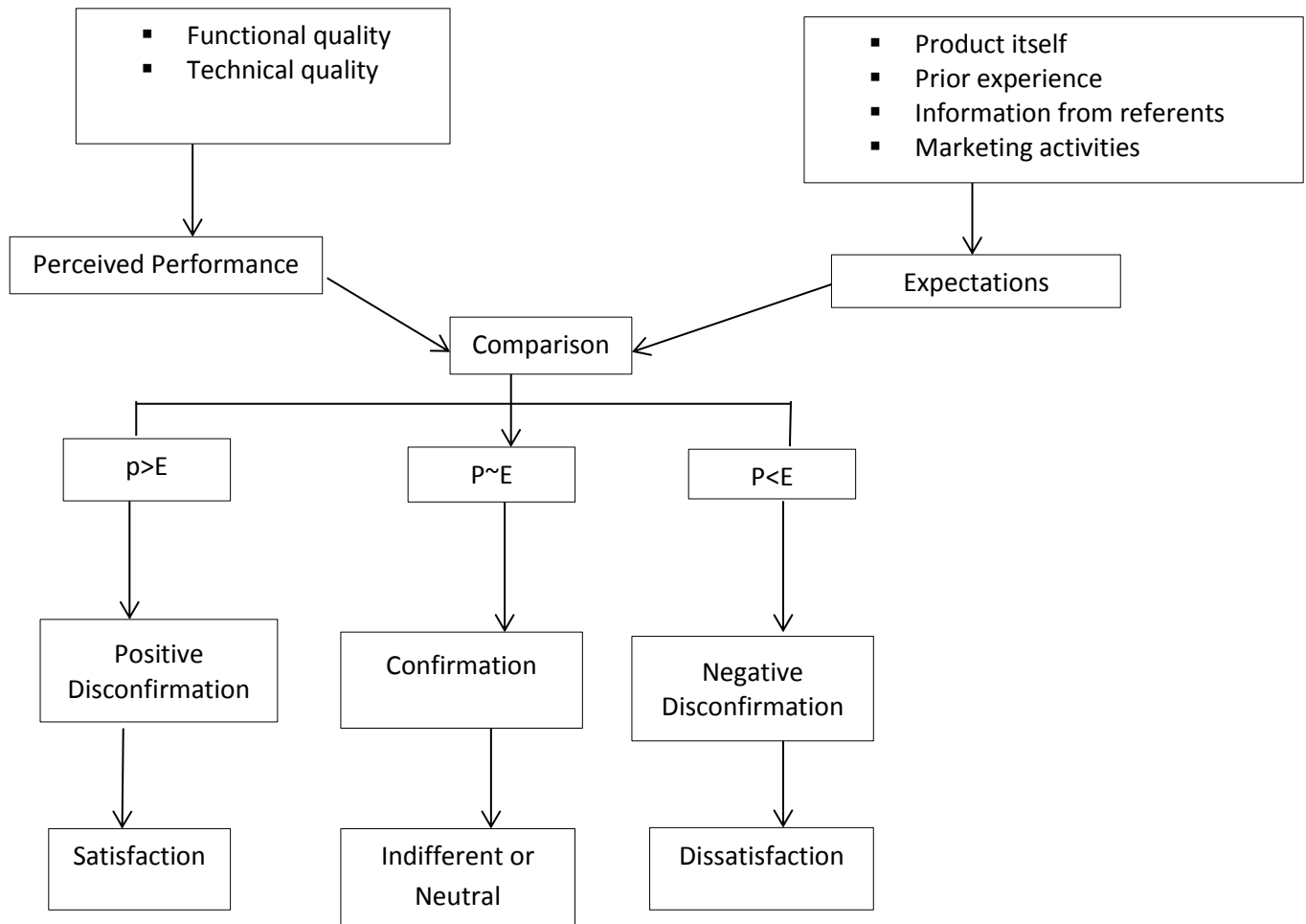
*P = Performance

E= Expectation

Source: Hill, 1986:311

Figure 3 above suggests that performance which is indicated by functional and technical quality is compared against expectations (attributed by product, prior experience, information, and market activities). When performance is equal to expectations, the outcome is the confirmation (neutral response). Deviation from expected performance is what can lead to satisfaction (when performance exceeds

expectations) or dissatisfaction (when performance is below expectations). The validity and scale problems have challenged this mode (Teas, 1993; Babakus and Boller, 1992), thus most research is based on the performance or confirmation of expectation part of the model (Vikas, Ross, and Baldasare, 1998).

Equity/inequity theory: Equity theory has also been used in assessing consumer satisfaction (Tse & Wilton, 1988). The theory can be traced back to Adams' (1963) paper on inequity. An inequity exists for a person whenever his ''perceived job inputs and/or outcomes stand psychologically in an obverse relation to what he perceives are the inputs and/or outcomes of others'' (Adams, 1963: 424). There are two key components in this theory; input and outcomes. Input is anything that an exchange partner views being a valuable contribution in the transaction.

For example in job setting this can be time, education, experience, etc. The outcome is what an individual in the exchange relationship receives after committing his/her valuable inputs. Equity occurs when the individual feels that the outcome matches with the inputs. Adams emphasized in the definition that ''it is the perception by person of his and other's inputs and outcomes that must be dealt with, not necessarily the actual inputs and outcomes'' (1963: 424). The author also noted on the impact of culture in shaping the perception on equity. He pointed the example of differences between USA and Japan when it comes to determinants of pay.

For example, in Japan, there is little relationship between the type of work and pay. The key determinant of pay in Japan are; length of service, education, family size, age and very little on productivity. In taking to account the differences that exist between individuals, Huseman, Hatfield and Miles (1987) advanced the equity theory by suggesting how job satisfaction can be influenced by the differences in equity perceptions. The authors identified three types of individuals; benevolent, equity sensitive and entitle. Benevolent individuals are those that think much about giving than receiving (Rychlak, 1973). In other words, such individuals

(organizations) can sacrifice their own interests for that of others. Equity sensitives are those individuals who ''feel distress when under-rewarded and guilt when over-rewarded''. Entitleds are those individuals who are satisfied when over-rewarded and feel distress when under or equitably rewarded. Figure 4 below summarizes this description.

Figure 4: Equity and satisfaction
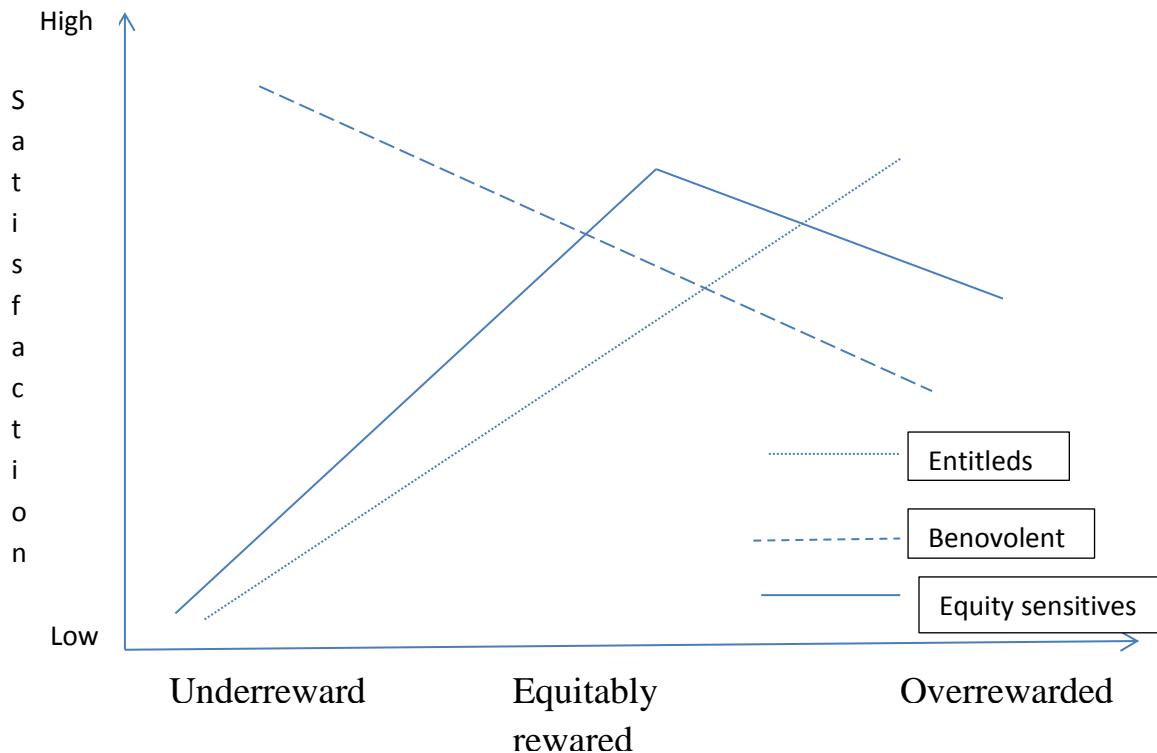
Huseman, Hatfield and Miles (1987)

Norms: Woodruff and colleagues (1983) used norms perspective in examining satisfaction. Norm perspective does not differ much with the confirmation-disconfirmation but it is a short version of it. The authors used the experience as the base for establishing norms. The experience can be related to a product or a brand (Woodruf, 1983), but cultural norms have also been identified (Morris, 1976). According to Woodruf (1983) brand based norm occur when single brand controls a consumer's experience, while product based-norms occur when the consumer has experience with

many brands of a given type or class of the product. These norms are in turn used to evaluate performance.

Attribution: The view of people, according to attribution theory is that they are ''rational information processors whose actions are influenced by their causal inferences (Folkes, 1984:398). Consumers' response to product failure is partly a function of perceived causes for the failure (Folkes, 1984). In describing the theory Folkes (1984) used the example of laundry detergent; ''suppose a consumer uses a new laundry detergent and then discovers the laundry is not clean. According to Folkes, the consumer will search for a reason why this occurred and may arrive at any of several explanations'' (1984: 398). Three main causal dimensions of attribution were identified to be stability, locus, and controllability (Folkes, 1984)

> *''Stability refers to whether causes are perceived as relatively permanent and unchanging or as temporary and fluctuating. Locus refers to whether the cause of failure has something to do with the consumer or is located somewhere in the production or distribution of the product. Controllability refers to whether the outcomes of the failure are related to buyer efforts or the firm (volitional and non-volitional)'' (Folkes, 1984: 399).*

Satisfaction research around industrial markets do not tend to use a specific framework, but rather tend to predict satisfaction using various construct from different theories (transaction cost, relational perspectives, institutional view and other related theories/perspectives).

3.5 Institutions, Contracts and Emerging Markets

Institutions are ''regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior'' (Scott, 1995: 33). The institutional environment perspective relies on the ''primacy of (1) regulatory (e.g., laws), (2) normative (e.g., professions), and (3) cognitive institutions (e.g., habitual actions) in influencing the legitimacy of channel members in the larger societal context'' (Grewal & Dharwadkar, 2002:82). Albeit formal institutions are important, nevertheless this does not override the germaneness of informal institutions (Hill, 1995) as they can be effective and cost efficient over a long run (Dyer, 1997). In that respect there are commonly two

poles of institution view. These include efficiency (Coase, 1998; North, 1990; Williamson, 1985) and legitimacy (DiMaggio & Powell, 1983; Scott, 1995) poles. Those that focus on efficiency are also known as new institutionalism, while those on legitimacy are known as sociological orientation. Institutions do change not only by social and political pressure, but also through technological changes (Ingram & Silverman, 2002).

Further, institutions do not just emerge, but are formulated by societies with the objective of bringing order and facilitating economic and social exchange (North, 1990; Williamson, 1985), with a span of effect covering politics, law and society (Peng et al, 2008). Some institutional components like legal framework change slowly and take very long time to develop (Litwack, 1991), while others like rules (North, 1990) are complex and less predictable (Tan & Litschert, 1994). Performance influential nature of institutions (Tan & Litschert, 1994) makes them not just background conditions (Ingram and Silverman, 2002: 20), but of directional implications (Carroll, Goodstein & Gyenes, 1988).

Whereas researchers have held on to view of static institutions in emerging markets (Chung & Beamish, 2005), they are dynamic in prima facie (Oxley, 1997; Scott, 1995) with different components changing at a different pace (Hoskisson et al, 2000:253).

What intensifies dynamics of institutions in emerging markets is the fact that, while new institutional dimensions have not yet developed (Peng, 2003), the old ones are eroded (Choi, Lee, Kim, 1999) or weakened (Peng & Zhou 2005) a situation which put emerging markets' firms in a state of limbo or what Khanna and Palepu (1997) refers to as institutional vacuums. In responding to dynamics in emerging markets (Oxley, 1997), firms' result in different performance levels (Ingram & Silverman, 2002). ''Deinstitutionalization'' process (weakening or erosion of particular institutional dimensions) in emerging markets is ''much more radical'' (Roth& Kostova, 2003:317), giving firms' choices to apply informal substitute mechanisms (Xin & Pearce, 1996) due to immature formal systems. Kiggundu, Jorgensen, and Hafsi's (1983) reviewed 94 studies published during the 1956–1981 period on the application of mainstream organizational and management theories in developing countries. Their findings showed that, the studies that had technical core as a focus had less divergence, but significance

divergence was higher on studies dealing with relationships that are more institutional prone.

According to Narayanan&Fahey (2005) such deviant findings call for more theoretical assumptions that do not take stability as the norm. Differences that exist in theoretical assumptions do not only apply to developed and developing markets, but between emerging markets themselves as they have different pace of dynamics (Hoskisson et al, 2000) resulted from differences in the transformation stages (Roth & Kostova, 2003).

Institutional perspectives acknowledge the role of systems surrounding organizations in influencing social and organizational behavior (Scott, 1995). Managerial decisions have also been suggested to be partly a function of cultural values (Schneider and De Meyer, 1991; Hofstede, 1980). Institutional environments may promote or hinder the construction of relational ties between partners (North, 1990). Macro-level theories such as institutions have proved to be relevant in studying organizations that operate in different environments (Shenka & Mary Ann von, 1994). The use of contracts is influenced by the institutional structure, and thus the contractual customization as response to hazards will differ across countries (Williamson, 1991; Joskow, 1988; Poppo and Zenger, 2002).

Gewarld & Dharwadkar (2002) suggested that the institutional processes have influence on channel structure and processes. This view is consistent with Stern and Reve (1980) who suggested that the channel dyad is a social system influenced by economic and sociopolitical forces. Contracting is determined by the nature of transaction and corresponding institutional environment (Luo, 2005; Oxley, 1999). The institutional context in emerging markets is likely to limit theoretical generalizability of TCA (Lui, 2009), a situation which will demand further research in understanding the nature of such a limitation and accompanied theoretical implications. Linking TCE with institution based theory has been attempted (Martinez & Dacin, 1999), but we need to move from connections to core explanations.

Institutional environments have received limited theoretical and empirical attention because of the lack of a comprehensive framework that can enable researchers to assess

the implications of the institutional environment in an orderly manner (Gewarld & Dharwadkar, 2002:84). Further, the authors argued that many organizational theorists have focused on traditional environmental approaches that ignore both the institutional influences on actors in an organizational system and the way in which institutional perspectives are imported into organizations as underlying invisible assumptions.

There are two ways to look at institutions. One is to look at the processes that describe institutions (rules, norms and cognitive actions); second is to look at the outcome brought by the forces that combines all these institutional parameters. The legitimate concern manifests the outcome of the institutional forces that pressurize firms to comply. Suchman views legitimacy as ''a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions'' (1995: 574). It is important to point out that the rules, normative and cognitive aspects form the legitimate concern of institutions (DiMaggio and Powell, 1983; Suchman, 1995).

The institutions that result from institutional processes (rules, norms, cognitive actions) can be identified by their patterns (Jepperson, 1991), and have the ability to recur (Friedland and Alford, 1991). Institutions in this regard describe the rules, expectations, and actions to which organizations must conform to receive legitimacy (Myer and Scott, 1983). Regulations are concerned with compliance with government rules and sanctions (Kelman, 1987), normative institutions are concerned with compliance to socially accepted norms and behaviors (Selznick, 1984) and cognitive actions are concerned with compliance with cultural values (Berger and Luckmann, 1967; Hofstede, 1980).

Studying institutions by first looking at the legitimacy concern, then back to the processes, is one of the ways for studying the theories that incorporate the institutional dimensions. When the institutional processes and structures are taken together they form the institutional environment or context (Gewarld & Dharwadkar, 2002). The institutional context consists of ''the accepted rules of the game'' and thus establish the pattern for the transactions to take place (Jepperson, 1991; North, 1990). This institutional context exerts normative pressure on organizations to change, is distinct from the market context, which exerts efficiency-based pressure on organizations (Newman, 2000:603). Firms adjust to

institutional pressures for survival and for obtaining scarce resources (DiMaggio & Powell, 1991; Meyer & Rowan, 1977).

Most research works on contractual governance have taken the institutional environment as given (Williamson, 1996). The trend remained so, even after Williamson suggested that we should treat the institutional environment as a ''set of parameters, changes in which elicit shifts in the comparative costs of governance'' (1991: 287). Institutions like rules (legal framework) does not only influence the transaction cost (Peng, 2003), but also facilitates the weak-based relational ties (Peng & Zhuo, 2005). Treating institutional parameters as dynamic can be resolved by using different institutional contexts which are dissimilar (heterogeneous). Oxley suggested that the empirical problems can be mitigated by ''finding sufficient heterogeneity in the institutional environments to support the cross-sectional analysis'' (1999:284). Studies that compare two contexts or samples from two countries can benefit much by inferring firms' actions from the institutional perspective. Institutions can have as systemic impact across all social dimensions of dyadic exchange (Gewarld & Dharwadkar, 2002) making an added value in having comparative studies that involved different institutional contexts.

Empirical studies have found that business transactions in emerging economies to a large extent are based on relational exchanges, building of mutual trust and cooperative norms (Li, Poppo and Zhou, 2008; Zhang and Li, 2008), mainly due to inadequate legal and regulatory frameworks – known as institutional voids" (Zhou and Peng, 2010: 357). It has been suggested that as the shift toward formal market-supporting institutions in such countries, will lead to moving from relational exchanges to arm's length transactions (Peng, 2003; Zhou and Peng, 2010). Arm's length transaction is a "rule-based, impersonal exchange with third-party enforcement" (Peng (2003: 280). Consistent with Peng (2003), a study from Sheng and colleagues (2011) found that business ties are more beneficial when legal enforcement is inefficient. If this observation is correct, the contractual drivers will differ between relatively advanced emerging markets (such as Poland) and advancing or less advanced emerging markets (such as Tanzania).

Empirical works on culture have also supported the influence of culture on contracts. Collective societies have a negative tendency towards detailed contracts (Wagner, 1995) and thus there could be differences in the interpretation of contracts as an outcome of cultural orientation. Steensma and colleagues (2000) pointed out that firms with a tendency of uncertainty avoidance have a strong preference for codification and the establishment of formal rules or detailed contractual terms. This observation is consistent with Wuyts and Geyskens (2005) who also suggested that the uncertainty avoidance culture tends to increase the level of details in the contracts. The reverse is likewise true for firms with fewer tendencies for uncertainty avoidance. Collectivist firms not only use less detailed contracts (Wagner, 1995) but do prefer long contracts (Sako and Helper, 1998). Detailed contracts tend to be inconsistent with the group view and thus signal potential conflicts between partners (Steensma et al. 2000). Power-distance also increases the need for detailed contracts (Wuyts & Geyskens, 2005). Power distance firms prefer explicit descriptions of tasks (Bates et al., 1995) and control over their partners' actions (Shane, 1994). High-versus low context culture argument has also been used by Larsen and colleagues (2002) to explain the influence of culture on contracts. The authors argued that in a high context culture, contracts are less detailed and parties rely more on verbal than non-verbal communication.

CHAPTER FOUR
RESEARCH METHOD AND
DESCRIPTIVE STATISTICS

4.0 Introduction

This chapter presents and discusses the research approach and methodological issues applied in this thesis. The presentation of research approach and the methodology is relevant for understanding the background by which the findings are built upon. Further, we provide the descriptive statistics concerning the data used. We start with the presentation of the research approach, followed by research design. Data collection method will then be presented, followed by data analysis. The assessment on the quality aspect of the study will be presented at the end.

4.1 Research Approach:

The research approach can be viewed as a conscious reasoning (Pierce, 1931). It is important to present the research approach in the academic writing so as to ensure the quality of results (Cresswell et al, 2007).

Qualitative and quantitative analysis approaches are commonly used in studying contractual governance. Whereas, mathematical models are also important in this field, deep insights can be obtained from using real data. We preferred to use a quantitative approach because most of the theories we have used are well established.

The institutional context is very important in the study of contractual governance. One of the major critics in the area of transaction cost and contractual governance is taking institutions as given. Williamson specifically pointed out that the research in the transaction cost, ''has exclusively focused on the mechanisms of governance, whereby economic agents align transactions with governance structures to affect economizing outcomes, taking the institutional environment as given'' (1996: 5). This problem is to a large degree attributed by the limitation in obtaining institutional data. Further the studies that have tried to include the institutional context in examining contractual governance have been limited by the use of data from homogeneous institutional contexts. The

heterogeneous institutional context can provide a good setting for conducting contractual governance studies in emerging markets (Oxley, 1999).

Theories are not built up separately from institutions. Theories need to be subjected to various contextual settings in obtaining better predictive (inference) power. This study has two levels of analysis; firm and institutional levels. Integrating the firm and institutional level data is critical for obtaining better prediction on specific constructs across institutional settings. We have defined the institutional context in terms of embedded cultural norms, regulations, and cognitive actions.

This study examined the contractual governance in emerging markets from the perspectives of structural formulation of contracts (in terms of completeness levels) and the satisfaction outcome derived from such arrangement. Satisfaction component is very important in building smooth long-term relationships. Contractual arrangement is not a mechanical structure; but rather a social structure that governs an exchange. Whereas, there is a need to assess the structural component, it is also important to analyze the psychological aspects.

The deductive process was used in doing this study. In the deductive approach, the researcher deduces the hypothesis (hypotheses) that must then be subjected to empirical tests (Bryman, 2004). The concepts involved in the research are embedded within the hypotheses. Figure 5 below provides a brief summary of the deduction process.

Figure 5: Deduction process

1. Theory

↓

2. Hypothesis

↓

3. Data collection

↓

4. Findings

↓

5. Hypothesis confirmed or rejected

↓

6. Revision of theory
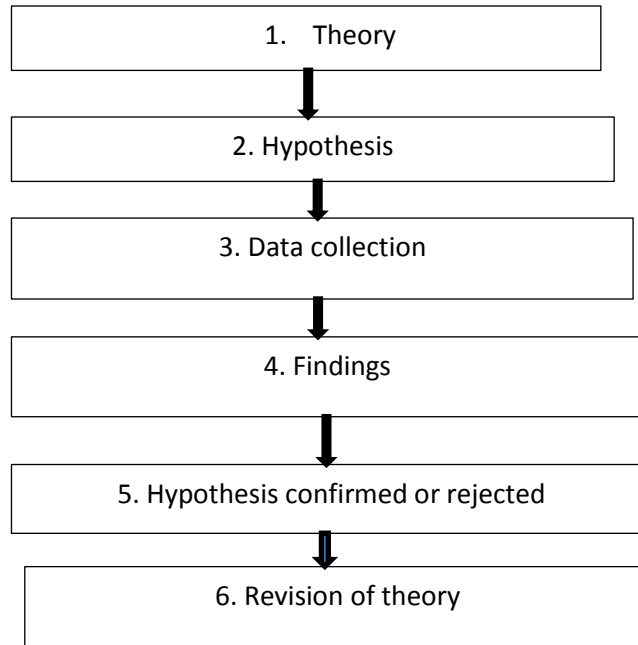
Source: Bryman (2004: 9)

4.2 Research Design

Research design deals with a logical problem and not a logistical problem (Yin, 1989: 29). This study used a survey in collecting data. The main use of the survey is to collect primary data for a particular research project (Zikmund et al, 2010). Research design in this respect is a function of research questions and objectives (Bryman & Bell, 2007). The term 'survey' is used in a variety of ways, but commonly refers to collection of standardized information from a specific population, or some sample from one, usually but not necessarily by means of a questionnaire or interview (Robson, 1996: 49). Further, sample tends to be large in surveys. The questions asked in surveys are usually of a type that requires careful attention to how samples are drawn. It is important to point out that the interest of data in the survey is not on individuals but ''on profiles and generalized statistics drawn from the total sample and generalized to the population'' (Robson, 1996:49). Survey thus provides ''a quick, efficient and relatively accurate means for assessing the information about a population'' (Zikmund et al, 2010).

4.3 Data Collection Methods

Instruments that are used in collecting the information will depend on the problem that is investigated. McQueen & Knussen specifically pointed that the research methods vary due to ''relative advantage and disadvantages in differing contexts, in terms of complexity, type of data they generate and the underlying philosophies'' (2002: 34). The quantitative research strategy falls within the domain of deductive theoretical approach and their ontological orientation is considered to be positivism. Positivism has different views for different authors, but the view we use here is from Bryman (2004) who view it as an epistemological position that advocates the application of the methods of natural sciences to study the social reality and beyond. We preferred this form of scientific approach due to its relatively easy in proving the quality of the findings (in terms of validity and reliability). Quality of inferences can be challenging when there is no good-established mechanism in place. This argument to a large extent favors the use of quantitative data gathering strategy.

4.3.1 Self-administered questionnaires

The instruments used in data collections are determined by the problem at hand. Well-constructed questionnaire based research ''can act as an amalgam of observational and experimental approaches, with responses to questions serving as observations across a wide range of individuals'' (McQueen & Knussen, 2010:14). Self-administered questionnaires apart from being cheap and efficient in providing large amounts of data, ''it allows for anonymity, which can encourage frankness when sensitive areas are involved'' (Robson 1996, 129). Self-administered questionnaires can be paper or electronic based. In these two categories, there are also different ways to reach the respondents. Figure 6 below provides a description of such classification

Figure 6: Paper and electronic based questionnaires

Source: Zikmund et al, 2010: 219
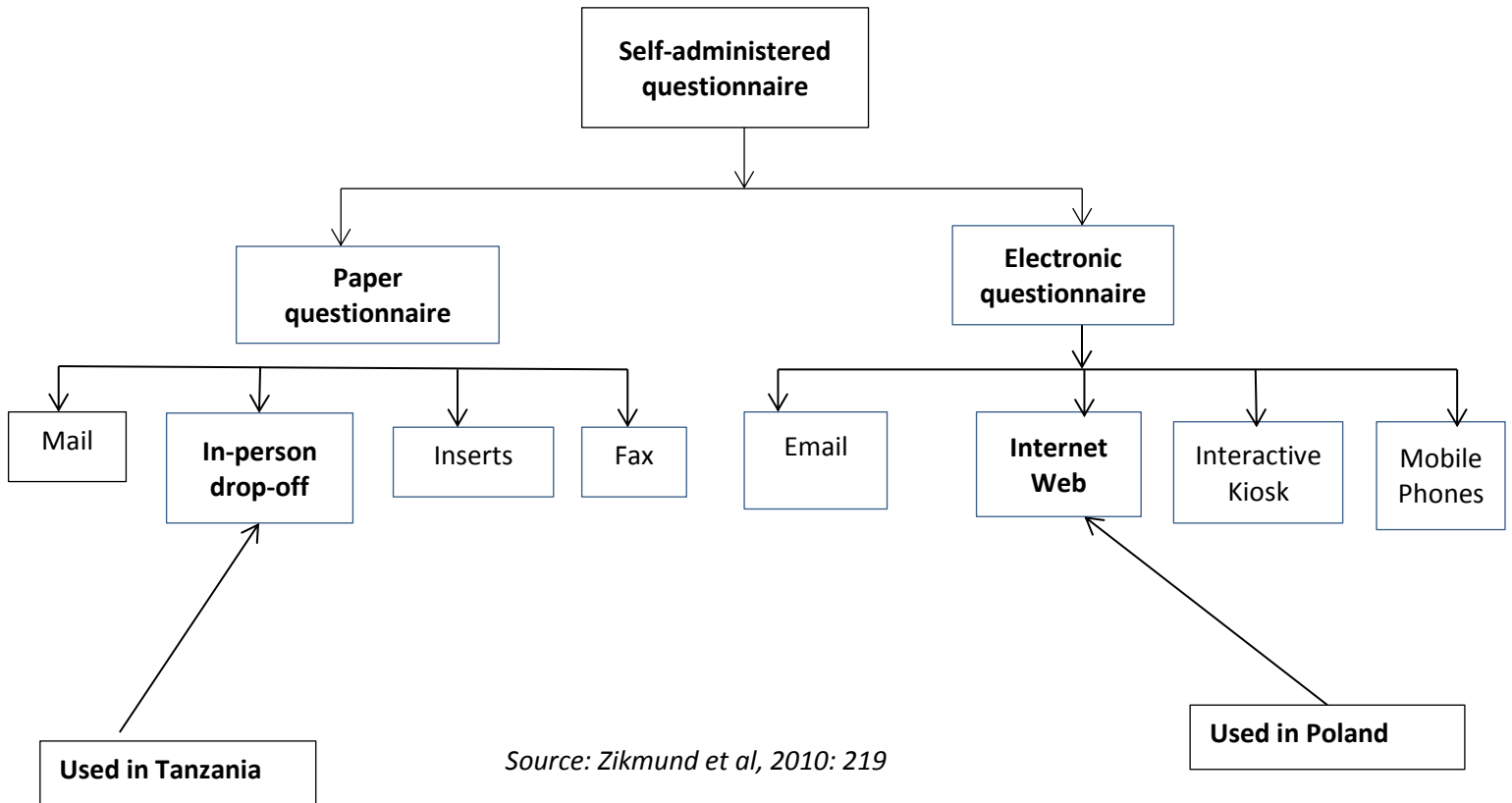
Key: The bolded text is the segments which were used in this study

In designing survey questions there are several ways. These included close (fixed questions) and open-ended questions. Fixed questions allow respondents to choose between two or more answers (Mitchell & Jolley, 2007). Those that allow respondents to choose only two responses are dichotomous while those which allow for several questions are multi-item. The multi-item questions are mostly evaluated using a Likert scale. Traditionally, most psychologists have assumed that a participant who strongly agrees (a ''5'') and who merely agrees (a ''4) differ by as much, in terms of how they feel, as a participant who is undecided (a ''3'') differs from someone who disagrees (a ''2'') (Mitchell & Jolley, 2007: 225). According to the authors, the Likert type scale yields an interval data. Open-ended questions allow respondents to answer in their own words. We use a combination of both closed and open-ended questions to obtain information from respondents.

In delivering questionnaires, different methods can be used depending on the context. Zikmund and colleagues (2010) pointed that different cultures have different norms when it comes to use of the telephone. The authors gave an example of business to business researchers in Latin American where people do not open for strangers on the telephone, thus in such situations researchers prefer personal interview. Web based survey was used for delivering the questionnaires in Poland. The use of web based survey software in Poland is justified by its global ranking on e-readiness.

Report on the global information technology report has ranked Poland on 49th position out of 142 countries, while Tanzania ranks at 127th position (Bilbao-Osorio et al, 2013). According to this report, the leading country (Finland) has 5.98 scores. In comparison to the leading country, Poland had 4.19 scores, while Tanzania had 2.92. The software that was used for conducting a web survey is called SurveyXact. This is one of the powerful tools for conducting research in social sciences. SurveyXact allows the researcher to monitor the trend of responses in real time. It also allows a researcher to impose restrictions on how the questions should be filled. A researcher can, for example, limit the number of questions that a participant can escape from filling the questionnaire. Further the tool is one of the low cost, fast and convenient. In Poland, firms were first contacted by telephone and later an email containing the questionnaire was sent via SurveyXact software. The advantage of combining the two methods was to ensure that the targeted participants were willing to take part in the study and reduce the follow-up time. Figure 7 below provides a snapshot window of the software.

Figure 7: SurveyXact window view
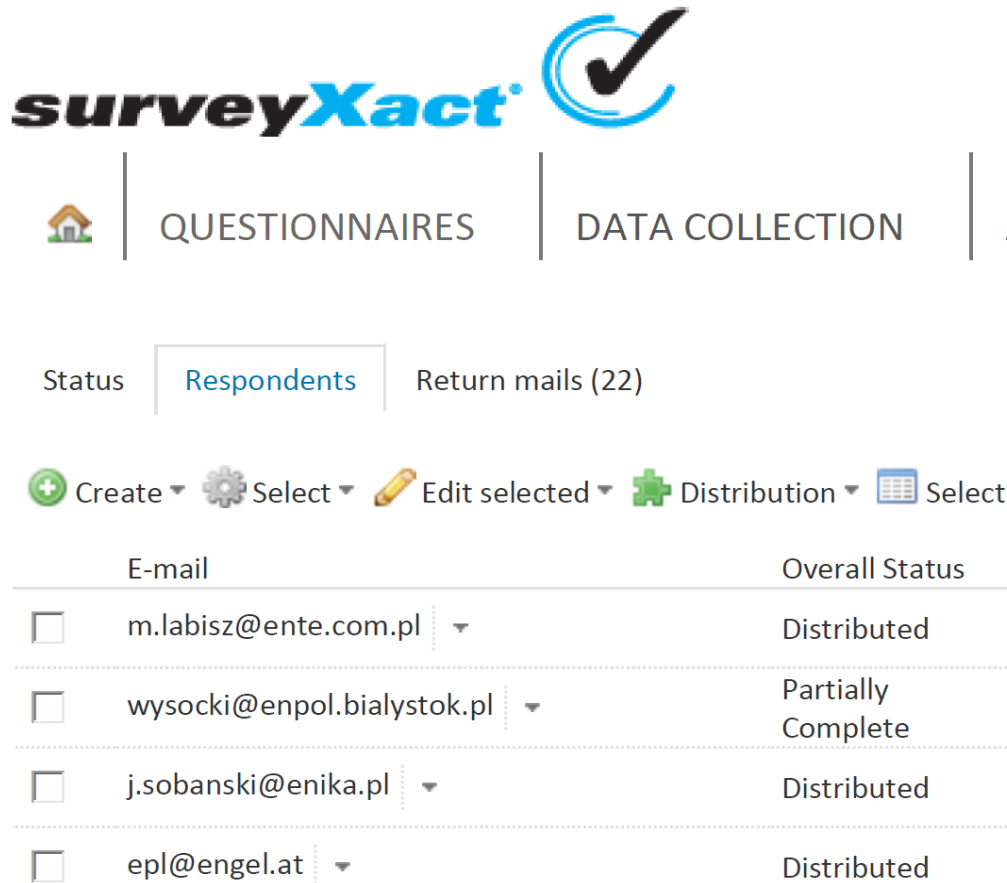
Source: Surveyxact.com/user page

In Tanzania, questionnaires were delivered personally to the firms after have been contacted via phone. This method has been referred to as the door- to-door (Zikmund et al, 2010). According to Zikmund and colleagues (2010), the door-to-door involves the presence of the interviewer. Such a presence plays a greater advantage by increasing the participation rate and the representation of the population than mail questionnaires. It is likewise significant to point out that in Tanzania, personal delivery was preferred than web based methods due to low e-readiness level (Bilbao-Osorio et al, 2013). In addition, most people in Tanzania tend to be comfortable with more personal than the in-personal communication. Follow-ups on the questionnaires were made personally so as to ensure fastest response. In both countries, the data collection task was carried out in two phases. In Poland, the first phase involved about 60 firms, while in Tanzania, it involved about 100 firms.

4.3.2 Personal-interview

The interview is ''a kind of conversation; a conversation with a purpose'' (Robson, 1996: 228). Further, according to the author, the interview is a straightforward, flexible, adaptable and non-probability way of finding things out. Interviews vary in terms of structure. The structures range from fully structured (where a set of question are predetermined) and semi-structured (where the interview has worked out a set of questions in advance but free to modify). To carry out a large scale study like this, it is always important to get an insight from the practitioners. Such an insight cannot be obtained by only reading theories. The study was conducted in a new setting, thus there was a need to obtain such an insight. A Preliminary interview was carried in Tanzania using an anonymous firm. There was no strong need for conducting such an insight interview in Poland because previous research has been performed in closely similar countries. The type of the interview conducted was semi-structured, consisting of questions that reflected different angles that we intended to investigate. The interview lasted for about one hour.

4.3.3 Documentary review

Secondary data came from a variety of sources (reports, newspapers, archives) but these sources can be categorized as either internal or external. Whereas internal data sources are created and recorded by organizations (inside the organization), external data are generated and recorded by an entity other than the researcher's organization (Zikmund et al, 2010). The increased use of internet technology has allowed most of data sources to be in electronic formats and stored online. Further, most organizations have electronic portals that store information which can be publicly accessed.

The study reviewed several documents in coming up with the rationale for the heterogeneity of the economies used. Reports were accessed from reputable organizations such as the World Bank, United Nations, World Economic Forum, Transparency International and national portals of respective nations. Country specific portals are important when it comes to obtaining the sample of potential firms to be used in a survey.

Interactive reports have also been used. For examples Hofstede center allowed us to compare the economies and customize the reports on cultural differences.

4.3.4 Sample selection

A sample is a ''subset, or some part of a larger population'' (Zikmund et al, 2010: 387). There are various types of sampling plan. These are divided based on ''probability (where the probability of the selection of each respondent is known), and on non-probability samples (where the probability is not known)'' (Robson, 1996:136). Probability sampling is also known as a representative sampling, meaning that the sample taken is used as a representation of the entire population. On the other hand, an inference cannot be made with non-probability sampling. Probability sampling involves a random selection of a list of the population (known in the survey parlance as the 'sampling frame') of the required number of people in the sample'' (Robson, 1996:137). The simple random sample, in which ''each member of the population has an equal probability of being selected, is the best-known probability sample'' (Zikmund et al, 2010:395).

In this study, we based on probability selection. Sometimes one can argue that a selection of sample for the list of firms like those involved in contracts is purposive. Though this line of thinking can hold, it is also important to remember that the choice of population by which research decides to use is a purposive (objective) decision. The research work by default is objective and thus the choice of the units or the sample is influenced by the researcher's decision. The mechanism which the units are drawn from the targeted population is what represents the probability aspect. In the study of contracts it is somehow different from the study of other concepts in social sciences. The focus in the area of contractual governance is the exchange itself.

Though it sounds to be difficult in ensuring the random selection of response units, we structured the questionnaires in such a way that the selection of exchange units had an equal chance. We did this by allowing the respondents to choose between the first, second or largest supplier (Rokkan et al, 2003). These terms are arbitrary from the perspective of respondents. This means that the probability of a particular exchange relation to be chosen in answering the questionnaire was 1/3. The immediate question that follows here is the inference to the population. This should not be considered to be

problematic because the specific questions that the respondents will have to answer consists of the variables which inquires for the structure of the exchange and the characteristics of the exchange partner involved, thus generalizability is not a concern. In Poland a sample frame of 1800 firms was targeted (From directory of Poland companies, 2011), while Tanzania the targeted sample frame was about 750 firms (Listed companies in Tanzania Revenue Authority, 2011).

4.4 Choice of Context

This study focused on manufacturing firms in Tanzania and Poland, using the buying side of a relationship. Manufacturing firms are likely to have more contractual relations with suppliers than other firms. Choice of context is as relevant as the choice of sample when it comes to cross country studies. After identifying the need for contextual comparison, the next critical challenge was to choose the countries relevant to the study setting. The decision was to involve countries within the cluster of emerging markets, but with heterogeneous institutions. Poland and Tanzania seemed to fit this perspective. In the background section we have provided a detailed explanation on the aspects that distinguishes the two countries. In the section of country profiles, we will also provide a descriptive charts and graphs indicating the dynamics and heterogeneity of these countries. Data that are used are at least 8 years and above.

4.5 Measurements[1]

Questionnaire items were measured using a 5-point Likert scale. We will provide a brief overview of the measures used, but specific items will be provided in the appendix section of each paper. To ensure reliability, an exploratory followed by a confirmatory factor analysis was conducted. Most of the constructs used had been developed and tested in previous studies, including the control variables. However, some measured used needed to be adjusted to fit the new context.

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[1] *Some measurements have different names or labels in different papers due to the different outlets where they were sent for publication. Whenever there are synonyms that are used for a constructs, we will indicate that. These constructs are contractual completeness and Ex ante contractual effort.*

4.5.1 Dependent variables

Contractual Completeness (ex-ante term specificity[2] and contingent adaptability[3]): In assessing contractual completeness both single item and multi item measures have been used. Example of a single item measure is the study by Hendrikse & Windsperger (2010) which used the context of franchisor-franchisee relationship. In this study, the authors asked managers to rate the degree of contractual completeness on a five-point scale. The following question was used: "The cooperation between the franchisor and the franchisee is regulated in a detailed manner in the contract". The higher the indicator, the higher was the degree of contractual completeness.

Masten & Reynolds (1993) on the other hand measured contractual completeness in the context of Air force engine purchase by looking at the price structure. The degree to which price allows flexibility (such as setting ceiling prices and allow parties to justify the price by indicating costs) was incomplete, but if pricing was fixed this was said to be relatively complete. Major problem experienced by Masten and Reynolds (1993) in measuring completeness by this way was the use of ordinal data; however the authors admitted that contractual completeness is a continuous variable.

Aubert et al (2006) operationalized contractual completeness in IT outsourcing context using three different categories; performance clauses (planned cost reduction, planned performance levels to be reached, penalties for bad performance, bonus for exceptional performance, sharing benefits between the firm and the supplier, contractual renewal options); Adjustment Policies (break contract clause, arbitration procedure, re-negotiation periods planned ex ante); Co-ordination mechanisms (evaluation and monitoring of supplier, meeting with users, exchange assignments). Each item was given a specific number and its frequency in appearing in the contracts.

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[2] *Contractual term specificity (TSPC) = Ongoing/ex-ante term specificity (EXTSPC).*
[3] *Contingent Adaptability (CONTADAPT) = Adaptability (ADAPT) = Ex post specification (EPS)*
These different terms were used to fit different channels (journals) where some papers were sent for publication. We maintained these terms in this thesis so as to ensure the consistency with the earlier published versions.

Luo (2002) on the other hand assessed joint venture contracts using two dimensions; term specificity and contingent adaptability. In each of the two aspects, the author used five points Likert scale. Items for term specificity were; (1) how to set up the joint venture; (2) how to operate and manage the joint venture; (3) how to cooperate and resolve conflict between partners; and (4) how to terminate the joint venture. The items for contingent adaptability included; (a) term specification is adaptive for issues that are particularly vulnerable to an uncertain environment or resource availability; (b) the contract has specified major principles or guidelines for handling unanticipated contingencies as they arise; and (c) the contract has provided alternative solutions for responding to various contingencies that are likely to arise.

Reuer & Ariño (2007) built on their previous paper (Reuer & Ariño, 2002) and identified two key factors in the study of contractual dimensions within the context of strategic alliances. The factors they identified were; enforcement provisions (confidentiality provisions, restriction on proprietary information, termination provision, arbitration clauses, lawsuit provision) and coordination provisions (rights to report of relevant transactions, notification rights for departures from the agreement, auditing rights). In the analysis the authors used aggregated (weighted and un-weighted) as well as separate dimensions. However, the authors pointed out that those stringency-weighted and un-weighted indexes of contractual complexity are highly correlated.

Saussier (2000) used 6 items in assessing the degree of contractual completeness. These include; quantities buyer should purchase; quantities supplier should provide; Penalties in case of buyer default; penalties in case of seller default; renegotiation options. In these items, if only price is specified it gets a value of zero, the value increases as number of clauses increase (up to value of 6). Wuyts & Geyskens (2005) used the measures from Lusch and Brown (1996). The items the authors used described the level of detail with which the original contract prescribes roles, responsibilities, expected performance, and how to handle unplanned events and conflicts. Zhuo and colleagues (2003) study used a binary code in measuring contractual provision. The value was zero (0) if no provision and one (1) if there was provision. Similar dichotomous (dummy) variable was used by Lyons (1994) in assessing contracts.

In connection to the idea of completeness other authors extended towards contractual complexity (Reuer & Ariño, 2007; Barthelemy & Quelin, 2006) but the operationalization of the concept does not differ with the idea of completeness. Barthelemy & Quelin (2006) used five key clauses in assessing contractual complexity: These were control clauses; incentive clauses; price clauses; flexibility clauses; end of contract clauses. Authors then operationalized each type of clause using three to five dummy variables arranged in increasing levels of complexity. For instance, in the case of price clauses, they used the following three dummy variables: (1) fixed price; (2) price indexing of price on a market average cost; and (3) price indexing on best vendors' prices through 'benchmarking'. Based on the five types of clauses, they developed an overall measurement of contract complexity that was constructed as the sum of the 18 weighted provisions divided by 38 (i.e. the sum of all weights).

Parkhe (1993) developed a checklist of contractual safeguards obtained from a computer-assisted search of the legal literature and documented the following eight classes of provisions: (1) periodic written reports of all relevant transactions; (2) prompt written notice of any departures from the agreement; (3) the right to examine and audit all relevant records; (4) designation of certain information as proprietary and subject to the confidentiality provisions of the contract; (5) non-use of proprietary information even after termination of agreement; (6) termination of the agreement; (7) arbitration clauses; and (8) lawsuit provisions. In this study our focus is on a contractual completeness with a key emphasis on the two dimensions (term specificity and contingent adaptability).

Contractual satisfaction: Satisfaction in inter-firm industrial relations has traditionally been measured by multiple items (Brown, Lusch, & Smith, 1991; Geyskens & Steenkamp, 2000; Ruekert & Churchill, 1984; Schul, Little, & Pride, 1985), which use both cognitive and affective components (Eggert & Ulaga, 2002). Some studies have uniquely captured the cognitive dimension, while others have captured the affective (Eggert &Ulaga, 2002).

The measures we used are based on the satisfying perspective of contracts (Bolton & Faure-Grimaud, 2010) but new items were developed to fit the study context. Andaleeb (1996) measured satisfaction using three items (in 7 points Likert scale). These items

reflected whether the relationship between partners was positive and the partners are satisfied.

Razzaque & Boon (2003) measured satisfaction by using items from three levels; performance and the achievement of goals; propensity to make positive recommendation after satisfying encounter; other aspects of relationship. Relatively similar measures were also used by Jonsson & Zineldin (2003). These measures are also consistent within the literature of inter-firm relations. It should not be a surprise to find some measures of performance used in measuring satisfaction. There is a very high correlation between the measures of satisfaction and performance (Churchill and Surprentant, 1982). Citing the works of Hunt and Nevin (1974) and Wilkinson (1979), Dwyer (1980) argued that performance was one of the several elements that contribute to satisfaction, which also impact satisfaction.

Contractual satisfaction measures should not differ from the above perspectives above but it focuses on contracts rather than general relationship satisfaction. In line with the literature above, this study has used six items with 5-points Likert scale in assessing the degree to which partners were satisfied with contractual arrangements.

4.5.2 Independent variables

Reputation (REPT) is one of the well-established measures from the media (for example fortune 500 and fortune 1000 companies). Measures from fortune covers items related to product, financial performance, the ability to attract and keep talented workers, social responsibility (Fortune, 2000). Unidimensional measures have been previously used in measuring this construct (Goldberg & Hartwick, 1990). In this study, we have adapted measures from Fombrum and Shanley (1990). Seven items were used, reflecting the degree to which the buyer perceived the partner to have a good reputation. After performing a factor analysis, all the factor loadings were within the acceptable range (greater than .50).

History looks at long-term inter-firm understanding and reflects both experience and time. Argyres and colleagues (2007) captured this concept by using the length of time

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(weeks) by which the partners engaged in a relationship. The study developed new measures for this construct. Four items were used and three of them were retained after factor analysis. *Ex ante contractual costs/efforts* (EAC/ECE) reflects the financial and non-financial expenses incurred by the buyer prior to the commencement of the relationship with the supplier. This concept is consistent with that used by Segal (1999) but new measures were developed to fit this study. Five items were used and all were retained after performing a factor analysis. *Buyer asset specificity* (BUASP) was adapted from Stump & Heide (1996). The concept reflects the degree to which the buyer has specific assets involved in the relationship. It was measured using five items, reduced to three items (after factor analysis) for further analysis.

Buyer perceived risk (PRISK) measures were initially developed by Gwald, Wüllenwebe & Weitzel (2006) and later refined by Gellings and Wüllenwebe (2007). For this study, they were further refined to reflect the current study focus. The concept was measured by six items, five of which were retained after factor analysis. *Trust* was adapted from Carson et al. (2006) and was measured using seven items that reflect the degree to which partners have mutual expectations and understanding. After performing a factor analysis, three factors loaded well. The dropped items were those that focused on how conflicts were resolved and how the adaptation was handled. This suggests that the concept of trust is within the perspectives of mutual expectations and understanding.

Buyer-perceived opportunism (OPPORT) reflects the self-seeking behavior of partners (Williamson, 1975). This study adapted items from Rokkan, Heide, and Wathne (2003). The authors used measures relating to the context of outsourcing contracts. The measures reflected the non-cooperative and cheating behaviors of the supplier. We used six items in measuring the concept. After performing a factor analysis, three items were removed due to low loadings. *Behavioral uncertainty (BU)* reflects the degree of difficulty associated with assessing the performance of a transaction partner (Rindfleisch, 1997). The measures used in measuring this concept were adopted from Buvik & Andersen (2002). This study used five items in measuring the concept. After performing a factor analysis, four items were retained and one was deleted due to low factor loadings.

Network relations (NEWREL) focus on the connections between firms (Holm et al., 1996; Mitchell, 1973; Nohria & Eccles, 1992). Four items were used to measure this concept. After performing a factor analysis three items were retained and one was deleted due to low factor loading. *Buyer dependence (BUDEP)* was adapted from Heide (1994). The concept measures the extent to which the buyer is dependent upon the supplier. Four items were used (on a five point Likert scale) and all were retained after factor analysis.

The concept of *environmental uncertainty* was divided into two sub-concepts: volume uncertainty (Anderson, 1985) and technological uncertainty (Achrol, 1996). Technological uncertainty (TECHUNC) reflects the degree to which there are variations in technology or an inability to forecast technological requirements (Geyskens et al., 2006). The concept was measured with three items (on a five point Likert scale). Volume uncertainty (VOLUNC) reflects the degree to which volume requirements fluctuate or there is an inability to forecast volume requirements (Geyskens et al., 2006). The concept was measured using two items (on a five point Likert scale). *The foreignness of supply firm (FC)* was measured by a dummy variable taking a value of 1 when a relationship involves foreign supplier and 0 otherwise.

Relational norms (RELNM): Macneil listed about 10 key norms (1980) but Heide and John (1992) and later other authors (Antia and Frazier, 2001; Jap and Genesan, 2000) used three different types of norms; flexibly, solidarity and information exchange. In this study, we used a total of eleven items covering flexibility, solidarity and information exchange. After conducting a factor analysis, flexibility and solidarity measures loaded on one factor (four items), while information exchange had a separate factor (four items). According to Noordewier, John, and Nevin (1990), these dimensions originate from single higher order norm, thus their convergence does not pose any challenge in the analysis. Further, context specific factors can also influence the way respondents perceive concerning flexibility and solidarity. The two separate factors were combined into equally weighted composite score (Heide & John, 1992) for testing the hypotheses. *Size* of the firm was measured by the number of employees.

4.6 Data Analysis

Data cleaning was first conducted before the analysis. This involved the inspection of missing data. Missing data arise when respondents fail to reply to a question, willingly or by accident (Bryman, 2004). In identifying missing data, we followed a four step approach that has been proposed by Hair et al (2010). The first steps is to determine the type of missing data (whether the missing data are part of the research design and under the control of the researcher or whether the ''cause'' and impacts are truly unknown. Second is to determine the extent of missing data (examining the patterns of the missing data and determine the extent of missing data for individual variables and overall). The third step is to diagnose the randomness of the missing data process and forth is to select the imputation method.

According to Hair et al (2010) the rule of thumb is that if the percentage of missing data is below 10 (for individual cases or observation), it can be ignored. In Poland, SurveyXact software allowed to impose restrictions on how respondents answer the questions. All questions consisting key variable for analysis were restricted in the system, meaning that a respondent was not able to skip a relevant question, thus we did not experience a significant problem of missing data in Poland. In Tanzania, proper information was delivered to respondents before filling the questionnaires. This also resulted in the few missing (below the cutoff point recommended) data that missed at random. Though the missing data were not a serious problem, we had to replace them using mean (Hair et al, 2010) due to restrictions in some of the analytical tools we used (AMOS and SmartPLS).

Outlier is another area to look when it comes to data cleaning. An outlier is an extreme value in the distribution. When such a value is very high or low, it can distort the mean and range (Bryman, 2004). Data were analyzed for the outliers. Detection of outliers can be done by several methods such as; univariate, bivariate and multivariate methods. We used the univariate method and maintained a standard score of 4 as a rule of thumb for a large sample (Hair et al, 2010) and datasets for the two countries did not have a problem of outliers.

Normality check was also performed. The most ''fundamental assumption in the multivariate data analysis is normality, referring to the ''shape of the data distribution for an individual metric variable and its correspondence to the normal distribution'' (Hair et al, 2010:71). Kurtosis and Skewness are some of relevant measures for testing the normality, although normality plots are essential for large sample sizes. Whereas kurtosis measure the ''peakedness or flatness of distribution (when compared with a normal distribution), Skewness measure the ''symmetry of a distribution; in most instances the comparison is made to a normal distribution'' (Hair et al, 2010: 35, 36). According to the authors, the most common z distribution values are +/-2.58 (.01 significance level) and +/-1.96, which corresponds to a .05 error level. Shapiro-Wilks test was used for both kurtosis and Skewness and the results supported the normality criterion.

Although based on sample size, normality cannot have any problem if other assumptions hold; we decided to take extra measures in addition to Liveness cut point. We requested normality plots due to problems of this test (Liveness cut point) with sample size (Hair et al, 2010). Findings indicated that data were normal.

After cleaning the data we established the constructs for our analysis. This stage is also referred to as data reduction. To do this we started with the exploratory factor analysis. The software we used for this task was SPSS19. Factors that had scores of .50 and above were selected because most of the constructs had well established theoretical base. In this process we used both rotated and un-rotated solutions. After the exploratory analysis, we used AMOS19 to conduct a confirmatory factor analysis. As the names stand, it confirms the factors. This test is also important for assessing the factor reliability.

The task of forming constructs was followed by testing the specific relations. This stage involved different techniques, such as ordinary least square regression, structural equation modeling and ANOVA. We also used a range of software such as SPSS 19, AMOS 19 and SmartPLS. Multiple regression analysis is a statistical technique that can be used to analyze the relationship between a single dependent (criterion) and several independent (predictor) variables. The two key objectives of multiple regression analysis is to ''maximize the overall predictive power of the independent variables and comparing two or more sets of independent variables to ascertain the predictive power of each variate'' (Hair et al, 2010: 169).

There are two key errors that one has to resolve in the multiple regression analysis. One is the measurement error and the second is the specification error. While ''measurement error refers to the degree to which the variable is an accurate and consistent measure of the concept being studied, the specification error is concerned with the inclusion of irrelevant variables'' (Hair et al, 2010: 172). We corrected for the measurement error by using the summated scales which reduced the reliance on a single variable in measuring the concept. Further, the specification error was resolved by including variables which had a strong theoretical base. ANOVA is a statistical method that can be used to determine whether sample of two or more groups come from a population with equal means (Hair et al, 2010). This test was used for cross country comparison of the variables used in the regression analysis. Data were also standardized (using mean) for comparative purpose (Aiken & West, 1991). Supplementary tests such as the computation of effect size and chow tests were used to confirm the findings (Mastumoto et al, 2001).

Structural equation modeling is another comprehensive statistical approach in testing hypotheses about relations among observed and latent variables (Hoyle, 1995). SEM lies in the family of factor analysis and multiple regression analysis. In addition to SEM, we applied PLS (partial least square) path modeling method to estimate our theoretical model using SmartPLS software (Ringle, Wende, Will, 2005) in paper 3. The advantage of using PLS over other tools is that it does not lead to estimation problems or improper or non-convergent results (Hensler, Ringle and Sinkovics, 2009). For researches that aim at predictions, simulation studies that compare PLS with covariance-based SEM confirm that PLS path modeling is particularly suitable as a means to avoid improper solution (Reinartz, Haenlein, and Hensler, 2009).

Non response bias and key informant problem are areas where researchers need to address because they can impact the findings significantly. Non response bias occurs whenever some members of the sample refuse to cooperate, cannot be contacted, or for some reason cannot supply the required data (Bryman, 2004:87). Following Armstrong and Overton's (1977) procedure for testing response bias, we used ANOVA for testing

subsamples of early and late responses in both countries with no significant differences (P>0.05) found.

In addition, a common method variance problem was tested. The common method variance problem is likely in a situation where questionnaires are answered by key informants (Campbell & Fiske, 1959), leading to systemic contamination of correlation among variables (Parkhe, 1993). Harman's single-factor test (1967) argued that the problem exists when all of the variables are entered together; a general factor that accounts for most of the variance will result. After performing factor analysis, several factors with eigen - values greater than one were extracted, suggesting that this study did not have a serious problem of common method variance.

4.7 Quality Assessment

Quality assessment is important in any research. This applies to both quantitative and qualitative research methods. The quality assessment provides confidence to the users of the results. Key areas that need to be addressed when it comes to quality are; validity, reliability and generalizability. In this section we review each of these areas and provide evidence on how they have been assured in this study.

4.7.1 Validity:

Validity is the degree to which a measure provides accurate representation (Hair et al, 2010). There are different categories of validity. These includes; ''face validity (reflects the content of the concept in question), concurrent validity (introduce a criterion on which cases are known to differ and that is relevant to the concept in use), predictive validity (involves the use of a future criterion measure, rather than a contemporary one), construct validity and convergent validity'' (Bryman, 2004: 72). The common ones are convergent, discriminant and nomological validity. The definitions on the validity concepts that are provided below are based on Hair and colleagues (2010: 126).

> *Convergent validity: ''assess the degree to which two measures of the same concept are correlated. The strategy is to look for alternative measures of the concept and then correlate them with the summated scale. High correlations here indicated that the measure is measuring the intended concept''.*

Discriminant validity is the ''degree to which two conceptually similar concepts are distinct. The empirical test is the correlation among measures, but this time the summated scale is correlated with a similar, but conceptually distinct measure. The correlation should demonstrate the summated scale is sufficiently different from the other similar concepts''.

Nomological validity: ''refer to degree that the summated scale makes accurate predictions of the concepts in a theoretically based model. The strategy is to identify theoretically supported relationships from prior research or accepted principles and then assess that the scale is correlated with other known measures of the concept''.

Nomological validity is also concerned with the relationship between the concepts and their (observable) measures. We have used different data analysis tools and thus the assessment of validity will cut across all the tools. In assessing discriminant validity we applied Fornell and Larcker's (1991) rigorous criterion (Anderson & Gerbing, 1993). For the discriminant validity to be supported, the average variance extracted (AVE) for two factors should be greater than the square of their correlations. The test for the discriminant validity was supported in all constructs used. To test for convergence or internal validity we used both factor loadings (should be .5 or greater) and construct reliability (should be .7 or higher) (Hair et al, 2010). All factors loadings (from both exploratory and confirmatory factor analysis) and construct reliability (CR) fulfilled this rule of thumb (see correlation tables in the papers), so our constructs had convergence validity.

Before talking about nomological validity, we will like to say something about face validity. Normally many authors do not comment about this because one should test for face validity before doing other tests on the construct. Face validity is normally tested during theory development. Most of the constructs used in this study were based on previous literature. Nomological validity is normally tested by looking at the inter-item correlations if they make sense (Hair et al, 2010). All constructs went through a

nomological validity test by checking the factor loading patterns and their inter-item correlations.

4.7.2 Reliability

Unless a measure is reliable, it cannot be valid (Robson, 1996: 67). Reliability is the degree to which the observed variable measures the ''true'' value and is ''error'' free, thus it is the opposite of measurement error (Hair et al, 2010:8). There are three factors that are involved when considering whether a measure is reliable. Bryman (2004: 71) identified these factors as; ''stability (whether a measure is stable over time), internal-reliability (whether the indicators that make up the scale or index are consistent) and inter-observer consistency (whether there is subjective judgment involved in recording or translation of data into categories and when more than one observer is involved in such activity)''.

Since no single item is a perfect measure of a concept, we rely on a series of diagnostic measures to assess internal consistency (Hair et al, 2010). One is to relate each separate item, including the item to total correlation. Rules of thus suggest that the item-to-total correlations should exceed .50 and that the inter item correlations should exceed .30. Second is reliability coefficient, which assesses the consistency of the entire scale with correlation alpha, being mostly widely used measure. The generally agreed lower limit for cronbach's alpha is .70, although it may decrease to .60 in exploratory research. In this study the values of cronbach's alpha fulfilled the required rule of thumb (.70) (see the appendix on measures for each paper). I must also stress this point that the study did not just fulfill an internal reliability, but also the external one. Most of the constructs indicated similar patterns across the two countries. This is the strength of quantitative approach when it comes to reliability. The study had two phases in data collection for both countries and there was no significant variation across the samples (from the two waves).

Collinearity check is also important for assessing the data quality. Multicollinearity occurs when two or more variables are highly correlated. When this problem occurs, it makes the interpretation less reliable (Hair et al, 2010). The two common ways for assessing the multi-collinearity problem is tolerance and its inverse (the variance inflation

factor). The suggested cut off point is Tolerance of .01 (corresponding to VIF value of 10.0). The values for VIF in this study was far below this cut of point (below 5), suggesting that the multicollinearity was not a problem (see the regression tables in each paper).

4.8 Descriptive Statistics and Sample Profile

This section provides data profiles for the two countries used in the study (in table 4). The profile covers sample size, response rate, number of employees, annual sales, supply frequency and international composition of supply partners.

Table 4: Data profiles

Item	Tanzania	Poland
Sample size	240	201
Response rate	31.25%	33%
Average number of employees	1,020	255
Average annual sales (USD)	7,270,004	16, 558, 089
Average frequency (per month)	6	5
Minimum length of relationship	1	1
Number of subsidiaries of international companies	5.4%	11%
Number of joint ventures with international partners	8.4%	8.7%
Number of domestic companies owned by local citizens	57.1%	56.5%
Number of foreign suppliers	29.2%	23%

Table 5 and 6 provide the composition of contractual specifications between the local and the international partners with respect to location of arbitration for the two countries (Poland and Tanzania respectively). Further the two tables (5 and 6) provide a number of supplier and their respective countries. The location of arbitration is one of the signals for contractual completeness. Figures 8 to 13 give a series of institutional contextual comparison for the two countries.

Table 5 International Suppliers to Polish Firms

COUNTRY	No. of firms that specified arbitration to take place in home country	No. of firms that specified arbitration to take place in the host country	No. of firms that did not specify the arbitration location	No. firms that specified arbitration to take place in a third part country	Total no. of firms
Austria		2			2
Belgium	-	-	1		1
China	2	1	1	1	5
Czech	-	1	4		5
Denmark	2	-	1		3
France	-	3	1	1	5
Germany	13	4	1	2	20
Holland	1	2	-	1	4
Italy	1			1	2
Japan	-	1	-		1
Portugal			1		1
Korea			1		1
Romania		1			1
Russia	1	-			1
Spain	1	2	-		3
Sweden		1			1
Switzerland	2				2
Taiwan		1			1
Thailand	-	-	1		1
USA	2		1		3
UK	1	1	-		2
TOTAL	26	20	13	6	65
%	40	30.8	20	9.2	100

**Table 6 International Suppliers to Tanzanian Firms**

Country	No. of firms that specified arbitration to take place in home country	No. of firms that specified arbitration to take place in host country	No. of firms that did not specified location of arbitration	No. of firms that specified arbitration to take place in a third part country	Total no. of firms
Australia				1	1
Brazil			1		1
Canada	1	1		1	3
China	3	10	13	1	27
France		1	3		4
Germany	1		2		3
Hungary		1			1
Holland	1		1		2
India	3	3	4		10
Iran			1		1
Japan	-		2		2
Libya	1				1
Singapore	1				1
South Africa	2	4	5		11
Thailand		1			1
UAE	1	1			2
UK			2		2
USA	1	1	2		3
Total	15	23	36	3	77
%	19.45	29.9	46.75	3.9	100

The comparison covers cultural, regulatory and normative aspects. Figure 8 compares the cultural index between the two countries. The comparison indicate that Tanzania and Poland are closely similar in terms of power distance and long term orientation, but differ in terms of individualism, masculinity and uncertainty avoidance. Poland ranks higher in all the items that differentiate the two countries.

Figure 8: Cultural comparison index
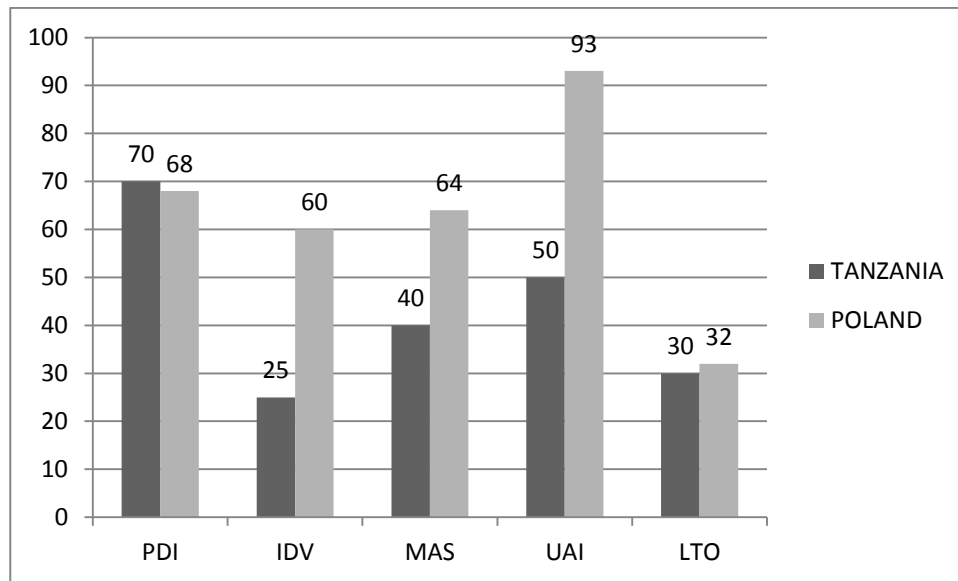
*Source: Constructed from Hofstede Centre, 2014[4]*

Key: PDI-Power distance; IDV-individualism; MAS-Masculinity; UAI-Uncertainty avoidance; LTO- Long-term orientation.

Figure 9 up to 11 provide a regulatory assessment for the two countries from years 2004-2014 using the rule of law dimensions. In the rule of law we present three key areas that are related to enforcing contracts; number of procedures, length of time it take from opening to closing the case and cost ($) in terms of percentage of claims. The general picture is that Poland has made a significant reform in a regulatory area compared to Tanzania.

In figure 9 we assess the procedures for opening the case for the two countries. The figure indicates that the procedures for the two countries have been increasing from 2004-2008, then remained static. From mid-2011 to date, the number of procedures for enforcing contracts in Poland is decreasing while in Tanzania not much has changed.

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[4] The figure was constructed based on the Hofstede centre. This can be accesses at http://geert-hofstede.com/countries.html
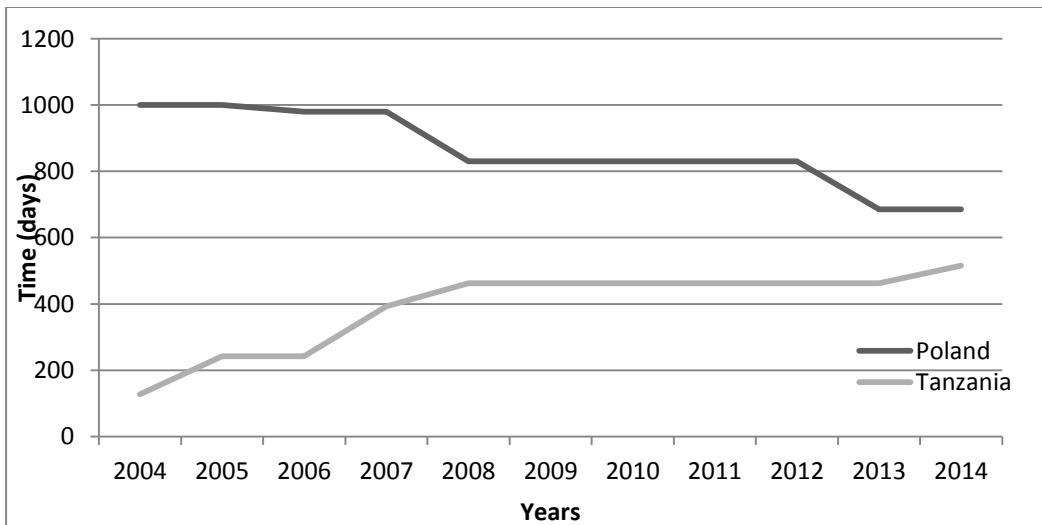
Figure 9: Comparison of contractual procedures
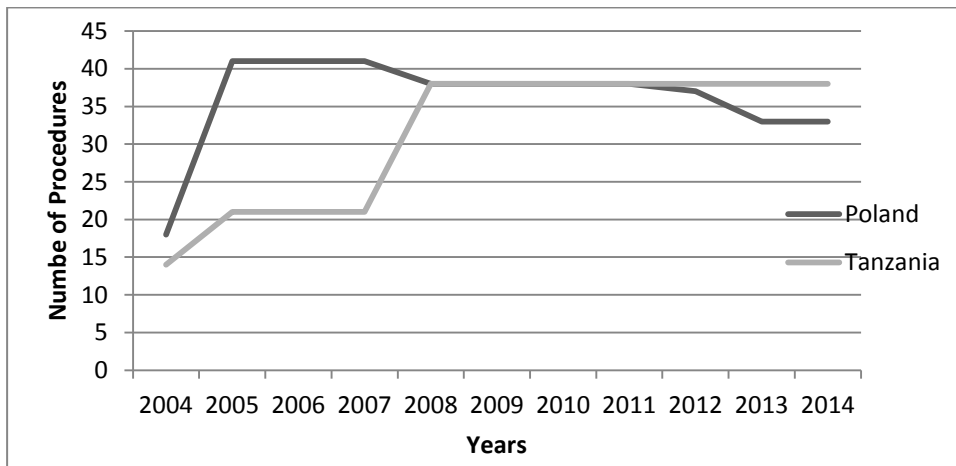
Source: World Bank, 2014

Figure 10 compares the length of time (days) it takes to enforce contracts in the two countries. The figure indicates that the length of time has been decreasing for Poland but increasing in Tanzania.

Figure 10: Comparison of length of time for enforcing contracts

Source: World Bank, 2014

Figure 11 compares the cost for enforcing contracts for the two countries. The cost is computed by percentage of claims. The figure suggests that the cost of enforcing contracts has decreased in the two countries with Poland showing a significant drop.

Figure 11: Comparison of the cost of enforcing contracts
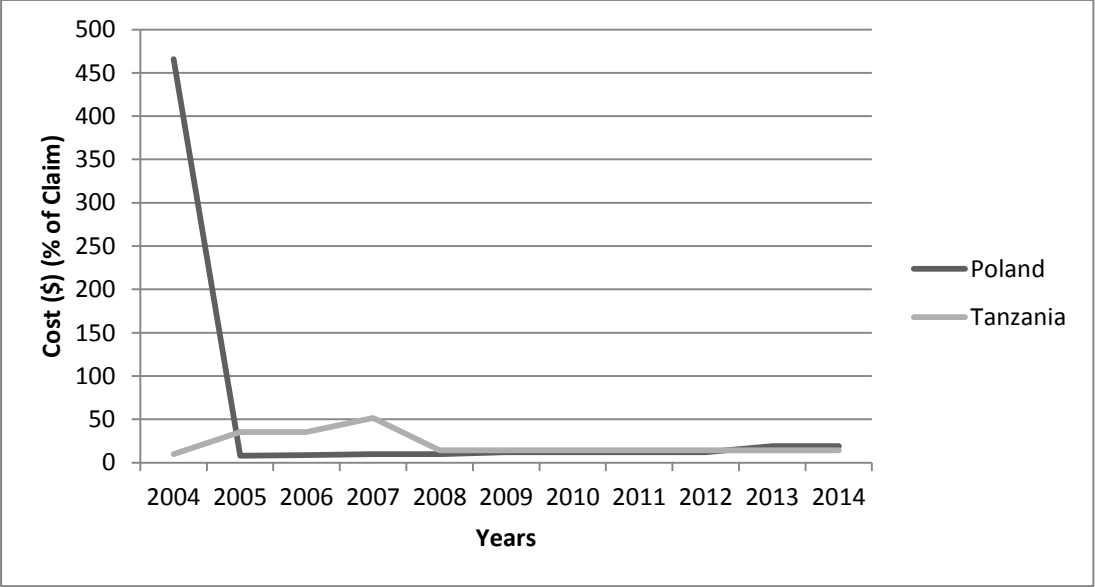
Source: World Bank, 2014

Figure 12 compares corruption perception index for the two countries. The index is considered better when the values are higher. The corruption index is used here as proxy for normative dimension of institution. The figure 12 below indicates that the corruption problem has dropped significantly in Poland, while there has been a little change in Tanzania.

Figure 12: Comparison of corruption perception index scores (1-10, the higher the better)
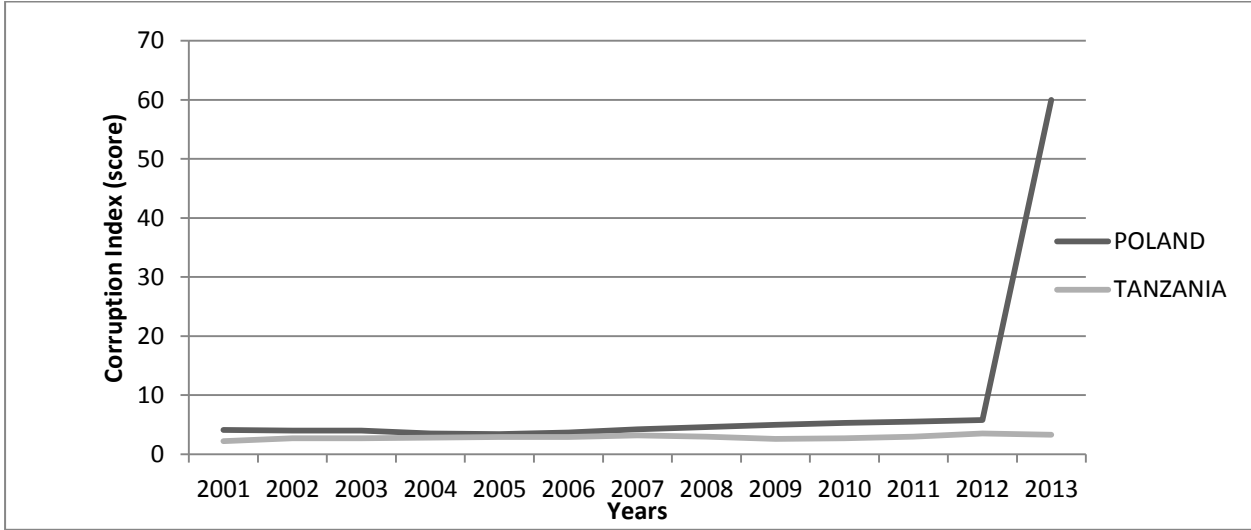
Transparency International, 2001-2013

Figure 13 compares the effectiveness of private information bureau in covering individuals' information. The figure provides only data for Poland because such bureau does not exist in Tanzania. The information is relevant for the study of contracts because it relates to search cost. When it is possible to obtain the information on individuals, the search costs can significantly decrease. The figure suggests that the coverage of the private information bureau has increased significantly in Poland.

Figure 13: Percentage coverage of private information bureau (Poland)
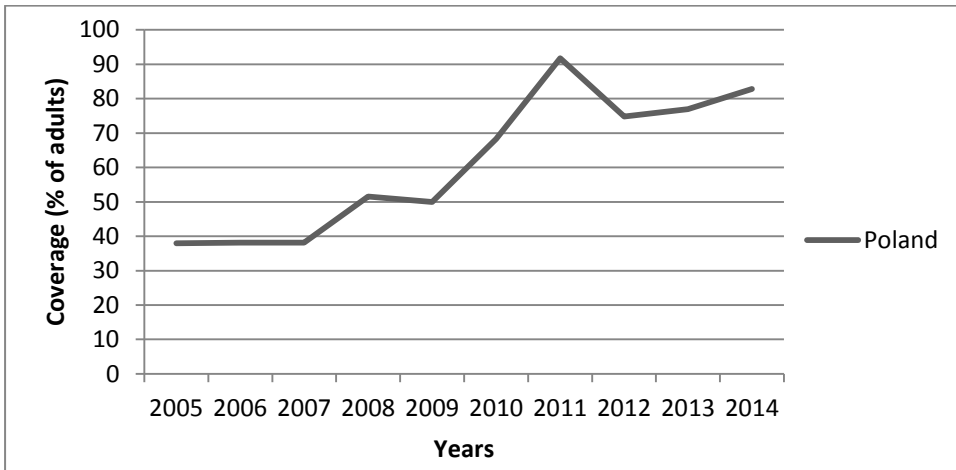
Source: World Bank, 2014

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CHAPTER FIVE
CONTRACTUAL COMPLETENESS[5]

A COMPARISON OF CONTRACTUAL TERM SPECIFICTIY IN TWO HETEROGENEOUS EMERGING MARKETS

Abstract

Contractual governance has been one of challenging topics in inter-firm relations, given the assumption that contracts are considered incomplete. The complexity of the subject has partly led to fewer studies that have taken the topic further in examining its international aspect. Prior researchers have focused on understanding contractual incompleteness, but the institutional role of contracts has not been well addressed in empirical studies. This paper addresses these shortcomings by examining contractual completeness in two heterogeneous emerging markets (Tanzania and Poland). The terms advanced (Poland) and less advanced (Tanzania) are used to distinguish these two emerging markets and are also used in the development of the hypotheses.

The findings indicate that relational dimensions (reputation and history) and ex-ante costs have complementary effect on contractual completeness. The effect was stronger in more advanced than in less advanced emerging markets. This paper suggests the drivers of contractual term specificity differ in the strength of effects rather than the direction of effect across the heterogeneous emerging markets.

Key words:

Contractual term specificity; reputation; history; ex-ante contractual efforts

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5.0 Introduction

Contractual governance has been one of challenging topics in inter-firm relations, given the assumption that contracts are considered incomplete (Williamson, 1975). The complexity of the subject has partly led to fewer studies that have taken the topic further in examining its international aspect. Prior researchers have focused on understanding contractual incompleteness, but the institutional role of contracts has not been well addressed in empirical studies. The first generation studies on incomplete contracts (Grossman & Hart, 1986; Hart & Moore, 1990) suggest the incompleteness to be resulted from exogenous constraints (that result in high contractual enforcement costs at the execution stage), while the second generation (Hart & Moore, 2008; Tirole, 2009; Bolton & Faure-Grimaud, 2010) suggests the constraints to be endogenous (under the assumption of bounded rationality).

Some researchers have focused on intentional incompleteness (Saussier, 2000; Crocker & Reynolds, 1993), which is associated with the tradeoffs between ex-ante crafting costs and ex post inefficiencies (Crocker & Reynolds, 1993). The choice of incompleteness has also been associated with the assumption that a high specification of verifiable aspects may worsen the unverifiable ones (Bernheim & Whinston, 1998). Saussier (2000) defines contractual completeness as the specification of all contractual dimensions without necessarily using all the information.

Luo (2002) pointed out that contractual completeness is made up of two dimensions; contingent adaptability and term specificity. According to Luo, ''contingency adaptability is the extent to which unanticipated contingencies are accounted for and relevant guidelines for handling these contingencies are delineated in a contract, while term specificity concerns how specific and detailed the terms are'' (2002: 905). This paper focuses on the first dimension of completeness that is derived from term specificity. This approach is consistent with Parkhe (1993) who focused on the degree of formal safeguard in assessing completeness. Further, there are challenges in applying the second dimension (contingent adaptability) in studying contracts. Reuer and Ariño (2002, 2003) and Ariño and Reuer (2004) pointed out that the lack of detailed knowledge concerning the transaction (which is likely to be the case in cross sectional comparison of

contracts) makes it difficult to compare contracts along the second dimension (contingent adaptability). This challenge will likely heighten when different institutions are involved.

Recent researches have moved towards the concept of contractual complexity (Reuer & Ariño, 2007; Barthélemy and Quélin, 2006) by extending the first dimension. Complexity and completeness seems to be competing aspects of a contract because when one increases the number of clauses (as an attempt to boost the completeness), the level of complexity increases. Focusing on contractual completeness as opposed to incompleteness is relevant for minimizing opportunistic behavior and ex post renegotiations (Saussier, 2000). It is also important to study contractual completeness because it is a signal that informs us about the level of market transformation and the social structures within the context of inter-firm relations. Contractual completeness can also inform the potential entrant about strategic positioning when it comes to inter-firm relations in a new or unfamiliar foreign market. In relation to the emerging market, contractual completeness strongly reflects the transaction composition (dimensions) and the stage of market transformation (from informal to formal transactions). Discussing the institutional differences or general context surrounding transaction was missing in earlier literature of contracts.

The roles on which drivers play behind contractual completeness across heterogeneous institutions have not been adequately addressed. Whether the drivers are complementary or substitutive, we still miss a discussion on the level of influence on such roles across heterogeneous emerging markets. China, Central and Eastern Europe were two of the most significant markets to emerge at the end of the 1990s (Hoskisson et al, 2000). Emerging markets now include, but are not limited to, the transitional economies of Central and Eastern Europe and the former states of the Soviet Union, some Asian economies (China, Taiwan, Thailand, etc.), the Middle East and Africa.

In addition, a general limitation across the contractual literature has been a lack of distinction between context-specific and relational-specific dimensions of contractual completeness. To overcome this limitation, this study aims to take a step further in examining the drivers (of contractual completeness) within the contextual settings of two heterogeneous emerging markets (Tanzania and Poland).

The terms advanced (Poland) and less advanced (Tanzania) are used to distinguish the two countries. The two countries were chosen for this study as they have some core similarities and differences (more detailed explanation is provided in the context section). Their similarities include their historical landscapes (moving from socialist to capitalist economies), having approximately the same population density, and economic growth prospects. Core differences include the levels of economic maturity, their legal frameworks, business cultures, and market composition. These differences form a large portion of the contextual factors. This study will use theoretical perspectives of transaction cost and relational governance to determine the differences in the drivers of contractual completeness across heterogeneous emerging markets.

We expect to find differences in the dimensions that influence contractual completeness due to the different contextual factors highlighted above. We purport to resolve the following key questions: What are the central elements that influence contractual completeness? What is the nature of that influence (do the factors increase or decrease the level of contractual completeness)? Are there any key differences or similarities across these markets?

This paper is organized as follows: In the first section 5.1 we provide a contextual setting and rationale. In section 5.2 we present a literature review on contractual governance, relational governance and institutional perspectives. We then present the hypotheses in section 5.3. The methodology is presented in section 5.4, followed by a presentation of the results, discussion and conclusions in sections 5.5 and 5.6 respectively.

5.1 Contextual Setting and Rationale

Emerging markets have recently been of interest for investors because of their ability to withstand weaknesses (economic shocks) compared to the matured ones (Oprita[b], 2012). Recent statistics have shown that 38.9% of world manufacturing goods are now coming from developing markets, 57.6% from developed markets and 3.5% of transition markets, with both developing and transition markets constantly raising while developed markets continually falling (UNCTAD, 2012). Meyer & Peng pointed out that ''there are often hidden features and assumptions that are often unnoticed when conducting research in

mature market economies and thus scholars have struggled with how to incorporate the specific contextual influences into their theoretical reasoning'' (2005:601). Williamson (1993) also recognized the challenges posed by institutions and suggested them to be taken as ''shifting parameters''.

Most studies on emerging markets are also limited by involving similar regions or groups such as Asian or Eastern and Central Europe. Part of the problem is on the assumption that emerging markets are similar but in reality they are different. What distinguishes them is the intensity and nature of institutional dynamics (Hafsi &Farashi, 2005). These dynamics have also been suggested to be important for testing theories (Mayer & Peng, 2005). We have few studies that have aggressively compared the business to business theories in dissimilar markets. Inter-comparison of dissimilar emerging markets will provide us with deeper knowledge. Most firms coming from particular groups present a set of homogeneous characteristics which are mostly common to all firms in a particular region.

Countries that have been selected in this study come from two distinctive regions; East and Central Europe for Poland, and Sub-Saharan Africa for Tanzania. Eastern and Central Europe apart from been considered attractive debt market after the Eurozone crisis (Oprita[a], 2012), has also been an interesting place for testing organizational theories due to transition processes (Meyer & Peng, 2005). Sub-Sahara on the other hand is the second world region with high economic prospects for years between the years 2011-20, first region being emerging Asia (Economist, 2011). Apart from the interests in these regions, the two countries selected have indicated attractive features which can draw both scholarly and practitioners' attention now and future. In following sections we provide some comparative highlights in terms of economic performance, institutional performance and culture.

5.1.1 Economic and institutional performance

Poland, which is the biggest country in ECE (East and Central Europe), is the only one in ECE that had post economic growth during the 2009 recession and is one of the attractive debt market, that was created by Eurozone crisis (Oprita., 2012). Poland economic landscape has been a success relative to other ECE members (S&P Indices, 2010). In

comparison to the year 2004, Poland inward FDI (foreign direct investment) flows between the years 2009-2011 was doubled (UNCTAD, 2012).

Tanzania on the other hand has a unique economic prospect in Africa, and was noted to be one of the fastest growing economies in the region (Economist, 2011). Tanzania has attracted 82% of new FDI projects since 2003 (Ernest & Yong, 2012). Compared to the year 2005, Tanzania inward FDI have almost doubled in 2011 (UNCTAD, 2012). The country is also among top 5 FDI attractions in Africa between the years 2003-2011 (Ernst & Yong's, 2012).

For comparison of institution performance between the two countries, the study used World Bank (2012) dataset. The dataset indicates that between the years 2003-2005 both countries' ease of doing business was relatively the same. From 2006 to mid-2007, it was easier to manage business in Tanzania than Poland, but after mid-2007 to date, it is comparatively easier to manage business in Poland than in Tanzania. With respect to the micro-economic performance (annual growth rates) for the years 1994-2009, the World Bank's dataset indicates Tanzania to be doing relatively better in terms of growth rates for the entire period compared to Poland. The dataset also indicates the rule of law, corruption index, government effectiveness and regulatory quality for both countries. For all these indices, Poland is doing relatively better than Tanzania.

5.1.2 History and size

Besides these unique economic trends the two countries have other key comparable features that make it interesting for comparison. Both countries have gone through socialistic ideologies which later were changed into more capitalistic ones. Tanzania's socialistic ideology, commonly known as Ujamaa (Africa socialism), can be similar in most ways to the Polish socialistic ideology. Village collectivization was resisted in Poland as well as in Tanzania (Lofchie, 1978). In terms of populations, the two countries have comparable population sizes of about 38,415,284 (July 2012 est.) in Poland and 43,601,796 (July 2012 est.) in Tanzania (Fact book, 2012).

5.1.3 Culture

In terms of culture, the dataset from Hofstede (2012) on national culture comparison index show key similarities and differences in the two countries. The index consists of five dimensions (power distance, individualism, masculinity, uncertainty avoidance, long-term orientation). Power distance, which measures the extent by which people accept hierarchical order, was quite similar in Tanzania (score 70) and Poland (score 68). Individualism, which measures the degree of interdependence a society maintains among its members, is different between Tanzania (25) and Poland (60), indicating that Poland is more individualistic while Tanzania is a relatively collectivistic country. Masculinity, which measures the degree to which a society is driven by competition, achievement and success compared to femininity which indicates the degree to which a society tends to show care and quality of life, is different between the two countries; with Poland being more masculine country (score 64), while Tanzania is considered to be a more feminine society (score 40). Uncertainty avoidance is the extent to which the members of a culture feel threatened by ambiguous or unknown situations. Countries exhibiting high uncertainty avoidance maintain rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas. Poland is considered to be a highly uncertainty avoidance country (score 93) compared to Tanzania (score 50). Long term orientation, which measures the degree to which a society perspective is in the long-term as opposed to short-term, was relatively similar between Tanzania (score 30) and Poland (32) meaning they are both short-term oriented countries. To summarize, Poland and Tanzania are relatively similar in terms of power distance and long-term orientation but are different in terms of individualism, masculinity and uncertainty avoidance.

5.2 Theoretical Review

5.2.1 Contractual governance

The contractual-based governance emphasizes the use of a formalized, legally-binding agreement, or a contract to govern the inter-firm partnership (Lee & Cavusgil, 2006). Most inter-firm relationships between two independent firms are based on contracts (Buvik & Haugland, 2005). A contractual agreement falls under hybrid governance

(governance modes that are between markets and hierarchy). One of the key focuses in transaction cost analysis (TCA) is the assignment of specific governance mode to minimize transaction costs (Heide, 1994; Williamson, 1985).

Contractual efforts (costs) include searching, monitoring and enforcing (Hennart, 1993; North, 1990; Williamson, 1985). Motive of using a contract is mitigation of opportunistic risks (Luo, 2005) derived from specific assets (Barney & Hansen, 1994; Williamson, 1985; Zaheer & Venkatraman, 1995). Macneil (1980:4) has viewed formal contracts as ''promise or set of promises for the breach of which the law gives a remedy, or the performance of which the law in some way recognizes as duty''. For practical sense, a formal contract is mostly customized to a specific transaction, and provides a detailed description of the partners' responsibilities.

Formal contracts reduce power imbalances that build an exit barrier (Bucklin and Sengupta, 1993). Bilateral hybrid governance structures such as contracts provide a means for safeguarding specific assets as well as enhancing closer inter-firm ties (Rindfleisch & Heide, 1997). The Nature of transaction (for example complexity of dimensions and assets involved (Joskow, 1988)) and the corresponding institutional environment are key determinants of contracting (Luo, 2005; Oxley, 1999).

5.2.2 Relational based governance.

Relational governance is an exchange that is driven by social dimensions (Macneil, 1980; Gundlach & Achrol, 1993). The level of social dimensions which are ''distinctly human in origin'' (Oliver, 1997:699) is likely to vary from one exchange to the other. Ferguson, Paulin, & Bergeron categorized this continuum by pointing that 'weak social norms or a reliance on a strict implementation of the formal contract reflect transactional governance, and strong norms or less reliance on the formal contract indicate relational governance'' (2005:219). Relational governance (Dyer & Singh, 1998; Dyer & Chu, 2000; Gulati & Nickerson, 2008; Mellewigt et al., 2007) overcomes the bounds posed by formal market governance or contractual safeguards (Poppo & Zenger, 2002). The enforcement mechanism for the relational governance is through social sanctions (Macaulay, 1963).

Relationships are established on mutual expectations (Cannon et al., 2000) and give rise to more specific relational components like trust (Argyres, 2007; Gulati, 1995), history (Crocker & Reynolds, 1993; Kramer, 1999) and reputation (Worden, 2003; Carson, Madhok, & Wu, 2006) that provide safeguard (Jap & Anderson, 2003) or non- legal sanctions (Macaulay, 1963) in proportion to their presence in relational channels (Brown, Dev, & Lee, 2000; Heide & John, 1992). Firms conform to social norms so as to gain legitimacy (Oliver, 1997) which reduce the transaction cost (Dyer, 1997), decrease dependence on formal constraints (Hills, 1995) and improve performance (Griffith, 2002).

5.2.3 Comparison of relational and contractual governance approach

Relational and contractual governance approach has their similarity on their focus on ensuring safeguard of assets. Both forms are hybrid governance structures, but they have differences (though their focus remains the same). While, for example, relational governance pay attention to establishing relationship in ensuring safeguard, contractual approach, focus on specification of terms which is seen as less relational. Due to such difference, the enforcement mechanism for relational governance is the social sanctions which act as informal enforcement, while courts of law are enforcement mechanism for formal contracts. The ability for relational governance to function with an informal enforcement mechanism makes it dominant in an environment where the formal institutional mechanisms are not strong. To what degree relational governance influence formal contractual agreements are of a particular interest in business relationships, but it has not been well explored in literature. Formal Contracts are complex and costly compared to relational governance, which is relatively effective with less cost (Lee & Cavusgil, 2006). Many aspects of transactions cannot be specified by contracts due to unforeseeable future contingencies (Poppo & Zenger, 2002).

Relational governance plays a major role in overcoming the pointed limitations (Macneil, 1978). Through relational governance, contracts can be updated, leading to a more complete version that can enhance better inter-firm relations (Poppo & Zenger, 2002). In the same vein the lowered opportunistic behavior through contractual governance can

enhance relational governance. In addition, the contract formulation process can increase relational prospects between the firms. Broadly speaking, relational governance and contractual governance may rather complement than oppose each other.

5.2.4 Institutional perspective

Institutions refer to the rules, expectations, and actions to which organizations must conform to receive legitimacy (Meyer and Scott, 1983). Institutions can thus be defined as the ''regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior'' (Scott, 1995: 33). Regulations are concerned with compliance with government rules and sanctions (Kelman, 1987), normative institutions are concerned with compliance to socially accepted norms and behaviors (Selznick, 1984) while cognitive actions concern with compliance to cultural values (Berger and Luckmann, 1967; Hofstede, 1980).

When the institutional processes and structures are taken together they form the institutional environment or context (Gewarld & Dharwadkar, 2002). Exchange activities are arranged within the embedded economic, political, and cultural environment (Dacin et al., 2002, North, 1990). The institutional context establishes the path for the transactions to take place (Jepperson, 1991; North, 1990). The function of the institutional context should be distinguished from that of the market. Whereas the institutional context exerts normative pressure on organizations to change, the market context exerts efficiency-based pressure on organizations (Newman, 2000:603). Adjusting with institutional pressures is important for survival and for obtaining scarce resources (DiMaggio & Powell, 1991; Meyer & Rowan, 1977).

Traditional research on contractual governance has taken the institutional environment as a static (Chung & Beamish, 2005; Williamson, 1996). The institutional environment is not just a mere background condition (Ingram and Silverman, 2002: 20) but a dynamic (Hafsi &Farashi, 2005; Oxley, 1997; Scott, 1995) one. The dynamics of institutions exert influence on the organizational performance (Tan & Litschert, 1994). Institutions like rules (legal framework) does not only influence the transaction cost (Peng (2003), but also facilitates the weak-based relational ties (Peng & Zhou, 2005). The institutional

context in emerging markets is unique, and thus the generalization from other advanced economies has been challenged (Lui, 2009).

The institutional environment may encourage or distorts the development of relational ties between partners (North, 1990). Grewal & Dharwadkar (2002) has also suggested that the institutional processes have influence on channel structure and processes. Contracting is determined by exchange features (such as transaction cost dimensions and relational aspects) and corresponding institutional environment (Luo, 2005; Oxley, 1999) and thus the use of contracts is influenced by the institutional structure. The response to contractual hazards will thus differ across countries (Williamson, 1991; Joskow, 1988; Poppo and Zenger, 2002).

Culture, which is one of the cognitive dimensions of an institution, has an influence on contracts. Managerial decisions have also been suggested to be a function of cultural values (Schneider and De Meyer, 1991; Hofstede, 1980). Uncertainty avoidance, individualism/collectivism, and power distance (Hofstede, 1980) are key dimensions of culture which influence contracts in different ways. Firms with uncertainty avoidance tendency have a strong preference for codification and the establishment of formal rules or detailed contractual terms (Steensma et al., 2000; Wuyts & Geyskens, 2005). On the other hand, firms from collectivist cultures prefer longer (Sako and Helper, 1998) and less detailed contracts (Wagner, 1995). Power-distance increases the need for detailed specification on contracts (Wuyts & Geyskens, 2005), thus firms from power distance culture prefer explicit descriptions of tasks (Bates et al., 1995) and control over their partners' actions (Shane, 1994). High-versus low context cultural dimensions have also been used in the arguments for the role of culture on contracts (Larsen et al, 2002). The authors argued that in a high context culture, the contracts are less detailed and parties rely more on verbal than non-verbal communication.

Regulatory regime is another area within the institutional perspective which exerts influence on contract (Williamson, 1991; Joskow, 1988). According to Gewarld & Dharwadkar, ''regulatory institutions often are sufficiently powerful to impose direct constraints, in the form of authoritative orders, or indirect constraints through rigorous rules and regulations'' (2002: 85). Luo (2005) has also pointed to the influence of legal

or regulatory system of contractual governance. This was supported by findings from Zhou and Poppo (2010) which suggested that the legal enforceability has a significant influence on the contractual governance. Further, the normative dimension of institutions influences the channel member behavior (Gewarld & Dharwadkar, 2002).

Empirical studies have found that business transactions in emerging economies to a large degree rely on relational exchanges such as mutual trust and cooperative norms (Li, Poppo and Zhou, 2008; Zhang and Li, 2008), mainly due to inadequate legal and regulatory frameworks –commonly referred to as institutional voids" (Zhou and Peng, 2010: 357). Differences in the cultural dimensions and level of market transformation across the two markets, is expected to influence the degree of effects (of independent variables) on contractual completeness.

The influence of institutions is strong in relational than technical aspects. Kiggundu, Jorgensen, and Hafsi's (1983) reviewed 94 studies published during the 1956–1981 period on the application of mainstream organizational and management theories in developing countries. Their findings showed that, the studies that had technical core had less divergence, but significant divergence was higher on studies dealing with relationships that are more institutional prone.

5.3 Hypothesis Development

5.3.1 Degree of contractual completeness

Most definitions of contractual completeness focus on term specification (Brown, Potoski, & Van Slyke, 2007; Saussier, 2000). Based on the second-generation view of contracts, completeness can be viewed as the degree of detail used to describe activities and objectives, which may cover all possible situations and contingencies (Al-Najjar, 1995; Brown et al., 2007; Hendrikse & Windsperger, 2010; Saussier, 2000). Hendrikse and Windsperger define contractual completeness as the "ratio between specific rights and residual rights where specific rights refer to detailed specification of decision action in the ex-ante period and residual rights refer to the planning of decision procedures which enable decision making about specific actions in the ex post period" (2010:4).

Aspects that hinder contractual completeness can occur before the contractual period (*ex-ante*) or after (*ex post*). While the latter is associated with adaptation problems (Grossman & Hart, 1986; Hart & Moore, 1990), the former is associated with the bounded rationality of the contractual partners (Bolton & Faure-Grimaud, 2009; Hart & Moore, 2008; Tirole, 2009). Although contractual completeness is hard to achieve (Bernheim & Whinston, 1998; Nakhla, 2003; Neu, 1991), it is possible to study the degree of contractual completeness (Al-Najjar, 1995; Brown et al., 2007; Hendrikse & Windsperger, 2010; Saussier, 2000). Both relational and non-relational factors are important in addressing contractual completeness.

Institutional context has been argued to have an important role in contractual governance (Williamson, 1991). The literature on institutions has already indicated the relevance of including the contextual surrounding in the study of contractual governance. It is important to provide a clue to these perspectives of contractual completeness so as to empower firms with better predictions that ensure proper strategic alignment when dealing with different emerging markets. The following section discusses the effects on contractual completeness.

5.3.2 Effect on the degree of contractual completeness

The selection of independent variables for this study is based on the relational and contractual governance literatures. Classical factors such as asset specificity are also included in the list of controls. The choice of the specific variables that are used is based on their usage in past literature. Reputation (Al-Najjar, 1995, Bernstein, 1992), prior relations or history (Argyres et al., 2007) and ex-ante costs (Crocker & Reynolds, 1993) are all important variables in studying contractual governance. Institutions have an important role on contracts (Wagner, 1995; Luo, 2005; Oxley, 1999).

5.3.2.1 Reputation

Reputation is the "base of an organizational identity" (Worden, 2003:39), and an intangible firm's asset (Fombrun & Shanley, 1990; Williamson, 1985). Further, the reputation provides safeguards or social sanctions (Carson et al., 2006), increases flexibility (Al-Najjar, 1995), and lowers perceived risk (Lorenz, 1999). Reputation in

other words, is an informal written guarantee (Akerlof, 1970). In emerging markets, where the parties to a contract are less likely to be known to each other (Choi et al., 1999), reputation may play a dominant role. Akerlof (1970) pointed out that when there are difficulties in assessing the quality, a good name can be an alternative to go with.

Reputable firms have developed their image over a long period. Klein and Leffler (1981) model pointed out that a firm acquire reputation by making sunk costs, which are important to maintain because the short-term gains from cheating will be offset by the long-term losses that are resulted from damaged reputation. According to Akerlof (1970), ''the cost of dishonesty (acting in non-reputable fashion) lies not only in the amount by which the purchaser is cheated; it includes the loss incurred from driving legitimate business out of existence'' (pg. 495).

Reputable firms usually offer reliable information to their partners when drafting agreements as a one of the means to maintain their image. This minimizes the adverse selection problems that can have a negative effect on the contractual completeness. One can also argue that the detailed drafting of contracts is not necessary when dealing with reputable partners, but this argument looks only at the one side perspective of the dyad. A reputable firm will try to avoid ambiguity by providing details, so as to protect its name in the process of carrying out the transaction. Reputable firms will also prove their status and distinguish themselves with others in terms of providing the relevant information to their buyers. The tendency of reputable firms to prove their worthiness and defend their name, pushes contracts to be more complete in terms of depth, reliability and quality of the information. Thus;

> *H1a: Seller reputation has a positive effect on the degree of contractual completeness in emerging markets*.

To argue for the strength of reputation impact on contracts between the advanced and less advanced emerging markets, it is important to point out the contextual aspects that surround reputation. In more advanced emerging markets, the firm's reputation can easily be traced and such data is likely to be more reliable compared to the one from less advanced emerging markets. The existence of private information bureaus which collect

key information on firms and individuals makes a reliable and unbiased check. Further the private information bureau acts as a control mechanism for firms' behavior.

Differences in institutions are also important for determining the strength of impact of relational dimensions like reputation on contracts. Higher uncertainty avoidance (Steensma et al., 2000; Wuyts & Geyskens, 2005) and low-context culture in Poland will support for the use of more detailed contracts. Though this might not be a distinctive feature in all advanced emerging markets, we will expect a move toward formal exchanges (impersonal exchanges) to generate the high need for more detailed contractual specifications in such markets.

Bernstein (1992) used an example from the diamond industry by indicating how this industry has been moving from a ''homogeneous group-based, extralegal contractual regime'' (such as reputation) to one that ''relies increasingly on information technology'' (pg. 40). The increased role of information technology in gathering reliable information concerning the reputation of firms is increasingly vivid in advanced emerging markets.

What Bernstein suggests, is the move from using extra-legal regime as a substitute for contracts to using them as an integral part of the contractual making process. When the institutions are not strong enough, the tendency is to move from complementary to a substitutive based approach (using informal based exchange). Though this is an important phenomenon to provide a detailed explanation; it is beyond the scope of this paper. Consistent with Bernstein (1992) view, we expect the provision of detailed information from reputable partners to be even more critical in relatively advanced emerging markets because of strong third party monitoring mechanism. Thus, we hypothesize;

> *H1b: Seller reputation has a stronger positive effect on contractual completeness in more advanced than in less advanced emerging markets.*

5.3.2.2 History

History functions as a repository for trust (Kramer, 1999; Lindskold, 1978), information (Balakrishnan & Koza, 1993) and knowledge (Macaulay, 1963). History in a relationship takes time to develop (Dwyer, Schurr, & Oh, 1987), but its outcome can lead to improved

safeguards (Joskow, 1987) and enhanced inter-firm understanding (Argyres et al., 2007; Mayer & Argyres, 2004), particularly in handling contingencies (Crocker & Reynolds, 1993; Luo, 2002). All these ingredients of long-term contracts can be influenced by the historical aspects of the relationship.

We define history as a series of events or episodes accumulated over time in a course of a particular relationship. Such episodes or events provide a rich source of knowledge or information concerning partners. When there is a history involved in the relationship, firms will have accumulated deeper insights on their partners, which cannot be achieved by other means. History can begin even before contracts have been drawn up. The deeper information obtained from having a history with another firm can be a vital and reliable reference when making an agreement and is likely to result in a more complete contract.

Previous findings have also indicated a significant role of history on contracts. For example Argyres and colleagues (2007) found a significant complementary (positive) effect of history on contingency planning. Crocker & Reynolds (1993) examined the relationship between contractual incompleteness and opportunistic behavior using the context of Air force engine procurement with contracts from the 1970s and 1980s. Their findings suggested that the contract is more complete when there is a history of dispute among the parties. We thus hypothesize;

> *H2a: History has a positive effect on the degree of contractual completeness in emerging markets.*

 History's effect on contracts can also be influenced by institutions (Dieleman & Sachs, 2006; Peng, Lee, & Wang, 2005; Peng & Zhou, 2005). It is one thing to obtain important information related to the exchange, and it is another to use it into a contractual setting. Literature in contracting has previously suggested that parties can intentionally leave out some unspecified aspects of a relationship (Crocker & Reynolds, 1993). Culture has also been associated with such choices. For example, Wagner (1995) argued that the collective cultures will have a negative tendency towards the detailed specification of contracts.

Sometimes when the parties decided to push for detailed specifications it might turn out to be a signal for mistrust (Bradach and Eccles 1989). In a marriage contract, for example, when one of the partner proposes to include in a contract a clause related to how they should divide their properties in case of a divorce, this might send a negative signal (an intention for potential future divorce) to the other party. When markets move toward a relatively formal structure, the rules of the game become formalized (Peng, 2003; Zhou and Peng, 2010), but a complementary effect of relational governance can still be visible. This is consistent with the argument that the use of contracts is influenced by the institutional structure, and thus the contractual customization as response to hazards will differ across countries (Williamson, 1991; Joskow, 1988; Poppo and Zenger, 2002).

Practical example of the complementary role of relational governance has been shown by Zhou and colleagues where they pointed out that ''partners who are meeting for the first time can rely on informal contracts to initiate business transactions in China; only after time has passed and trust-based relationships are in place will parties use formal provisions to coordinate the exchange (2003: 93). In other words, history (as a proxy for trust) plays an important role in the establishment of formal contracts in some societies. If the observation of Zhuo and colleagues (2003) is correct, then we will expect to see history, having a stronger impact on contractual completeness in relatively advanced than less advanced emerging markets. The rationale for such effect is based on the improved perceived enforceability as a legal regime improves (Zhou & Poppo, 2010) and the availability of information that accumulates from history in the relationship. Thus;

> *H2b: History has a stronger positive effect on contractual completeness in more advanced than in less advanced emerging markets.*

5.3.2.3 Ex-ante contractual efforts (costs)
Ex-ante costs are relevant for establishing or specifying contractual terms. Spier (1992) and Battigalli & Maggi (2008) model of contractual incompleteness involved drafting or ex-ante costs and thus they are an important part in establishing contracts. Specifying a contract for the first time with any supplier involves certain costs (Segal, 1999; Zheng, Roehrich, & Lewis, 2008), which depend on the situation at hand (Anderlin & Felli,

1999) and the nature of the parties involved (Foss & Foss, 2010). The key ex-ante contractual efforts are searching and contractual drafting (Hennart, 1993; North, 1990; Williamson, 1985), which take the form of consultation in an attempt to resolve the information asymmetry problem (Milgrom & Robert, 1982).

Ex-ante contractual efforts will increase as environmental complexity increases, resulting in lower benefits from having "optimal contracts" (Segal, 1999). The efforts for acquiring proper information and ultimately finding a relevant partner are reflected in the increase in contractual efforts. Crocker & Reynolds (1993) model suggested that an optimal contract is an outcome of a tradeoff between the costs of having a complete contract, versus the benefits associated with such a decision. In their model, the authors indicated that an increased effort results in an increased level of contractual completeness. Battigalli & Maggi (2008) also pointed out on the influence of writing costs on the level of contractual details. We expect that costs which are involved in establishing contractual terms have a positive impact on the contractual completeness. Thus;

> *H3a: Ex-ante contractual efforts have a positive effect on contractual completeness in emerging markets*

With specific reference to emerging markets, Choi, Lee and Kim noted that "the identity of a potential partner is not easily known in emerging business environments and the potential measurement and enforcement costs can be prohibitively high" (1999:198). In a situation where the partners have no prior knowledge of one another, they will have to incur some efforts in order to obtain the important information which can be used to enhance the quality of the contractual agreement. When the costs are relatively higher, it will hinder the parties from writing complete contracts (see Posner, 1992: 92-9).

Ex-ante information is relatively easier to access in more than in less advanced emerging markets. This is partly attributed by better institutional structures in the advanced emerging markets. Further, the existence of the private information bureau and advanced technology in the advanced emerging markets can significantly reduce the search costs. This implies that the firms in advanced emerging markets have a threshold level of

information value prior to contractual arrangements. Such added advantage is valuable in the contractual formulation process.

In addition, the value that exists on relational ties in advanced emerging markets can be of more use in such markets than in relatively less advanced emerging markets due of the improved formal legal enforcement. Perceived legal enforcement (Zhou & Poppo, 2010) that will likely be enhanced by the improvement in market institutions in advanced emerging markets, can improve the efficiency of utilizing the ex-ante contractual efforts in the designing of contracts. The impact of ex-ante efforts on contractual completeness is thus expected to be stronger in advanced than less advanced emerging market. Thus we hypothesize;

> *H3b: Ex-ante contractual efforts have a stronger positive impact on contractual completeness in more advanced than in less advanced emerging economies.*

5.3.2.4 Control variables

We also controlled for several factors that could influence the degree of contractual completeness. The choice of factors was based on previous literature on contractual governance. Buyer asset specificity (BUASP) was included because transaction cost theory predicts that exchange relationships with high asset specificity will use more formal contracts for governance when the transaction cannot be internalized (Joskow, 1988; Lui et al., 2009).

The foreignness of supplier was included due to the different contractual requirements that can emerge in international buyer-supplier relations when different nations are involved (Woodcock & Geringer, 1991), and because of the role of culture and its implications for inter-firm relations (Shane, 1992).

Finally, we included size, based on its inclusion in previous studies on inter-firm relations (Agarwal & Ramaswami, 1992; Gomes-Casseres, 1989). Large firms are mostly well structured and have well organized communication system than small firms. In small firms it is likely easy to know the transaction partners in person. These features push large firms to have detailed agreements than small ones.

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5.4 Research Methods

5.4.1 Research design

The survey was used in obtaining data for this study. The survey enables a researcher to collect ''a standardized information from a specific population, or some sample from one, usually but not necessarily by means of a questionnaire or interview'' (Robson, 1996: 49). A survey tends to be large in size, especially when the focus is on empirical analysis. This is to ensure a high degree of confidence on the inferences made to the rest of the population. Among the advantages a survey offers to a researcher is fast, efficient and relatively high degree of accuracy in assessing information about a population (Zikmund et al, 2010).

5.4.2 Data collection method

Researchers use different research methods when collecting data from different institutional contexts. McQueen & Knussen specifically pointed out that research methods vary due to ''relative advantage and disadvantages in differing contexts, in terms of complexity, type of data they generate and the underlying philosophies'' (2002: 34). The study focused on supplier-buyer relations of manufacturing firms in Tanzania and Poland, with data being collected from the buying side of the relationships.

The reason why the two countries were chosen has been provided in the introduction. Manufacturing firms were relevant to this topic because they are likely to engage in contractual relations with their suppliers. Firms that participated in this study were required to make their preferred list of three suppliers (first, second or third largest) whom to choose for answering the questionnaire (Rokkan et al, 2003). This form of choice was used to increase the variation in the sample. Different data collection techniques were applied to the two countries. In the section below, we provide a detailed examination of data collection methods used.

5.4.2.1 Self-administered questionnaire

Self-administered questionnaire is a common mechanism in doing a survey. Apart from being cheap and efficient, the method ''allows for anonymity, which can encourage

frankness when sensitive areas are involved'' (Robson, 1996: 129). Self-administered questionnaires can be delivered through a paper (via postal, door to door) or electronic (via web) format. The different delivery formats and mediums can be influenced by institutional context. In some cultures, for example, telephone is not a proper way of gathering data (Zikmund et al, 2010). The level of e-readiness can hinder the use of web survey. In Poland we decided to use web based survey on delivering the questionnaires. This method was justified by the good global e-readiness ranking of Poland (Bilbao-Osorio et al, 2013).

We used SurveyXact software in doing the web survey in Poland. This is one of the powerful tools for web based survey in social sciences. The software allows the researcher to monitor the trend of responses in real time. It also allows researcher to guide the respondent on how the questions should be filled. Further, it can allow the researcher to fix the mandatory questions that must be answered. The software was also used together with a telephone so as to increase the response rate. Firms were first contacted by telephone and later an email containing the questionnaire was sent via SurveyXact software.

In Tanzania we used paper based questionnaires which were delivered in person or through a door-to door (Zikmund et al, 2010). The presence of the interviewer in door-to-door method increases both the participation rate and the representative sample of the population than mail questionnaires. In Tanzania this method was preferred than web based methods due to low e-readiness levels. Further the institutional contexts (culture) in Tanzania favor personal communication than the in-person one. Telephone communication was also used so as to lower the non-response rate. To do this, the firms were first contacted by telephone and once they agree to participate, the questionnaire was then delivered in person. Follow-ups were also made personally so as to ensure fastest response.

5.4.2.2 Documentary review

We used a variety of sources (reports, newspapers, archives) to obtain secondary data. Reputable sources are important when it comes to the validity and reliability aspects of information. Data sources for the secondary data that we used in this study came from

reputable organizations such as the World Bank, United Nations, World Economic Forum, Transparency International and national portals of respective nations. The extensive amount of secondary data was important, so as to come up with comparable institutional settings.

5.4.3 Sample Selection and data profile

A sample is a ''subset, or some part of a larger population'' (Zikmund et al, 2010: 387) that one can use to make an inference to the rest of the population. The choice of sample can be based on ''probability (where the probability of the selection of each respondent is known), or on non-probability (where the probability is not known)'' (Robson, 1996:136).

In this study, we based on probability selection, but one can also argue that it is a purposive (non-probability method). The research work by default is objective and thus the selection of study units is influenced by the researcher's decision. Probability based selection is determined by the mechanism on which the units are drawn from the targeted population. When studying contracts it is a bit unique from the study of other concepts in the social sciences because the focus is on the exchange itself.

When a focus is on exchange, it is possible to induce the randomness in the selection of a particular exchange that need to be evaluated. We did this by allowing the respondents to choose between first, second or largest supplier (see Rokkan et al, 2003). This means that the probability of a particular exchange relation to be selected in answering the questionnaire is 1/3. The immediate question that follows here is the inference to the population and the bias. Bias is a problem in social researches (Bryman, 2004). The bias can originate from researcher's judgment (Bryman, 2004) or from the respondent's behavior. The bias from the researcher is not critical in this study, because most of dimensions that were tested had strong theoretical roots. Further, the biases from respondents did not pose any serious threat to the findings because the data used to originate from different independent sources.

In Poland a sample frame of 1800 firms was targeted (From directory of Poland companies, 2011), while Tanzania the targeted sample frame was about 750 firms (Listed

companies in Tanzania Revenue Authority, 2011). The final samples were then drawn from this targeted sample frame (201 in Poland and 240 in Tanzania).

Out of 1800 initial contacted firms, 400 companies partially completed the questionnaire while 201 fully completed it. Partially completed questionnaires were not used because the amount of information missing was substantial. This means that the final sample used for analysis was 201, which is about 33% response rate (computation of response rate included the partially completed questionnaires). The average number of employees in the firms was 255, annual sales were about USD 16,558,089 (conversion rate: 1USD=3.1PLN). Average supply frequency was five times per month and the minimum length of relationship was one year. 11.7% of the suppliers were domestic subsidiaries of international companies, 8.7% were joint ventures with an international partner, 56.5% were domestic companies owned by local citizens, and 23.0% were foreign suppliers. Minimum length of relationship was one year.

The number of companies targeted in Tanzania was 750. The final number of completed questionnaires received was 240 making a response rate of around 31%. On average, these firms had 1,020 employees, annual sales turnover of around USD7, 270, 00410 (conversion rate: 1USD=1,593 TZS). The average supply frequency was six times per month. 5.4% of the suppliers were domestic subsidiaries of international companies, 8.4% were joint ventures with an international partner, 57.1% were domestic companies owned by local citizens, and 29.2% were foreign suppliers. The minimum length of relationship was one year.

5.4.4 Measurements

Questionnaire items were measured using a 5-point Likert scale. A list of the measures used in this study is presented in the appendix 1. The appendix 1 provides detailed information on loadings, Cronbach's alpha, composite reliability and average variance extracted for both countries. To ensure reliability, an exploratory followed by a confirmatory factor analysis was conducted. Most of the constructs used had been developed and tested previously in other studies, including the control variables. However, some measured needed to be adjusted to fit the new context.

Contractual completeness (COMPL)[6] was adapted from several studies (Aubert et al., 2006; Hendriske & Windsperger, 2010; Luo, 2002). In this study, we focused on the Ex-ante contractual term specificity side of contractual completeness (Parkhe, 1993). Term specificity is concerned with how terms are specified (Luo, 2002. Using the context of IJV contract, Luo (2002) used a 5-points Likert scale in assessing the level at which terms were specific. In this study we modified the previous measures to fit with the study context. A total of six items was used in measuring the concept of contractual completeness (focusing only on the ex-ante contractual term specificity). After performing a factor analysis, four items loaded well, while the remaining had poor loadings.

Reputation (REPT) was adapted from Fombrum and Shanley (1990). The concept was measured by seven items reflecting the degree to which the buyer perceived the reputation of the partner as good. Six items were retained. *History* looks at long-term inter-firm understanding, reflecting both experience and time. Argyres and colleagues (2007) used the length of time (weeks) by which the partners have engaged in the relationship. The study developed new measures for this construct. Four items were used and three of them were retained.

Ex-ante contractual costs /efforts (EAC/ECE) reflects the financial and non-financial expenses incurred by the buyer prior to the commencement of the relationship with the supplier. This concept is consistent with that used by Segal (1999) but new measures were developed specifically for this study. After conducting a factor analysis, five items were used and all were retained. *Buyer asset specificity* (BUASP) was adapted from Stump & Heide (1996). The concept reflects the degree to which the buyer has specific assets involved in the relationship. It was measured using five items and three were retained after factor analysis. *The foreignness of supply firm* (FC) was measured by a dummy variable with 1 indicating a foreign company and 0 indicating a domestic one. *Size of the firm* was measured by the number of employees.

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[6] *Contractual completeness is made up of term specificity and contingent adaptability (Luo, 2002). In this paper we assessed contractual completeness focusing on terms of term specificity.*

5.4.5 Data analysis

We used SPSS 19 in doing the analysis. The analysis started with the establishment of factors. The exploratory factor analysis was conducted by the use of SPSS19 software. Most concepts have been established in previous research, thus we selected the factors that had scores of.50 or above. The solutions for factors were based on both rotated (varimax) and no-rotated factor solutions. To confirm the factors that were obtained from the exploratory findings, we used a confirmatory factor analysis with the help of AMOS19 software. Constructs were standardized for each respondent (buyer). Further the scale that was used has similar range (5-points) for both countries.

The task of forming constructs was followed by testing the specific relations. This stage involved different techniques, such as ordinary least square regression, structural equation modeling and ANOVA. Multiple regressions enable one to analyze the relationship between a single dependent (criterion) and several independent (predictor) variables. The two key objectives of this technique is to ''maximize the overall predictive power of the independent variables and compare two or more sets of independent variables to ascertain the predictive power of each variate'' (Hair et al, 2010: 169).

Measurement and specification errors can pose challenge in doing analysis using multiple regression analysis; however, we corrected both errors by using the summated scales and variables that have a strong theoretical base respectively (Hair et al, 2010). ANOVA is an important method when comparing two or more groups. We applied this test in comparing the differences in the variables' impact across the two countries. Data were also standardized (using mean) for comparative purpose (Aiken & West, 1991). We also supplemented this test with the effect size computation and chow tests (Matsumoto, 2001). These tests provided the relevant information which was not captured in ANOVA.

5.4.6 Validity

Validity is concerned with the extent to which a measure can accurately represent what it is supposed to (Hair et al, 2010). Key aspects of validity that are commonly tested are discriminant, convergent, and nomological validity.

Discriminant validity was assessed using Fornell and Larcker's (1991) rigorous criterion (Anderson & Gerbing, 1993). According to this test, the discriminant validity is vivid

when the average variance extracted (AVE) for two factors are greater than the square of the correlation between the two factors. The results presented in tables 7 and 8 confirm this test. This finding persists even for the high correlations in the Poland data (ex- ante contractual costs and reputation, r=0. 71; contractual completeness and reputation, r=0. 58) as well as in the Tanzania data (contractual completeness and reputation, r=0. 60).

To test for convergence or internal validity we used both factor loadings and construct validity. The rule of thumb is that the factor loadings need to be.5 or greater and construct reliability need to be.7 or higher (Nunnally, 1978; Hair et al, 2010). All factors loadings and construct reliably (CR) fulfilled this rule of thumb (results are available in the appendix 1), so our constructs had convergence validity.

Nomological validity is normally tested by observing or inspecting the inter-item correlations if they make sense (Hair et al, 2010). The inter-item correlations were inspected and their pattern had a theoretical sense. Face validity was not a concern because this was established during theory development.

5.4.7 Reliability

Reliability is the degree to which the observed variable measures the ''true'' value and is ''error'' free (Hair et al, 2010:8). Factors that are important to observe when it comes to reliability are; ''stability (whether a measure is stable over time), internal-reliability (whether the indicators that make up the scale or index are consistent) and inter-observer consistency (whether there is subjective judgment involved in recording or translation of data into categories and when more than one observer is involved in such activity)'' (Bryman (2004: 71).

Reliability can hardly be assessed by a single measure (Hair et al, 2010), so we used a series of measures. According to Hair and colleagues (2010) there are two key alternatives for assessing reliability. One is to relate each separate item, including the item to total correlation. Rule of thumb is that the item-to-total correlations exceed.50 and that the inter item correlations exceed.30. Second is reliability coefficient, which assesses the consistency of the entire scale with correlation alpha, being most widely used measure. The generally agreed lower limit for cronbach's alpha is.70, although it may

decrease to.60 in exploratory research. The values of cronbach's alpha fulfilled the required rule of thumb (see results in appendix 1). This study has not only achieved internal reliability, but also external because most of the constructs indicated similar patterns across the two countries.

Additionally, a common method variance (Campbell & Fiske, 1959) was a likely threat because the questionnaires were answered by key informants. This problem is a result of the correlations among data variables that may be systematically contaminated (Parkhe, 1993). When a common method variance problem exists, a single factor will emerge from factor analysis when all the variables are entered together, or a general factor that accounts for most of the variance will result (Harman, 1967). We performed a factor analysis where all variables were entered in the analysis and each construct had a unique factor solution (there was a factor for each construct). Another method for detecting common method variance problem is the marker variable. We did not prefer this method due to its limitation of not being able to distinguish between the measures of a construct and a construct itself. Therefore, it appears that this study does not suffer from common method variance.

Table 7

Poland correlation

	1	2	3	4	5	6	7
COMPL	**.81**						
REPT	.60[**]	**.85**					
HISTORY	.50[**]	.44[**]	**.71**				
EAC	.43[**]	.29[**]	.14[*]	**.78**			
BUASP	.00	.05	.21[**]	.22[**]	**.75**		
FC	-.09	-.11	.02	.01	.04	**na**	
SIZE	-.08	-.04	-.14[*]	.01	-.04	.15[*]	**na**
MEAN	3.04	3.74	3.55	3.04	1.94	.22	255.43
SD	1.09	.69	.75	1.09	1.01	.42	1444.83

N=240

Diagonal elements in bold are the square roots of the average variance extracted for the constructs measured reflectively with multiple items.

Table 8

Tanzania Correlation

	1	2	3	4	5	6	7
COMP	**.80**						
REPT	.58**	**.85**					
HISTORY	.33**	.48**	**.74**				
EAC	.50**	.71**	.37**	**.78**			
BUASP	.37**	.52**	.31**	.50**	**.73**		
FC	.12	.04	.03	-.04	.02	**na**	
SIZE	-.08	-.12	-.15*	-.18**	.02	.14*	**na**
MEAN	4.27	4.18	4.05	4.01	3.98	.29	1965.40
SD	.51	.56	.73	.70	.68	.46	14906.71

N=240

Diagonal elements in bold are the square roots of the average variance extracted for the constructs measured reflectively with multiple items.

5.5 Results

The results shown in tables 9 were produced through a stepwise regression model. In step 1, all control variables were included. In steps 2, the main effects were entered. To account for differences in significant effects, an independent sample t-test was used. Cohen d and effect size r (see table 10) were also computed

Table 9

Regression Results
Dependent variable: Degree of contractual completeness

Variables	HYPOTHESES	POLAND				TANZANIA			
		MODEL1		MODEL2		MODEL 1		MODEL 2	
		β	t	β	t	β	t	β	t
Controls									
BUASP		.00	.06	-.06	-1.06	.37	6.2***	.07	1.15
SIZE		-.07	-.95	-.04	-.76	-.11	-1.8**	-.01	-.19
FC		-.08	-1.1	-.01	-.25	.13	2.2**	.10	1.83**
Main Effects									
REPT	H1a&b			.39	5.59***			.37	4.75***
HISTORY	H2a&b			.20	2.95***			.13	2.23**
EAC	H3a&b			.29	5.14***			.17	2.19**
R^2		0.013		0.46***		.16***		.38***	
Adj. R^2		.002		0.45***		.15***		.36***	
F-value		.86		27.9***		14.9***		23.7***	
N		201		201		240		240	
Incremental R^2		-		.45***		-		.22***	
F1		-		54***		-		27.4***	
Maximum VIF		1.03		1.7		1.02		2.22	

*if $p<0.1$;   **if $p<0.05$;   ***if $p<0.01$; F_1 =F-value of incremental R^2
(one tail t-test was used)

Model 1 (control variables) produced the following results: Poland: R^2Adj=0. 002, F (198, 3) =. 86, p>0.1; Tanzania: R^2Adj=0. 15, F (237, 3) = 14.9, p<0.001. Model 2 (main effects) R^2Adj=0. 45, F (195, 6) = 27.9, p<0.001 for Poland and R^2Adj=0. 36, F (234, 6) = 23.7, p<0.001 for Tanzania. Incremental effects of the added model (M2-M1) is significant for Poland (ΔR^2Adj=0.45, p<0.001) and Tanzania (ΔR^2Adj=0.22, p<0.001). In addition, the results of the Chow test suggest that there is a significant difference between the regression models produced in the two countries as well as the individual dimensions (F (201, 228) = 3.4, p<0.05).

5.5.1 Hypothesis tests.

H1a suggested a positive effect of reputation on the degree of contractual completeness, while H1b suggested a stronger effect in the advanced emerging country than in the less advanced emerging country. H1a was supported (tables 9) in both Tanzania (β=0. 37, t=4. 75, p<0.001) and Poland (β=0. 39, t= 5.59, p<0.001). Table 10 reveals a significant difference between these two results (Tanzania (M = 4.2, SD = 0.56); Poland (M = 3.7, SD =0 .05), t (383) = 7.3, p <0.001, d = 1.3), implying that the reputation effect is stronger in Poland than in Tanzania and thus supporting H1b. This is also supported by the results of the Chow test (F (201, 239) =15, p <0.001).

H2a suggested a positive effect of a history between the partners on the degree of contractual completeness, while H2b suggested there is a stronger effect in advanced emerging markets. H2a was supported (see table 9) in Tanzania (β=0.13, t=2.23, p<0.01) and Poland (β=.20, t=2.95, p<.001). Further examination of table 10 supports H2b as a significant difference between the two countries is indicated (Poland: M = 3.6, SD = 0.75; Tanzania: M = 4.05, SD = 0.73; t (439) = 7.15 p <0.001, d = 0.67). This difference was also supported by the Chow test (F (201, 239) =3.8, p<0.001), implying the effect of a history between the partners is stronger in Poland than in Tanzania.

Table 10

Assessment of Effect Size by Country Using Independent Sample t-Test

VARIABLE	COUNTRY	M*	SD	t	df	d	r	p
REPT	PL	3.7	0.05	7.3	383	1.3	0.53	<0.001
	TZ	4.2	0.56					
HISTORY	PL	3.6	0.75	7.15	439	0.67	0.32	<0.001
	TZ	4.05	0.73					
EAC	PL	3.04	1.09	11.8	327	1.3	0.5	<0.001
	TZ	4.0	0.70					

d=Cohen d, r=Effect size

H3 suggested that ex-ante contractual efforts have a stronger positive effect on contractual completeness in advanced than in less advanced emerging markets. Table 9 support the hypothesis (β=0.17, t=2.19 p<0.001 for Tanzania and β=0.29, t= 5.14, p<0.001 for Poland). Further results shown in table 10 indicate a significant difference between the two countries for this construct (Tanzania: M = 4.0, SD = 0.70; Poland: M = 3.04, SD = 1.09; t (327) = 11.8, p <0.001, d = 1.3). The results of the Chow test (F (201, 239) = 87, p<0.001) supports this.

5.5.2 Control Variables

All the control variables used in model 1 had a significant effect in Tanzania [BUASP (β=0.37, t= 6.2, p<0.01); Size (β=-0.11, t= -1.8, p<0.05); FC (β=0.13, t= 2.2, p<0.05)] but none was significant in Poland [BUASP (β=0.00, t= .06, p>0.1); Size (β=-0.07, t= -.95, p>0.1); FC (β=-0.08, t= -1.13, p>0.1)]. In model 2 the only foreignness of supply firm remained significant in Tanzania FC (β=0.10, t= 1.83, p<0.05)], but not in Poland .The rest of the variables (buyer asset specificity and size) were not significant in both Poland and Tanzania. This implies that foreignness of the supply firm had a significant impact on the degree of contractual completeness.

5.6 Discussion

Level of contractual completeness will likely vary with institutional contexts. Understanding the drivers of contractual completeness in different contexts is important because, in today's business world, a large part of the final product is a combination of multiple

firms. The turn of the 21st century has been characterized by major players coming from emerging markets. The literature in the area of contracting has moved from looking at the limitations in achieving complete contracts (Bernheim & Whinston, 1998; Furlotti, 2007; Macaulay, 1963; Macneil, 1980; Neu, 1991; Nakhla, 2003) towards how completeness is influenced (Al-Najjar, 1995; Brown et al., 2007; Hendrikse & Windsperger, 2010; Saussier, 2000). This second move is important because, an optimal contract (Crocker & Reynolds, 1993) is partly a function of the degree of its completeness.

The findings from this study increments the theory of contracting by addressing both the exogenous (Grossman & Hart, 1986; Hart & Moore, 1990) and endogenous (Bolton & Faure-Grimaud, 2010; Hart & Moore, 2008; Tirole, 2009) perspectives of contracts. The endogenous here refers to the specific variables within the inter-firm relationship (reputation, history and costs) while the exogenous refers to the external constraints (institutional context).

The importance of these findings lies not in whether we have found similarities or differences, but why. Providing sufficient explanation of the results is an important part of this study. Most of the hypotheses were structured in such a way that, not only do they investigate the directions of the effects but also a comparison across two countries.

The area where there has been much debate when it comes to contractual governance is the complementary (Aubert et al., 2006; Blomqvist, Hurmelinna & Seppänen, 2005; Hart and Moore, 2008; Klein, 1996; Möllering, 2002; Seppänen, Blomqvist & Sundqvist, 2007) versus the substitutive roles (Gulati, 1995; Oxley, 1997; Yu, Liao, Lin, 2006). Literature on contractual governance has extensively supported the complementary role of relational dimensions. Although this kind of debate approached an end, the institutional perspective moved it back. The basic argument has been that due to cultural and institutional differences, the relational dimensions could substitute the contractual governance especially in emerging markets. The studies that took place in China and Eastern Europe (Xin & Pearce, 1996; Roth & Kostova, 2003; Peng & Zhou, 2005) have indicated the support on the institutional role in the contractual governance.

While even data from within countries seemed to contradict each other, the concern has been on how these relational dimensions differ in terms of their roles across different emerging markets. The heterogeneous markets provide us with better tests for our models in this topic (Oxley, 1999). The most visible thing in most of the emerging markets is their constant transformation (Roth & Kostova, 2003). When we have dynamics in the institutional environment, it is a great challenge to theories that assume a static environment.

When markets move from informal based towards formal structures, the question is; what is the implication to the theoretical predictions. In a constant changing world, a strong theory is the one that will not only predict the direction of effects in relation to particular concepts, but also its effect relative to the institutional surroundings. The embedded structures of culture, norms and cognitive actions, forms a large part of what we call an institutional environment.

The finding from this study has confirmed the previous findings on the complementary effect of relational governance on contractual completeness. Reputation and history in the relationship have been found to have a positive impact on contractual completeness. Further, the effect was stronger in an advanced than in a less advanced emerging market. If one draws a continuum of the complementary roles of relational governance, such a continuum will consists of weaker and stronger values. What the findings suggests is that, when institutions are aligned towards the market, the values for complementary role are on the strong side, but when the institutions move toward non-market, those values are weaker (substitutive effect).

This explanation gives us a light on why some studies that were done earlier in emerging markets found some contradictory results when it came to substitutive and complementary roles. Hendriske & Hu (2009) conducted a case based study on contractual completeness in Chinese firms. Three out of four cases were found to have a positive association between reputation and contractual completeness, where one case found a negative link. Building upon Acheson (1985) study that was done around fishing markets, Shelaski & Klein (1995) argued that reputation plays a significant positive role in safeguarding.

When the time gap is significantly large, the changes in the institutional parameters can also affect the studies that might have been done earlier. For example, in Poland, the change in the rule of law (enforcement) between the years 2003 to 2014 is extensively large (Word Bank, 2014). To have a generalized view of the role which relational dimensions play in contractual governance, the institutional factors are important to be involved in the explanation.

Cost is another important area when it comes to achieving complete contracts. Crocker and Reynolds (1993) model on optimal contracts indicated that the cost component is a key dimension to be assessed when it comes to having an optimal. Such costs include, but not limited to; searching, drafting and writing costs. Depending on the economy, these costs tend to vary. The more a market becomes formal, the more likely that some costs will drop. The shift toward formal market-supporting institutions in emerging markets, will lead to moving from relational exchanges to arm's length transactions (Peng, 2003; Zhou and Peng, 2010). Arm's length transaction is a "rule-based, impersonal exchange with third-party enforcement" (Peng (2003: 280). When we observe the mean score values for these costs (in table 10), Tanzania has a high mean score (4.0) than Poland (3.04) on ex-ante contractual costs (efforts). The difference between these two mean values was statistically significant. In relatively advanced emerging economies, there are alternative mechanisms to track the identity of the parties involved. For example, in Poland, there is a private bureau that covers about 90 percent of the population (World Bank, 2014). In Tanzania such a bureau does not exist, making some aspects of ex-ante costs (efforts) relatively higher.

What is even more important is to examine the impact of these ex-ante costs (efforts) on contractual governance and specifically on the level of contractual completeness. From the observation that we have indicated on the mean score, one should expect that firms in advanced emerging markets have a threshold level of information or an added advantage that is relatively higher than firms in less advanced emerging markets. In advanced emerging markets, when the efforts are added on top of this threshold level, the outcome will be a relatively more complete contract. If the similar level of ex-ante cost (effort) is applied to a firm in a less advanced emerging market, the level of contractual

completeness will be relatively low in the score values due to the disadvantages that exist from the beginning. This explanation is confirmed with our findings, where we found a stronger impact of ex-ante costs (efforts) on contractual completeness in a more advanced (Poland) than in relatively less advanced emerging market (Tanzania).

In relation to control variables, we found that it was only foreignness of supply firm which had a significant positive impact on contractual completeness in Tanzania but not in Poland. The argument for this impact can go both ways; the foreign firms and the local firms. In a situation where it is difficult to obtain third party information about the individuals and firms, it is critical for the foreign firm to tighten the terms due to many unknowns. On the other hand, most of the local firms in relatively less advanced emerging markets have relatively less exposure to international arrangements and will likely take with cautious such arrangement whenever they appear. The literature in the area of culture suggests that culture has a significant influence when it comes to making decisions (Schneider and De Meyer, 1991; Hofstede, 1980) such as contracts. It is worth noting on the large difference concerning buyer asset specificity between the two countries. The correlation between buyer asset specificity and contractual completeness was very weak in Poland compared to Tanzania. Aubert et al, (2006) did not find conclusive results on the impact of asset specificity on contractual completeness. Differences that exist due to standardized approached to contractual design can be explored in the future, because they can influence the association between contractual completeness and asset specificity.

At this point it is important to make sense of these findings from the institutional perspective. The contextual surrounding of the organization has an important impact on its behavior (Scott, 1995). At a managerial level, most of the decisions that are undertaken are to a large extent a by-product of cultural values (Schneider and De Meyer, 1991; Hofstede, 1980). The contextual surrounding or the institutional environment can encourage or discourage inter-firm relations (North, 1990). This study has an important feature because it looks micro level theories and makes inferences at a macro level.

Shenka & Mary Ann von (1994) pointed out that the macro-level theories such as institutions have proved to be relevant when studying organizations operating in different

environments. Channel dyad is a social system (Stern and Reve, 1980) thus the ways by which firms respond to contractual hazards differ across countries (Williamson, 1991; Joskow, 1988; Poppo and Zenger, 2002). Such differences can be partly accounted by the institutional processes (Grewal & Dharwadkar, 2002). Though it is clear that the contracting is determined by the nature of transaction and corresponding institutional environment (Luo, 2005; Oxley, 1999), much still has to be done in integrating the dynamics of institutions in the contractual literature. The broader interest after acknowledging the processes within the institutional context is on how we can make a sense of such processes in the micro-level theories.

Generalizability is another area of concern when it comes to studies on inter-firm contractual relations. This study responds partly to quest from Lui (2009) where he pointed that the institutional context in emerging markets is likely to limit theoretical generalizability of the TCA, a situation which will demand further research in understanding the nature of such a limitation and accompanied theoretical implications.

Though the generalizability of these findings to other advanced and less advanced emerging markets is limited due to the use of only two countries, this study does identify the roles of the key drivers of contractual completeness and how they differ across the economies of different levels of advancement. The key point this paper makes is that, relational dimensions are not merely substitutes for contracts in emerging markets but that their role is factor- and context-dependent. Further, the cost component can significantly contribute to changes in the contractual structures across different economies.

5.6.1 Managerial implications
The growing need for greater international trade connects firms from different backgrounds. The move towards establishing these connections needs to be carefully planned and executed. The area of contractual governance is a widely used mechanism for most inter-firm relations. Understanding the dynamics and institutional perspective involved is even of far more important.

As the study indicates, the use of relational based dimensions is not an optional; it is an essential part in the contractual process. When there is a long history of inter-firm relations, or when managers deal with reputable partners, this should not be an easy ride moment, but they need to optimize such advantages in formulating better and relatively optimal (more complete) contracts. When firms move or do transactions with firms from advanced emerging markets, they will expect to play much more similar pattern with locals when it comes to establishing the contractual arrangements, but more work will be required in relatively less advanced emerging markets.

In a relatively less advanced emerging market, having a dyadic relationship involving a local and international partner, means that the degree of contractual completeness has to increase. Though the need to increase the level of contractual completeness is very significant by such a composition (local and international partner), the relational dimensions are important to develop and at the same time the ex-ante costs are expected to be high. The same level of efforts and the relational development will still lead to less complete contracts compared those in advanced emerging markets. Managers should thus orient themselves to adjusting with the various institutional contexts. A great deal of learning and build acceptance in those settings of less advanced emerging markets will help to reduce much of the adverse outcomes.

5.6.2 Study limitations and further research

This study is limited in terms of the following aspects: First, it used only two countries from emerging markets for comparison. This limits the generalizability of the findings to other emerging markets. Furthermore, the study used manufacturing firms and thus the findings might not apply to non-manufacturing firms. Next, the study relies on responses drawn from the buying side of the relationship, but there are ongoing discussions in the literature concerning the relevance of using data from both sides of the dyad.

This study is also limited by investigating only inter-firm contractual relations and no other forms of contracts between firms and individuals. The way the institutional context was used has also limitations. The institutional concept has not been broken down into specific variable. This makes it difficult to attribute the observed effects with some particular institutional variable. The measures for contractual completeness are not well

established in the literature. We are suggesting the use of more different items in the future. Data that has been used are cross-sectional. This makes it difficult to provide sufficient treatment of concepts like history and its influence on contractual completeness.

Further research can investigate on the concept of contingent adaptability. It is also important to investigate the influence of firms' nature (types) on contractual completeness. For example the manufacturing companies are different from non-manufacturing. It could be more interesting to investigate in more detail the role of institutions in contracts. The institution is a broad concept; the concepts can be broken down in some specific variables when investigating such a role. The level of analysis should also be taken into account in future research. For example, the country and firm level of analysis can be used. This is only possible when there is a large number of a countries involved. The use of panel data can improve some explanations that cannot be captured by cross-sectional data. We suggest future studies to also utilize different forms of data (panel and cross-sectional).

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Appendix 1

Measurement of Factors in Tanzania and Poland

CONSTRUCT	ITEM	SOURCE	TZ LOADING	PL LOADING
CONTRACTUAL COMPLETENESS (COMPL) $\alpha_{TZ}= 0.78$ $CR_{TZ}=0.95$ $AVE_{TZ}=0.72$ $\alpha_{PL}=0.87$ $CR_{PL}=0.88$ $AVE_{PL}=0.66$	Parties' liabilities are well specified	Luo (2002), Aubert et al. (2000), Hendriske & Windsperger, (2010)	0.680	0.879
	Responsibilities of both parties are well specified		0.654	0.786
	Information flow is well specified		0.696	0.834
	Confidentiality of information exchange is well specified		0.668	0.696
REPUTATION (REPT) $\alpha_{TZ}=0.79$ $CR_{TZ}=0.95$ $AVE_{TZ}=0.72$ $\alpha_{PL}=0.90$ $CR_{PL}=0.96$ $AVE_{PL}=0.77$	The quality of the products and services of this supplier is high	Fombrum & Shanley (1990)	0.639	0.631
	This supplier is performing well financially		0.653	0.682
	This supplier has the ability to attract, develop, and keep talented people		0.706	0.739
	This supplier is socially and environmentally responsible		0.745	0.795
	This supplier behaves ethically and is reliable		0.700	0.778
	This supplier is well respected in society		0.744	0.800
HISTORY $\alpha_{TZ} = .88$ $CR_{TZ}=.85$	We have known this supplier for long time		.792	.702
	We have enough understanding of this supplier		.839	.713

$AVE_{TZ}=.50$	We have a rich history with this supplier		.813	.842
$\alpha_{PL}=.85$ $AVE_{PL}=.56$ $CRT_{PL}=.88$	We have strong connections with this supplier which started long time ago		.801	.848
	Given our experience with this supplier, we consider him as part of our firm		.744	.751
	Given a long history of with this supplier, our relationship can hardly end up easily		.772	.735
EX-ANTE CONTRACTUAL COSTS (EAC) $\alpha_{TZ}=0.84$ $CR_{TZ}=0.80$ $AVE_{TZ}=0.61$ $\alpha_{PL}=0.91$ $CR_{PL}=0.90$ $AVE_{PL}=0.61$	We consulted lawyers and consultants in drafting contractual terms with this supplier	Segal (1999)	0.712	0.771
	We put great care and time in to establishing contractual terms with this supplier		0.783	0.82
	We ensured that each of the terms related to this contract with the supplier was well specified		0.838	0.909
	We ensured that the contract would be enforceable		0.748	0.910
	We ensured that the contract covered all dimensions of the relationship with this supplier		0.824	0.899
BUYER ASSET SPECIFICITY(BUASP) $\alpha_{TZ}=0.70$ $CR_{TZ}=0.80$	We have made significant investments in equipment dedicated to our relationship with this supplier	Stump & Heide (1996)	0.793	0.869

$AVE_{TZ}=0.53$	We have made adjustments in order to deal with this supplier	0.787	0.897
$\alpha_{PL}=0.84$ $CR_{PL}=0.77$ $AVE_{PL}=0.57$	Training our people to deal with this supplier has involved substantial commitments of time and money	0.764	0.845

αTZ, αPL =alpha in the Tanzania and Poland data, CRTZ ,CRPL = composite reliability in Tanzania and Poland; AVETZ , AVEPL =average variance extracted in Tanzania and Poland data respectively.

CHAPTER SIX[7]
ADAPTABILITY AND EX-ANTE CONTRACTUAL TERM SPECIFICITY

ADVANCEMENTS AND THEORETICAL IMPLICATIONS

Abstract

Governance choices have been an important part of economizing transactions. Studies on contractual governance have followed an incremental path. A two dimensional view of contracts developments, i.e. contingent adaptability and ex-ante contractual term specificity is one of such developments.

The influences on these two dimensions have not been well explored in the literature. It is important to understand the influencing factors behind these dimensions so as to have sound theoretical and practical bases for their application. Further, such an understanding will improve efficiency in the contractual governance design. The findings from this study suggest some differences and similarities between these key contractual components.

Key Words:

Contingent adaptability; ex-ante contractual term specificity; environmental uncertainty; supplier foreignness; cultural distance; relational norms

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6.0 Introduction

Contractual governance is an important area in inter-firm relations because governance choices play a central role in economizing transactions. Discussion on contracting has followed an incremental path both in content and context. To a large extent, the discussion has revolved around two generations of theories on incomplete contracting. First-generation theories (Grossman & Hart, 1986; Hart & Moore, 1990) suggest that the limitations resulted from specifying transactions are external, while second generation theories (Bolton & Faure-Grimaud, 2009; Hart & Moore, 2008; Tirole, 2009) argues that these limitations are within the partners themselves. These two views do not differ, but complement each other. Whereas the first generation explains the environmental influence on the transaction, the second explains the nature of transacting partners.

Whereas the primacy of contracting view is that contracts are not complete (Williamson, 1975, 1979) due to the costs of specifying transactions on paper and due to the bounded rationality of the contracting agents, the degree of completeness varies not only across transactions but across contexts. The discussion on the degree of contractual completeness is of little relevance without knowing the theoretical implications of such variations, leaving out the question of whether or not we have complete contracts.

Besides the two generational views on contracting mentioned above, Luo (2002) indicated that contracting is a two dimensional concept, i.e. term specificity (the extent to which relevant terms and clauses are specified) and contingent adaptability. Contractual term specificity can also be named as on-going contractual term specificity (because it deals with the governance of existing contractual relations) or ex-ante term specifications (because terms are specified before the contractual relationship). Specifically, Luo argued that "a complete contract should be such that it simultaneously obviates opportunism through term specificity and bolsters adaptation through contingency adaptability" (2002: 904).

Although this claim was backed up by empirical findings, it has left a wide vacuum in terms of where these two dimensions fit within the two-generational perspective of contracting. Luo's (2002) findings also leave some challenging questions about which

dimensions, firms need to pay attention to and under what conditions. These challenging questions have also existed in the past (Klein, 1989).

Applying a dichotomous nature of contracts can improve our understanding on which dimensions, firms need to pay attention to, and under what conditions. Separating out these two conceptual dimensions of contracting (contingent adaptability and ex-ante contractual term specificity), however, requires a rigorous theoretical testing of whether or not divergent predictions exists. Contractual governance has a rich traditional approach drawn from transaction cost analysis (theory) and relational governance theories.

Whereas transaction cost analysis (theory) respond to issues surrounding safeguarding by either implementing stronger contractual safeguards or imposing vertical integration (Buvik & John, 2000; Heide & John, 1990; Lusch & Brown, 1996), relational governance (Dyer & Chu, 2000; Gulati & Nickerson, 2008) overcomes the bounds posed by formal market governance or contractual safeguards (Poppo & Zenger, 2002) through provision of informal enforcement mechanisms. This study adds an element from a cultural view (Hofstede, 1984) to this classical approach. Contractual relations involving partners from different background will likely differ from those of similar. The study makes a contribution through further developing the theoretical understanding of the two key contractual dimensions and the driving factors behind them.

6.1 Literature Review and Hypotheses

6.1.1 Contingent adaptability and ex-ante contractual term specificity

Contracts are "legally binding agreements" (Macneil, 1978) that specify the "obligations and roles of both parties in the relationship" (Vandaele, Rangarajan, Gemmel, & Lievens, 2007: 240). Contracts provide the opportunity for the parties involved to carry out the actions needed to achieve mutual goals. They enable joint rules for the collaboration to be established (Blomqvist, Hurmelinna, & Seppänen, 2005: 498) as well as ensuring safeguard (Lusch & Brown, 1996) is in place. Contracts are not complete (Williamson, 1975, 1985) due to the human limitation or un-foreseeing future contingencies. Thus, it can be said that there is always an empty space in contractual relations.

The empty space is what is sometimes referred to as contingent adaptability, or what Luo (2002) termed as "mutually agreed tolerance zone or excuse doctrine" for dealing with unexpected events. Contingent adaptability stipulates principles, guidelines and possible solutions for dealing with conflicts and contingencies (Luo, 2002). The message is that both term specificity and contingent adaptability are confronted by exogenous and endogenous problems that are heightened by the contracting parties' rational limitations.

According to Luo (2002), term specificity and contingent adaptability are the two key dimensions of contracts. Term specificity concerns "how specific and detailed the terms are, contingency adaptability involves how to contractually respond to future problems, conflicts, and contingencies" (Luo, 2002: 905). Term specificity is necessary for ensuring confidence, a common understanding and safeguarding of assets (Lazzarini, Miller, & Zenger, 2006).

Adaptability has also been referred to as flexibility, and can be thought of as an assurance that modifications can be made should circumstances change (Heide & John, 1992). Though adaptability is necessary to overcome unforeseen events, it has some limitations. One major limitation is the dependence upon both parties' willingness to adapt, implying an enforceability problem. Due to such limitations, cooperation is important for adaptability to be successful (Poppo & Zenger, 2002). Following (Luo, 2002), we will divide the elements of contracts into these two key dimensions and develop a theoretical understanding of when they are required and drivers behind them.

6.1.2 Effects on adaptability and ex-ante contractual term specificity

6.1.2.1 Relational governance and norms

Rationalism (relationship) is much focused on mutual expectations (Cannon, Achrol &Gundlach, 2000). As a higher order norm (Noordewier, 1990) relationalism give rise to other relational dimensions. These relational dimensions or norms are key drivers to relational governance. Relational norm are expectations about attitudes and behaviors that both parties have when working cooperatively together to achieve mutual and individual goals (Cannon, Achrol, & Gundlach, 2000: 183). They can also be defined

as the bilateral expectations that the exchange partners will act in ways that assist each other during the course of the relationship (Joshi & Campbell, 2003).

An extensive view of norms was provided by Heide & John (1992). They suggested that "discrete exchange norms contain expectations about an individual or competitive interactions between exchange partners and are based on the expectation of mutuality of interest, essentially prescribing stewardship behavior" (1992: 34). Continuity expectations, flexibility and information exchange are important dimensions of norms mentioned in the marketing literature (Heide & John, 1992; Kumar, Scheer, & Steemkamp, 1995).

Relational governance can overcome adaptive limitations by fostering flexibility, which is important for ensuring long-lasting relationships, reducing performance measurement problems, providing safeguards against exchange hazards and improving cooperative interaction among firms (Dwyer et al., 1987; Jap & Anderson, 2003; Ring & Ven, 1994). A relational contract allows the parties to utilize their detailed knowledge of the specific situation and to adapt to new information as it becomes available (Baker, Gibbons, & Murphy, 2002).

Relations are also important in overcoming barriers in contractual relations. Based on the discussion above, relational norms enable parties to adapt to new situations, because of the perceived social benefits such as belonging and dependence (Uzzi, 1997; Granovetter, 1992). Relational norms can also overcome the information asymmetry problem and assist partners with adequate and reliable information that they can utilize in specifying contractual terms. Thus we hypothesize;

> *H1: Relational norms have a positive effect on contingent adaptability.*

> *H1b: Relational norms have a positive effect on contractual term specificity.*

6.1.2.2 Different cultural backgrounds

Hofstede (1980:19) defined culture as the ''interactive aggregate of common characteristics that influence a group's response to its environment''. In a general view, culture is a collective programming of people (Hofstede, 1980), so it is expected to differ across countries (Hofstede, 1984). Culture may provide ''detailed

prescriptions (norms) for specific classes of situations'', while leaving other domains relatively unregulated (Tse et al, 1988:82). One of the measurements of cultural difference that became popular was cultural distance that was introduced by Kogut and Singh (1988). The cultural distance measure aggregated quantitative measures of cultural difference using the Hofstede's (1980) research. This measure, however, was criticized for treating cultural difference as symmetrical (direction of the difference was not given a consideration) (Shenkar, 2001).

Cultural friction as a new metaphor for measuring cultural distance (Shenkar, Luo & Yeheskel, 2008) was introduced as an alternative remedy for the critics surrounding the cultural distance. The authors argued that the use of this new metaphor ''denotes shifting the emphasis from abstract differences toward the contact between specific entities, onto their partisan concerns'' (Shenkar et al, 2008: 911). Whether it is a psychic distance (Johanson & Vahlne, 1977), a cultural distance (Kogut and Singh, 1988) or a cultural friction (Shenkar et al, 2008), a take home message is that there are differences that exist between individuals who come from different cultural orientations. The transaction that involves purely domestic firms is expected to differ from the one which involve a local and an international partner.

In domestic buyer-seller relations, the transaction parties are expected to be more familiar with current standards of trade (Buvik & Andersen, 2002: 3). On the other hand, in international buyer-seller relations, the setting and execution of contracts are expected to be challenging (Hurrigan, 1988) due to cultural difference (Shenkar and Zeira, 1992) that can lead to ''subjective interpretation'' (Cavusgil et al., 2004: 13). In addition to cultural distance, there are other different types of distance that partners have to overcome (Rosson and Ford, 1982) such as; technological, social, time and geography (Ford, 1984).

In a transaction that involves partners from different backgrounds, it is relatively difficult to specify contractual terms ex-ante or adapt to changes compared to a setting where the exchange involve partners from the same background. Whereas ex ante term specificity relies on efficient third party enforcement, adaptability requires better relations among partners. These key ingredients face challenges in international inter-firm relations. Shane (1992) found that in countries with differences in the levels of trust (in comparison to U.S.); the U.S. multinationals were less likely to establish their foreign affiliates.

The Woodcock and Geringer (1991) work on cultural difference between international joint venture partners suggested that the cultural differences lead to an inefficient principal agent contract. In this study, we looked at the cultural influence using the presence of foreign partner in a relationship because the nature of partners is important in understanding the transaction. We expect the foreignness of the partners in the relationship to have a negative effect on both contingent adaptability and ex-ante contractual term specificity. Thus;

> *H2a: The foreignness of the partner in a relationship has a negative effect on contingent adaptability.*

> *H2b: The foreignness of the partner in a relationship has a negative effect on ex-ante contractual term specificity.*

6.1.2.3 Transaction cost theory and contractual governance

Under the assumption of bounded rationality, key attributes of the transaction cost are asset specificity, uncertainty and frequency (Williamson, 1985). The most used dimensions, across literature on transaction cost are asset specificity and uncertainty. Uncertainty can be behavioral or can arise from the environmental conditions. We will use asset specificity and environmental uncertainty because they have key relevance in contractual governance (Anderson & Weitz, 1986; Joskow, 1988; Lui, 2009). Specific assets are defined as the "durable investments that are undertaken in support of particular transactions, the opportunity cost of which investments are much lower in best alternative uses or by alternative users should the original transaction be prematurely terminated" (Williamson, 1985: 5). According to Williamson, there are five kinds of specific assets: (1) site specificity; (2) physical asset specificity, (3) human asset specificity; (4) dedicated assets; (5) brand name capital (1989: 144).

The more specific input requirements there are in a firm's production process, the less likely it is that a market solution will work (Chandler, Mckelvie, & Davidson, 2009). This situation will force firms to adapt non-market governance solutions. Due to contractual limitations, other mechanisms such as hostage effects (Williamson, 1985) and relational governance are important in increasing both safeguarding and cooperation (Hendrikse & Windsperger, 2010), especially in situations with high asset

specificity. Though specifying terms tightly is important, adaptability is also necessary to ensure that both parties have the flexibility to deal with contingencies.

Formal contractual governance is mostly used when there are specific assets involved and the transaction cannot be internalized (Joskow, 1988; Lui, 2009). Inter-firm relations that involve specific assets will push for both term specificity and adaptability due to the risks involved (such as opportunism or technological changes). Classical argument is that adaptability is necessary for taking account of the unforeseen (due to limitations of specifying terms) but there are other aspects surrounding the degree to which adaptability and term specificity are integrated in contractual relations.

Whether it is a buyer or supplier who have invested specific assets in the relationship, the major concern is how to devise a mechanism that ensure their safety. This concern calls for both formal and informal mechanisms that ensure safeguard through the proper establishment of contractual terms (ex- ante) and the adaptability plan in case of unforeseen contingencies. Previous research has found support on the impact of assets in increasing the contractual term specifications (Crocker and Masten, 1988; Goldberg and Erickson, 1987), however, when the level of assets is very high, such contractual specifications cannot completely ensure safeguard (Cannon et al., 2000; Williamson, 1979). Contingency provisions can increase the partners' willingness to participate in the exchange (Klein, 1993) and thus mitigate their vulnerability. We thus expect a direct positive effect of buyer asset specificity on both adaptability and ex-ante term specificity; however interactive effects are also expected (will be integrated in the coming sections).

> *H3a: Buyer asset specificity has a positive effect on contingent adaptability*

> *H3b: Buyer asset specificity has a positive effect on ex-ante contractual term specificity*

Environmental uncertainty has been viewed as "unanticipated changes in circumstances surrounding an exchange" (Noordewier, 1990: 82). Environmental uncertainty as a concept is complex to capture (Rindfleisch, 1997). Klein, for example, pointed out that environmental uncertainty is a "too broad concept and that its different facets lead to both desire for flexibility and a motivation to reduce transaction cost"

(1989: 256). If there is little or no uncertainty associated with a transaction, ''the buyer can specify all (or almost all) the contingencies that might impinge on contract execution and thus defend against supplier opportunism'' (Walker & Weber, 1984: 375). In other words, environmental uncertainty makes it difficult to specify contractual terms (Anderson & Weitz, 1986). A general argument is that uncertainty tends to generate opportunistic behavior (Klein, Crawford, and Alchian, 1978).

An interaction effect between asset specificity and environmental uncertainty is also expected because the predictive content of the transaction cost is based upon the presence of specific assets in the relationship (Williamson, 1998). There are different ways on which environmental uncertainty is categorized, but the common ones are technological and volume uncertainty (Geyskens et al., 2006; Walker & Weber, 1984). The following discussion argues for both direct effects and the interactive effect between asset specificity and environmental uncertainty dimensions on contracts.

Technological uncertainty is the inability to predict with precision the technical requirements of a relationship (Walker & Weber, 1984). Such uncertainty may come from ''unpredictable changes in the standards or specifications of components or end product or from general technological development'' (Geyskens et al., 2006: 521). Firms experiencing technological uncertainty do not establish long-lasting linkages as they wish to retain flexibility and be able to terminate relationships and switch with a partner with more appropriate technological capabilities (Balakrishnan & Wernerfelt, 1986). From the buyer's perspective, ''technological uncertainty increases the risk of technological obsolescence, which in turn reduces the value of the supplier hostage'' (Stump & Heide, 1996: 433).

Most firms are well structured to adjust to technological changes in ensuring their survival. Firms like Microsoft and Apple do constantly update their technology for similar reasons. Such adjustments are the driving force for longevity of agreements in-spite of constant market changes. When a buying partner anticipates technological uncertainty, the concern is on how to get out of the contract so as to maximize the relatively better offers outside. The selling side will be concerned with how to maintain the buyer in a relationship, given the level of technological uncertainty. Buyer concerns are the motive for restructuring agreements that allow flexibility, while the seller concerns can lead to technological innovation.

Elfenbein and Lerner (2005) studied contingencies in the context of alliances in internet portals and their partners and found that technological uncertainty has a positive impact on the use of contractual contingencies. On the other hand, Crocker and Reynolds (1993) found that technological uncertainty renders contracts less complete. This finding was consistent with the summary review of contracts that was done by Furlotti (2007). Furthermore, Heide and John (1990) suggested that the technological uncertainty reduces expectations of continuity. Though the take home message is that the increased level of uncertainty makes it difficult to write relatively complete contracts (Shane, 1994), it is still feasible to increase the degree of specifications.

Reynolds (1993) argued that the reduced effect of technological uncertainty on contractual completeness is due to increased costs of designing such contracts. If this observation is correct, then technological uncertainty generates motives for ex ante contractual term specificity, but the cost implication is what constrains this motive. In other words, when we rule out the assumption of increasing draft costs, technological uncertainty will have positive associations with ex-ante contractual term specificity. From Elfenbein and Lerner (2005) previous findings on the association between technological uncertainty and contingent adaptability, we also expect a positive impact of technological uncertainty on contingent adaptability. Thus;

H4a: Technological uncertainty has a positive effect on contingent adaptability

H4b: Technological uncertainty has a positive effect on ex-ante contractual term specificity

Environmental uncertainty and asset specificity do not only have an important (Adler et al., 1998; David and Han, 2004), but a sophisticated role (Segal, 1999) in the choice of contractual governance. The technological uncertainty effect is likely to be lower when specific assets are involved in the relationship. Vandaele and colleagues (2007) found that the high level of technological uncertainty decreases the effect of asset specificity on both contingent adaptability and contractual term specificity. Although under normal market conditions, technological uncertainty leads to market choice (Geyskens et al., 2006), asset specificity will increase the problems involved in specifying terms and also reduce the parties' ability to adapt to technological change.

This is what is referred to as the old effect, where the buyer faces the threat of being left with obsolete technology.

What distinguishes technological uncertainty with other forms of uncertainty is the pace and nature of the changes. These features put less incentive for drafting terms that constrain partners, especially the side which has not made specific investments. The reason for this less incentive (in drafting extensive terms) is buyers' speculation on better and less costly future solutions. The contingent adaptability plan is also one of the mechanisms partners consider in resolving future contingencies and secure specific assets. The nature of technological uncertainty can hardly be speculated in ex-ante. This makes it difficult to plan beforehand, leading to inadequate contingent adaptability.

To argue for the role of technological uncertainty on the relationship between asset specificity and contingent adaptability, one need to first to get the understanding of the motives behind contingent adaptability. When the level of technological uncertainty is high, term specificity becomes an ineffective mechanism for safeguarding them, thus parties turn to other alternatives such as contingent adaptability plan. The effectiveness of contingent adaptability is at a large extent determined by the level of assets (Elfenbein and Lerner, 2005).

When the anticipated future changes are not very dynamic, it is relatively easy to draft the contingency plan. Technological uncertainty can make this plan (adaptation) more complex and less feasible. The increased level of technological uncertainty makes it less likely for the buyer to commit to long term relations (Balakrishnan & Wernerfelt, 1986; Heide and John, 1990) due to fear of being left with obsolete technology (Stump & Heide, 1996). We suggest that the association between contingent adaptability and asset specificity to be positively influenced when the level of technological uncertainty is not high. Thus;

> *H5a: There will be a stronger positive relationship between buyer asset specificity and contingent adaptability when technological uncertainty is lower, than when it is high.*

The presence of specific assets in the relationship calls for contractual safeguards (Cannon et al., 2000; Williamson, 1979). The establishment of such a safeguard is reflected by way terms are specified (Crocker and Masten, 1988; Goldberg and Erickson, 1987). The specification of terms in contractual agreements assumes a relatively static future condition, but technological uncertainty is very dynamic and hard to speculate. Further, the parties (especially the buying side) will have less incentive for being bound in a relationship when technological uncertainty is expected to increase. Lyon (1994) studied contracts within the context of engineering sub-contractors and found out that formal contracts are less frequently used for projects with high technological conflicts. We thus suggest technological uncertainty to increase the negative association between asset specificity and term specificity. Thus;

> *H5b: There will be a strong negative relationship between buyer asset specificity and ex ante contractual term specificity when technological uncertainty is high, than when it is low.*

Volume uncertainty is the inability to predict with precision the volume requirements in a relationship (Walker & Weber, 1984). This implies that the 'stock-outs' or excess inventory for the buyer and the production costs or excess inventory for the supplier can be hard to manage. Heide & John (1990) have also predicted that perceived volume uncertainty increases the need for business continuity, which facilitates cooperation and adaptation.

Difficulties in predicting volume requirements will force the partners to accept changes. At the same time when partners increase the degree of changes in a relationship, it will be difficult to constrain the terms. Contractual term specifications and contingent adaptability in this case act as two sides of the same coin in the sense that when we increase one side, the other will be affected in the opposite direction. In other words, there is a trade-off between contingent adaptability and term specificity (Hart & Moore, 2008). Rindfleisch and Heide (1997) suggest that, the higher level of environmental uncertainty, the higher the costs of formulating contracts. This observation is consistent with Pilling and colleagues (1994) who suggested that environmental uncertainty (such as volume) increases the ex-ante costs of specifying the roles of each exchange partner. We focus on the influence of volume uncertainty on the association between asset specificity and contingent adaptability rather than its direct effect (of volume uncertainty on contracts) based on the assumption that this

impact (of volume uncertainty on contracts) is contingent upon assets. The literature suggests that the environmental uncertainty (such as volume) is very relevant when there are assets involved (Williamson, 1998). To understand the influence of volume uncertainty about the relationship between asset specificity and contingent adaptability or ex-ante contractual term specificity, we need to revisit the argument we have raised concerning technological uncertainty. Technological uncertainty makes it even harder to predict the intensity and the pace of change, forcing partners to fear being left with obsolete technology. Volume uncertainty on the other hand does not raise similar concerns.

The increased likelihood of volume uncertainty motivates the establishment of contingent specifications which will further increase with the level of assets involved. The argument concerning the effect of volume uncertainty on ex-ante term specification will be opposite because the increased level of volume uncertainty, generates challenges for specifying terms in detail. Aubert et al (2006) found that firms facing greater volume uncertainty seek less complete contracts. We thus expect the effect of asset specificity on contingent adaptability to increase with volume uncertainty. Further, we expect the effect of asset specificity on ex-ante contractual term specificity to decrease with volume uncertainty. Thus we hypothesize;

> *H6a: There will be a strong positive relationship between buyer asset specificity and contingent adaptability when volume uncertainty is high, than when it is low.*

> *H6b: There will be a weakened relationship between buyer asset specificity and ex ante contractual term specificity when volume uncertainty is high, than when it is low.*

6.1.2.4 Controls

Trust: Trust is defined as the 'actors' expectation of the other party's capability, goodwill and self-reference in future situations involving risk and vulnerability (Blomqvist et al, 2005:269). There are competing views on the role of trust in inter-firm contractual relations. These include the substitutive (Gulati, 1995; Yu, Liao, & Lin, 2006) and complementary views (Hart & Moore, 2008). The substitute version of trust is believed to result in a low degree of term specifications, while the

complementary view suggests that the members become more open to each other and provide significant information for specifying terms. Trust has been found to influence contractual relations (Grimsey & Lewis, 2004; Neu, 1991), thus we expect this influence to be on both contingent adaptability and on ex-ante contractual term specification.

Networks: Networks are indicators of the level of tightness or embeddedness (Uzzi, 1997) of ties among direct or indirect relational partners (Wuyts & Geyskens, 2005). Rowley, Behrens & Krackhardt (2000) suggested that firms with close mutual ties tend to develop a common understanding within their network. These networks result into informal enforcement mechanisms which are rationales for contractual term specificity. The network can also push parties to adapt due to social bonds, so we expect networks to have an impact on contingent adaptability and ex-ante contractual term specificity.

Buyer dependence: Affirming the conceptual inseparability of power and dependence, Hawkin argued that "dependence involves circumstances where the buyer's or supplier's effectiveness is contingent on the performance of the other partner and where few or no alternatives exist, placing the more needy party at the mercy of the less needy" (2009: 49). Firms with a power advantage may not be as bound by the constraints of maintaining dyadic relationships because they have less incentive to continue them should they fail to meet expectations (Lusch & Brown, 1996). A Firm having power disadvantage will push for more term specificity because it will likely lose more in case of contractual failure. The dependent firm may have to accept adaptations suggested by the power advantage firm. We thus expect the buyer dependence to have an impact on both contingent adaptability and ex-ante contractual term specificity.

6.2 Methodology

6.2.1 Research design

The study was based on a survey in collecting the data. This is one of the effective ways in obtaining and assessing information from a population (Zikmund et al., 2010). This survey was conducted in Poland, focusing on the manufacturing firms. Poland

was selected based on its high ranking among the key emerging markets of Europe (Dow Jones, 2012; S&P, 2010). Further, Poland was the only country in East and Central Europe to have economic growth during the 2009 recession (Oprita, 2012). Emerging markets have recently become an interesting and growing area for research, due to their growth potential in global business. Recent statistics have indicated that 38.9% of world manufacturing goods are now coming from developing markets, 57.6% from developed markets and 3.5% from transition markets, with both developing and transition markets constantly raising while developed markets continually falling (UNCTAD, 2012). Ernst & Young (2013) article on six global trends shaping the business world have also estimated that 70% of world growth over the next few years will come from emerging markets.

6.2.2 Data collection

The study focused on the buyer-seller relations within the context of manufacturing firms in collecting the data. The buying side of the dyad was used. The Information was obtained using a questionnaire (electronic). Further, we obtained secondary information to supplement for the aspects which could not be covered by this method. Below we provide a description of these methods.

6.2.2.1 Self-administered questionnaire

The questionnaires were delivered to the respondents in an electronic format (web). This method is efficient and cheap. Further the e-readiness level being higher in Poland (Bilbao-Osorio et al, 2013), allowed us to utilize this method. The use of web based survey in this study was facilitated by the use of software known as SurveyXact. This software has several advantages. For example, the researcher can monitor in real time the response trends and behavior of respondents when they fill in the questionnaires. The researcher can also insert restrictions in terms of which questions must be answered. The software was used together with telephone. The potential respondent was first contacted by a telephone and when agrees to participate, an email containing the questionnaire was sent via SurveyXact.

6.2.2.2 Documentary review

Secondary information is normally collected by a third party. It can be internal (from within the firms) or external (data collection agents or organizations). A variety of secondary data sources were used (both electronic and manual) in establishing the

rationale for the study context. These sources include; reports, newspapers and archives. The credibility of the institution or agent was given a priority (for validity and reliability concerns).

6.2.3 Sample selection

Sample selection is important when it comes to making inferences. The study of contractual relations provides an advantage to a researcher, especially the possibility for introducing probability based selection because the focus is on exchange. In the study of contractual governance, however, it is possible to introduce a high degree of randomness since the focus is on the exchange itself.

We achieved this by instructing respondents to select either the first, second or third largest supplier in answering the questionnaires (Rokkan et al., 2003). It could also be viewed as judgmental, but respondents were the ones who had a choice on which exchange to use in answering the questionnaire. One can also assume that this can result into a bias, but this should not be considered a problem since the respondents and the nature of exchange (contractual exchange) used had a significant variation. The respondents that participated were manufacturing firms that were selected from the targeted population of 1800 firms.

6.2.4 Data profile

About 1,800 firms were contacted and asked to participate in the study; emails were sent to all of them. 400 companies partially completed the questionnaire and 201 fully completed it after two reminders. Thus, the final sample of respondents used for analysis was 201 (the rest could not be used because the amount of information missing was high) and the response rate was about 33%. The average number of employees per firm was 255, annual sales were around 16,558,089 USD (conversion rate: 1USD=3.1PLN). For the firms used in this study, the average supply frequency was five times per month and minimum length of relationship was one year.

6.2.5 Measurement

A list of the measures used in this study is given in the appendix 2. To ensure reliability, an exploratory followed by a confirmatory factor analysis was conducted. Confirmatory factor analysis of the predictor variables was conducted using AMOS

19. On the first stage we obtained freely estimated parameters [chi-square=524 (df = 231, p=.000), NFI=.82, TLI=.86, CFI=.89, RMSEA=.08, PCLOSE=.000]. In the second stage we allowed for correlations in error terms for some factors (Kline, 2005). The newly estimated parameters fitted well the data [chi-square=341 (df =226, p=.000), NFI=.88, TLI=.96, CFI=.96, RMSEA=.05, PCLOSE=.46]. Most of the constructs used here have previously been developed and tested in other studies, including the controls, but some needed to be adjusted to fit the context.

Contingent adaptability (CONT ADAPT): In measuring the concept of contingent adaptability, Luo (2002) used items that relate to ''adaptive issues that are particularly vulnerable to an uncertain environment or resource availability'' (p. 911). Mayer and Bercovitz (2003) measured this concept by asking the respondents to rank the extent that the parties resort to 'contingency planning'. Their operationalization of the construct was on a three-point scale that assessed the degree to which parties develop explicit response rules for specific classes of events. In this study, we have adopted similar measures, but added arbitration procedures and renegotiation periods. These items were added based on the role they play in adaptation phase. After conducting a factor analysis, three items remained based on to the acceptable loadings.

Ex-ante contractual term specificity (EXTSPC): Term specificity is concerned with how terms are specified (Luo, 2002). Using the context of IJV contract, Luo (2002) used a 5-points Likert scale in assessing the level at which terms were specific. An example of the terms and clauses he used were;
 (1) how to set up the joint venture; (2) how to operate and manage the joint venture; (3) how to cooperate and resolve conflict between partners; and (4) how to terminate the joint venture. In this study, we modified these measures to fit with the study context. A total of six items was used in in measuring the concept of ex ante contractual term specificity. After performing factor analysis, four items loaded well, while the remaining had poor loadings.

Relational norms (RELN) reflect inter-firm relations. Macneil listed about 10 key norms (1980) but Heide and John (1992) and later other authors (Antia and Frazier, 2001; Jap and Genesan, 2000) used three different types of norms; flexibility, solidarity and information exchange. The authors provided the definitions as follows;
> *Flexibility is defined as a ''bilateral expectation of willingness to make*
> *adaptations as circumstances change''; information exchange is defined as a*

"bilateral expectation that parties will proactively provide information useful to the partner" and solidarity is defined as a "bilateral expectation that a high value is placed on the relationship" (Heide & John 1992: 35).

In this study, we used a total of eleven items covering flexibility, solidarity and information exchange. After conducting a factor analysis, flexibility and solidarity measures loaded on one factor (four items), while information exchange had a separate factor (four items). According to Noordewier, John, and Nevin (1990), these dimensions originate from single higher order norm, thus their convergence does not pose any challenge in the analysis. Further, context specific factors can also influence the way respondents perceive concerning flexibility and solidarity. The two separate factors were combined into equally weighted composite score (Heide & John, 1992) for testing the hypotheses.

The foreignness of supply firm (FC) was measured by a dummy variable taking a value of 1 when there is a foreign partner in the relationship and 0 otherwise. Buyer asset specificity (BUASP) was adapted from Heide and John (1990) items which were also borrowed from Anderson (1985). The items reflect the degree to which the buyer has invested specific assets (physical, procedure, and people) involved in the relationship. It was measured by using five items (on a five point Likert scale) and all of were retained after factor analysis.

The concept of environmental uncertainty was divided into two sub-concepts: volume uncertainty (Anderson, 1985) and technological uncertainty (Achrol, 1996). Technological uncertainty (TECHUNC) reflects the degree to which there are variations in technology or an inability to forecast technological requirements (Geyskens et al., 2006). The concept was measured with three items (on a five point Likert scale). Volume uncertainty (VOLUNC) reflects the degree to which volume requirements fluctuate or there is an inability to forecast volume requirements (Geyskens et al., 2006). The concept was measured using two items (on a five point Likert scale).

Trust measures were adapted from Carson, Madhok, and Wu (2006). These authors built their items from those which were early established by Noordewier, John and Nevin (1990). The items that were included in Carson, Madhok and Wu (2006), included such things as fulfilling agreements and obligations, exhibiting fairness,

sharing information, and being flexible and responsive. Building on these items, the concept was measured by using seven items (on a five point Likert scale) reflecting the degree to which the partners had mutual expectations and understanding. Three of these items were retained after performing factor analysis. Most items were deleted due to low loadings.

Network relations (NEWREL) focused on the direct or indirect connection (informal) between the firms (Holm, Eriksson, & Johanson, 1996; Mitchell, 1973; Nohria & Eccles, 1992). Holm and colleagues (1996) operationalized this concept by focusing on four items that reflected the extent which the buyer (buyer's customers) is affected by its supplier or other partners it relates with. In this study, we adopted these measures, but further modification was applied to fit the new context. Four items were used (on a five point Likert scale) and three were retained after factor analysis.

Buyer dependence (BUDEP) was adapted from Heide (1994). The concept measures the extent to which the buyer is dependent upon the supplier. The items that were used by Heide (1994) covered on the difficulties in replacing the supplier; competitiveness among suppliers for a given component; difficulties in adapting to a new supplier. In this study, we adopted these previous measures, but modified them to fit with the study context. Four items were used (on a five point Likert scale) and all were retained after performing a factor analysis.

6.2.6 Data analysis

In carrying out data analysis, we used SPSS 19 and AMOS 19 software packages. SPSS19 was used for exploratory factor analysis and regression, while AMOS 19 was used for confirmatory factor analysis. Cut off point for factor loadings in the exploratory factor analysis was .50 because most of the constructs were well-established in theory.

Multiple regression method is an effective method when analyzing the relationship between a single dependent (criterion) and several independent (predictor) variables. The method, however, is challenged by two major errors; measurement and specification errors. We used the summated scales in treating the measurement error, while the specification error was resolved by the use of variables that had a strong theoretical base (Hair et al., 2010). We also tested the interaction effects. In testing the

interactive effects, the interacting variables were mean centered and the results were presented by graphical plots (Aiken & West, 1991).

6.2.7 Validity

Three key categories of validity were addressed (discriminant, convergence, and nomological validity). To test for discriminant validity we used Fornell and Larcker's (1991) rigorous criterion to test (Anderson & Gerbing, 1993). In this test the discriminant validity is supported when the average variance extracted (AVE) for two factors are greater than the square of the correlation between the two factors. The results presented in table 11 confirm this test (findings persisted even for the high correlations between relational norms and trust (r=0.59)). Factor loadings and construct validity were used to test for convergence or internal validity. The rule of thumb is that the factor loadings need to be .5 or greater and construct reliability need to be .7 or higher (Nunnally, 1978; Hair et al., 2010). All factors loadings and construct reliably (CR) fulfilled this rule of thumb (results are available in the appendix 2), thus our constructs had convergence validity. Nomological validity was tested by inspecting the inter-item correlations if they make sense from the theoretical point of view (Hair et al., 2010). The inspection confirmed the nomological validity.

6.2.8 Reliability

There are two key alternatives in assessing reliability (Hair et al, 2010) although there are several other ways. One alternative is to relate each separate item, including the item to total correlation. Rule of thumb is that the item-to-total correlations should exceed .50 and that the inter item correlations should exceed .30. Second, which is also widely used measure is a reliability coefficient, which assesses the consistency of the entire scale with correlation alpha. The generally agreed lower limit for cronbach's alpha is .70 (Nunnally, 1978), although it may decrease to .60 in exploratory research (Hair et al., 2010). The values of cronbach's alpha fulfilled the required rule of thumb (.70), implying that the study has a high degree of reliability.

Another important test when it comes to reliability is a collinearity test. Multicollinearity decreases the degree of reliability (Hair et al., 2010). The two common ways of assessing the multi-collinearity problem is the tolerance and its inverse (the variance inflation factor). The suggested cut off point is Tolerance of .01

(corresponding to VIF value of 10.0). The maximum VIF for this study was 2.97, suggesting that the multicollinearity was not a problem.

Additionally, although the questionnaires were completed by key informants, we faced a potential problem of common method variance (Campbell & Fiske, 1959). When self-reported data on two or more variables are collected from the same source at the same time, correlations among them may be systematically contaminated by any defect in that source (Parkhe, 1993). Harman's single-factor test (1967) was based on the argument that, if a substantial amount of common method variance exists in data, a single factor will emerge from factor analysis when all of the variables are entered together, or a general factor that accounts for most of the variance will result.

We performed a factor analysis that resulted in a unique factor solution with eigenvalues greater than one for each concept. Thus, it appears that this study does not have a serious problem of common method variance.

Table 11: Correlations

	1	2	3	4	6	6	7	8	9	10	11	12
1.EXTSPC	**.81**											
2.CONTADAPT	.45**	**.81**										
3.RELN	.29**	.44**	**na**									
4.FC	.01	-.14	-.08	**na**								
5.BUASP	.22**	.15*	.05	.04	**.73**							
6.TECHNUNC	.27**	.31**	.28**	-.01	.23**	**.75**						
7.VOLUNC	.12	.15*	.32**	-.15*	.01	.41**	**.87**					
8.BUASPXTECHUNC	-.02	.03	.02	-.15*	.38**	-.06	.08	**na**				
9.BUASPXVOLUNC	.05	.12	-.01	-.07	.25**	.08	-.06	.62**	**na**			
10.TRUST	.20**	.22**	.61**	-.04	.03	.27**	.34**	.02	-.06	**.89**		
11.NEWREL	.29**	.28**	.27**	.05	.18*	.25**	.12	.12	.05	.16*	**.89**	
12.BUDEP	-.05	.01	.05	-.03	-.02	.00	.15*	.08	.01	.09	-.07	**.72**
MEAN	3.04	3.16	.00	.22	1.94	3.26	3.61	.23	.00	3.83	2.66	3.46
SD	1.09	1.03	.35	.42	1.01	.84	.81	1.07	1.05	.66	1.31	.98

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table above provides a correlation matrix for constructs used. All constructs are measured reflectively. The diagonal elements are the square root of the average variance extracted.

6.3 Results

6.3.1 Main effects

We followed a stepwise procedure by first entering the control variables, followed by main effect and finally the interactive for each model. The results are shown in table 12 below.

Table 12: Regression results

Variables	CONTINGENT ADAPTABILITY						EX-ANTE CONTRACTUAL TERM SPECIFICITY					
	MODEL1		MODEL2		MODEL3		MODEL1		MODEL2		MODEL3	
	β	t	β	t	β	t	β	t	β	t	β	t
Controls												
Constant	1.06	2.2**	1.3	2.5***	1.1	2.2**	1.5	4.31***	1.7	4.7***	1.6	4.5***
NEWREL	.23	4.1***	.13	2.4***	.5	2.86***	.12	3.0***	.07	1.7***	.08	2.1**
BUDEP	.06	.87	.06	.9	.07	.99	.05	.90	.03	.61	.03	.63
TRUST	.34	3.1***	.05	.38	.06	.50	.5	6.4***	.23	2.4***	.2	2.5**
Main Effects												
RELN (1a, b)			.30	2.8***	.31	2.99***			27	3.6***	.29	3.9***
FC (H2a, b)			-.29	-1.8**	-.31	-1.99**			-.17	-1.5*	-.20	-1.8**
BUASP (H3a, b)			.13	1.8**	.17	2.1**			-.05	-.98	-.02	-.38
TECHUNC(H4a, b)			.33	3.6***	.47	4.7***			.19	2.8***	.29	4.07***
VOLUNC			-.14	-1.5*	-.27	-2.5**			.05	.74	.01	.13
Interactive effects												
BUASP X TECHUNC (H5a, b)					-.35	-3.3***					-.26	-3.4***
BUASP X VOLUNC (H6a, b)					.25	2.6***					.09	1.27
R^2	.14***		.27***		.33***		.23***		.34***		.38***	
Adj.R^2	.13***		.24***		.28***		.22***		.31***		.34***	
F-Value	11***		8***		7.5***		19.5***		11***		10***	
N	201		201		201		201		201		201	
Incremental R^2	-		.14***		.05***		-		.11***		.04***	
F_1	-		6***		4.5***		-		5.3***		4.2***	
Maximum VIF	1.04		1.67		2.97		1.04		1.67		2.97	
Incremental R2	-		.14***		.05***		-		.11***		.04***	
Maximum VIF	1.04		1.67		2.97		1.04		1.67		2.97	

***p<.01   **p<.05   *p<.1   (1-tail test)   F1 =F-value of incremental R^2 b=Unstandardized beta values

Three stage models were built for each of the two components of contractual completeness, contingent adaptability and ex-ante contractual term specificity. Model 1 contained the control variables only (R^2Adj=0.14, F (198, 3) =11, p<0.001 for contingent adaptability; R^2Adj=0.22, F (198, 3) =19.5, p<0.001 for ex-ante contractual term specificity).

Model 2 includes the main effects as well as the controls (R^2Adj=0.24, F (192, 9) =8, p<0.001 for contingent adaptability; R^2Adj=0.31, F (192, 9) =11, p<0.001 for ex-ante contractual term specificity). Model 3 contains interactive effects as well as all the variables included in Model 2 (R^2Adj=0.28, F (189, 12) =7.5, p<0.001 for contingent adaptability; R^2Adj=0.34, F (189, 12) =10, p<0.001 for ex-ante contractual term specificity). Incremental effects for models were also obtained.

Both M2-M1 (ΔR^2Adj=0.14, p<0.001 for contingent adaptability and ΔR^2Adj=0.05, p<0.001 for ex-ante contractual term specificity) and M3-M2 (ΔR^2Adj=0.11, p<0.001 for contingent adaptability and ΔR^2Adj=0.04, p<0.001 for ex-ante contractual term specificity) are significant.

H1a and b suggested that relational norms have a positive effect on contingent adaptability and ex-ante contractual term specificity. These hypotheses were supported (contingent adaptability: β=0.298, t=2.8, p<0.05; ex-ante term specificity: β=0.29, t=3.9, p<0.01).

H2a and b suggested that the foreignness of the supplying firm has a negative effect on contingent adaptability and ex-ante contractual term specificity. These hypotheses were supported (contingent adaptability: β=-0.288, t=-1.8, p<0.05; ex-ante contractual term specificity: β=-0.199, t=-1.8, p<0.05).

H3a and b suggested a positive effect of asset specificity on contingent adaptability and on ex-ante contractual term specificity, respectively. Results from table 12 indicate that H3a was supported (β=0.17, t=2.1, p<0.05) but H3b (β=-0.02, t=-.38, p>0.1) was not.

H4a and b suggested a positive effect of technological uncertainty on contingent adaptability and ex-ante contractual term specificity, respectively. These hypotheses were supported (see table 12; contingent adaptability: β=0.47, t=4.7, p<0.01; ex-ante contractual term specificity: β=0.29, t=4.07, p<0.01).

6.3.2 Interactive effects

H5a suggested a stronger positive relationship between asset specificity and contingent adaptability when technological uncertainty is low, than when it is high, while H5b, suggested for a stronger negative relationship between asset specificity and ex ante contractual term specificity when technological uncertainty is higher than when it is low. The general results of combination of asset specificity and technological uncertainty on contingent adaptability (β=-0.35, t=-3.3, p<0.01) and ex-ante contractual term specificity (β=-0.26, t=-3.4, p<0.01) can bring more light when we examine figures 14 and 15.

Examination of Figure 14 supports H5a by showing that under high level of technological uncertainty the relationship between asset specificity and contingent adaptability is negatively influenced, while under low level of technological uncertainty the effect is reversed. On the other hand figure 15 supports H5b by showing that technological uncertainty has a negative effect on the relationship between buyer asset specificity and ex-ante contractual term specificity.

H6a and b suggested buyer asset specificity combined with volume uncertainty has a positive effect on contingent adaptability and a negative one on ex-ante contractual term specificity respectively. There is support for the effect on contingent adaptability (β=0.25, t=2.6, p<0.01) but not for that on ex-ante contractual term specificity (β=0.09, t=1.27, p>0.1). Examination of Figure 16 supports H6a as it indicates that volume uncertainty has positive effect on relationship between buyer asset specificity and on contingent adaptability.

Figures below are constructed by taking a series of equations involving interactive effects. Each figure is preceded with a corresponding partial derivative equation. The general regression model that partial derivatives were obtained is also presented below.

$$CONT\ ADT/EXTSP = \beta_0 + \beta_1 RELN + \beta_2 BUASP + \beta_3 TECHUNC + \beta_4 VOLUNC + \beta_5 FC$$
$$+ \beta_6 BUASPXTECHUNC + \beta_0 BUASPXVOLUNC + \varepsilon$$

Where,

CONT ADPT = Contingent adaptability

EXTSP= Ex-ante contractual term specificity

RELN= Relational norms

BUASP= Buyer asset specificity

TECH UNC= Technological uncertainty

VOLUNC= Volume uncertainty

B_0 *= Intercept (constant)*

ε *= error term.*

Figure 14

Effect of Technological Uncertainty on Relationship between Buyer Asset Specificity and Contingent Adaptability

$$\partial CONTADAPT/\partial BUASP=0.17-0.35TECHUNC$$
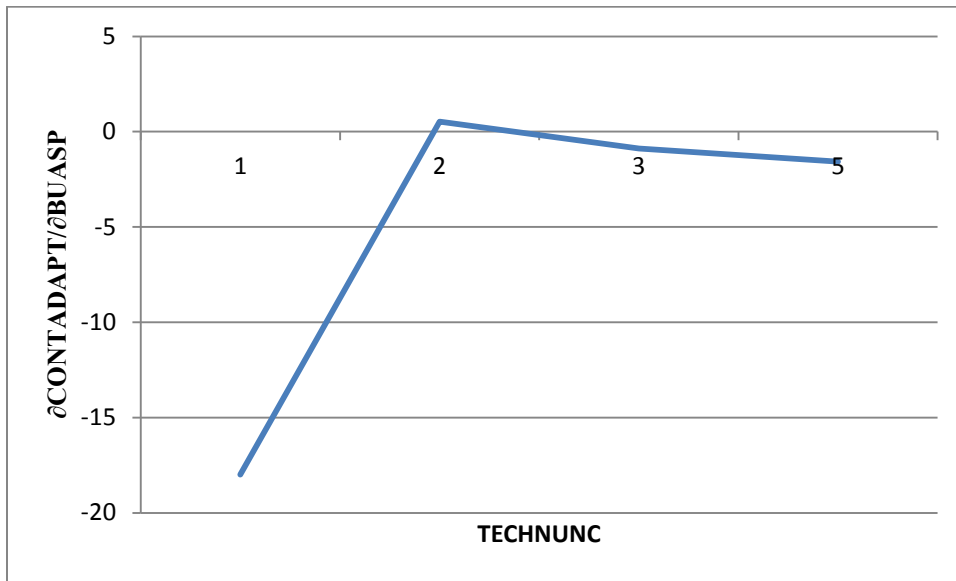
The figure above suggests that at a low degree of technological uncertainty, the effect of the relationship between contingent adaptability increases, but at a high degree of technological uncertainty this relationship decreases.

Figure 15

Effect of Technological Uncertainty on Relationship between Buyer Asset Specificity and Ex-ante Contractual Term Specificity

$$\partial EXTSPC/\partial BUASP=-0.02-0.26TECHUNC$$
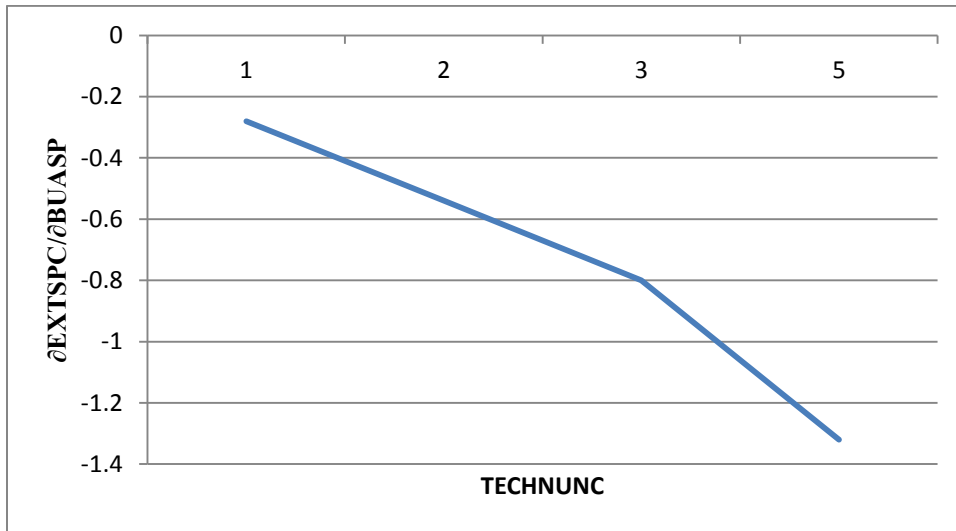
The figure above suggests that as technological uncertainty increases, the relationship between buyer asset specificity and ex-ante contractual term specificity decreases.

Figure 16

Effect of Volume Uncertainty on Relationship between Buyer Asset Specificity and Contingent Adaptability

$$\partial CONTADAPT/\partial BUASP=-0.17+0.09VOLUNC$$
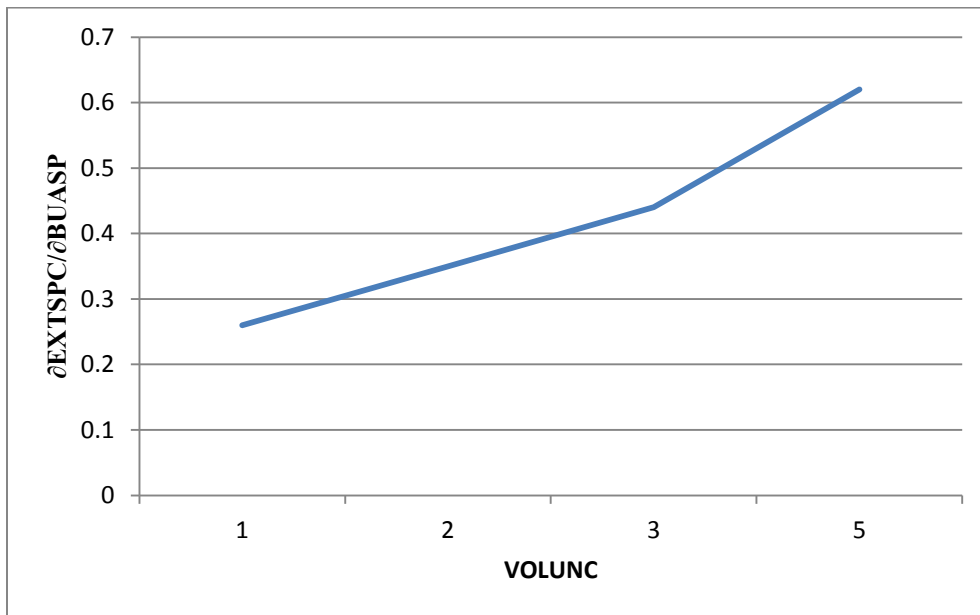
The figure above suggests that as volume uncertainty increases, the relationship between buyer asset specificity and contingent adaptability increases.

6.3.3 Control effects

Network relations are found to have a significant positive effect (see table 12) on both contingent adaptability ($\beta=0.15$, $t=2.86$, $p<0.01$) and ex-ante contractual term specificity ($\beta=0.08$, $t=2.1$, $p<0.05$), while trust has a significant positive effect only on ex-ante contractual term specificity ($\beta=0.2$, $t=2.5$, $p<0.05$). Buyer dependence did not have any significant effect on either contingent adaptability or ex-ante contractual term specificity.

6.4 Discussion

Content and context are important dimensions in contractual relations. Macneil noted that ''If we wish to understand contract, and indeed if we wish to understand contract law, we must think about exchange and such things first, and law second'' (1980:5). Luo (2002) two dimensional view of a contract accommodates Macneil's thinking in terms of the exchange and the law aspect of contracts. Law part of the contract is the specification of terms which are important for enforceability, while contingent adaptability covers the issues relating to the exchange that can hardly be enforced. Further, the question on which dimension to pay attention to and under what conditions has not been explored well in the literature. Addressing these questions is relevant for improving the efficiency in contractual design.

Relational governance suggests the relevance of relations for both safeguarding and adaptations. The safeguard can occur in terms of informal enforcement mechanism or access to information that can be integrated in contractual term specifications. The information exchange aspect of a relationship can hardly be obtained from formal relational mechanisms because some sensitive information requires the element of trust, which builds up over time. Literature tend to support the complementary role of relational dimensions on contracts (Aubert et al., 2006; Blomqvist, Hurmelinna & Seppänen, 2005; Hart and Moore, 2008; Möllering, 2002; Seppänen, Blomqvist & Sundqvist, 2007), but we missed a discussion on the role of such relational components within the two dimensional aspects of a contract.

This study has incremented the previous debate in the literature by suggesting that the complementary role of relational aspects extends to the two contractual dimensions. In the ex-ante term specification, the relational norms play an important role in obtaining the relevant information from partners in establishing better contracts. The adaptation element of relational governance is driven by a desire for partners to maintain the relationship by showing willingness to adjust to new situations. Relational norm is thus important for the adaptation because it enables partners to agree smoothly during contingencies and thus motivate them to have contingency plans as a means to govern their relationship.

Culture has an important role of on contractual governance. Previous works have supported for the influence of culture on the contracts (Wagner, 1995; Wuyts & Geyskens, 2005), but their focus was around the dimensions of culture. Schepker and colleagues (2013) suggested the future research on this area should look at how cultural distance influences the safeguard mechanism and its effectiveness. When two partners come from different cultural backgrounds, their cultural difference (Shenkar and Zeira, 1992) can likely challenge the interpretations of contractual terms (Cavusgil et al., 2004).

Further, the difficulties in specifying the terms can arise from the information asymmetry. Adaptation can be enhanced when the parties have a good relational base, a matter which is less likely when partners come from different backgrounds. The study has supported the above arguments by indicating how the presence of a foreign partner in an inter-firm relationship can hinder both ex-ante contractual term specificity and contingent adaptability.

Higher level of asset specificity calls for the formal contracts (Joskow, 1988; Lui et al., 2009), however such contracts cannot completely ensure safeguard of specific assets (Cannon et al., 2000; Williamson, 1979) due to limitations involved in designing and implementing such contracts. In other words, there is a limitation (due to bounded rationality) in the way which terms can be specified. When such an optimal level (of term specificity) is attained, the further increase in the level of assets cannot result in the increased level of term specification. When the level of asset specificity is high, most likely option to increment the safeguard is the contingency specifications (contingent adaptability plan). Klein (1993) suggested the inclusion of contingency provisions to increase the willingness of the vulnerable party to participate in the exchange.

As the findings suggested, the increased level of assets will result into increased levels of contingent adaptability, but with no significant improvement in the ex-ante term specifications. Development of research around this area have pointed out that the increased number of clauses (such as contingency provisions) will result into contractual

complexity (Reuer & Ariño, 2007; Barthélemy and Quélin, 2006), but this discussion is beyond the scope of this paper.

The environment by which the transaction takes place has an important influence on the governance structure. Transaction cost theory suggests that uncertainty increases the opportunistic behavior (Klein, Crawford, and Alchian, 1978), thus the need for increasing ex-ante term specifications and contingent adaptability in heightened with the increased level of uncertainty. Technological uncertainty in this regard is not exceptional. Technological uncertainty will force partners to increase the level of the ex-ante term specifications and the contingent adaptability plan.

Environmental uncertainty plays even more critical role when asset specificity is involved in the transaction (David and Han, 2004). Further, the sophistication level of contractual governance increases when assets and uncertainty are involved (Segal, 1999). Consistent with Vandaele and colleagues (2007), the findings from this study suggests that the high level of technological uncertainty decreases the effect of asset specificity on both contingent adaptability and contractual term specificity. This study, however, has a unique contribution because it suggests that under a low level of technological uncertainty, the impact of asset specificity on ex-ante term specificity is positive. The direction, however, remains the same (negative) for contingent adaptability.

There has been both symmetrical and asymmetrical effect on factors that influence these two dimensions of contracts. The more challenging are the asymmetrical ones. A combination of volume uncertainty and asset specificity can lead to increased and decrease in contingent adaptability and term specifications respectively. The finding concerned adaptability is consistent with Heide & John (1990) who predicted the positive role of volume uncertainty on adaptation. There was no support for the negative impact of volume uncertainty on the relationship between ex-ante contractual term specificity and asset specificity. The reason could be that there are fewer incentives for specifying terms when environmental uncertainty is likely to surround the transaction. This is our preliminary assumption, but future studies can explore this further.

Further, asset specificity alone increases contingent adaptability, thus implying that the increased levels of environmental uncertainty and asset specificity lead to extensive reliance on contingent adaptability. There is always a trade-off between contingent adaptability and term specificity (Hart & Moore, 2008), thus the increased choice toward contingent adaptability as a result of increased levels of volume uncertainty, does not significantly affect the degree of term specification. The study suggests the relational norms to improve both contingent adaptability and term specifications. It was generally assumed that the informal enforcement mechanisms favor the contingent adaptability, but it also provides a positive impact on term specifications. Ex-ante term specificity and contingent adaptability are differentiated in the contract by asset specificity and their interaction with environmental uncertainty (technological and volume).

6.4.1 Theoretical implications

From the theoretical point of view we could assume that relational norms have a negative influence on ex-ante contractual term specificity based on the argument that when markets transform towards formal exchanges, they tend to rely on impersonal arm-length transactions such as contracts (Peng, 2003). The finding on the complementary role of relational norms on term specificity needs to be re-examined and reconciled in terms of what the theory says and what the empirical findings indicate. Further the role of institutions should be taken into account.

The presence of a foreign partner in an inter-firm relationship can hinder both ex-ante contractual term specificity and contingent adaptability. From the theoretical argument we can easily agree that term specificity will be hindered by the differences in culture. The theoretical challenge is how foreignness hinders the contingent adaptability (as the results suggested). The rationale for contingent specifications is to address the unforeseen future events that are likely to increase in transactions that involve an international partner.

Increased levels of assets will result in an increased level of contingent adaptability, but with no significant improvement in the ex-ante term specifications. The presence of specific assets call for contractual safeguards, but it is the design of such a safeguard that require more attention in the literature. The standardized activities (Aubert et al., 2006) or

standardized approach to term specifications can support the argument that there is a threshold level of term specifications that do not tend to vary significantly with the level of assets. This is something that requires further theoretical development.

The theoretical argument about the influence of technology and volume uncertainty on the association between assets and contractual design need further refinement. When the level of technological uncertainty is high, there is a motive for specifying terms, but other factors (such as increased costs) make such specifications difficult. On the other hand, the increase in volume uncertainty does not seem to influence term specificity but rather the contingent adaptability. The inconsistent findings concerning the role of these variables on contracts have not been adequately addressed.

Our preliminary assessment indicates that ex-ante term specificity and contingent adaptability are differentiated by asset specificity and their interaction with environmental uncertainty (technological and volume). This needs to be consolidated by further re-examining other theoretical factors that can drive the differences in these contractual dimensions.

6.4.2 Managerial Implications

Firms are made up of different contractual relations. Contractual relations are not unidimensional by nature as it has been assumed for a long time in the literature. Literature suggests that safeguard is essential, especially when specific assets are involved. Whereas the degrees in which contractual terms can be specified do not increase with the increase in assets, contingent adaptability does. This means that there is a threshold to which terms can be specified as a function of assets, and above that threshold, the only possibility to increase safeguard is through devising the contingent adaptability plan.

Technological environment uncertainty poses a positive symmetrical effect on both term specification, as well as contingent adaptability. In such a situation, the mechanism that minimizes the impact of such an environment will pose no critical threat in any of the contractual dimensions. A situation where there is a combination of asset specificity and

technological uncertainty, specifying terms is a challenge. Further, the establishment of contingent adaptability plans is also adversely affected.

Whereas the contingent adaptation plan is positively influenced in a situation that combines volume uncertainty and specific assets, term specification is negatively affected. This is where managers have to make critical decisions on trying to improve the informal enforcement mechanism due to adverse effect on terms specifications. Nature of partners involved is also an important element to consider. When there is a foreign partner in a relationship, term specifications and contingent adaptation are adversely affected. In such a situation, managers need to make an extensive and thorough evaluation of partners before drafting contractual agreements.

The nature of environmental variations has implications on the choice between adaptability and contractual term specifications. If the level of technological uncertainty is relatively low, managers can adapt to new situations without extensive efforts, while in conditions with high levels of technological uncertainty, adaptation will have to be made with careful consideration especially when specific assets are at stake. Due to the observation that the contract term specificity will be negatively affected by the combination of asset specificity and high technological uncertainty, managers will need to ensure relational based governance mechanisms to deal with the situation. When the volume uncertainty increases, managers should expect to rely more on contingent adaptability than term specifications in ensuring safeguard of specific assets. Increased levels of specific assets should also lead to the same.

These relational mechanisms will also help managers to adjust, especially when the volume uncertainty is expected in a business relation. When managers are in a relationship with foreign partners, they should devise a mechanism to deal with the problems of adaptation and contractual term specification. These mechanisms should, among other things aim at improving communication and resolve barriers as early as possible while emphasizing on longevity of the relationship. In case of inter-firm relations with foreign partners, managers should also highlight expected areas of difference and establish a response mechanism early before relationship commence. This will help in resolving most frequent problems that are not critical to the relationship.

6.4.3 Study Limitation

This study is limited in the following aspects: Not all factors that have been utilized in finding determining the influence of the two dimensional aspect of contracts. Factors that are used have been selected from a limited number of theories. Future studies can extend by looking into other factors that can lead to better understanding on how these contractual dimensions differ. Further, the responses were obtained from the buying side of the relationship. Though there are on-going discussions concerning the relevance of using data from both sides of the dyadic relations, it can still be considered a limitation using one side. The study has only used one country and thus the generalizability can be limited. The use of only cross-sectional data has another methodological limitation which can be addressed in future studies by the use of panel data. Finally the study is limited to inter-firm contractual relations and no other forms of contracts between firms and individuals.

6.4.4 Implication for future research

Future research can examine whether the nature of industry and firms' characteristics has influence on these contractual dimensions. The operationalization and nomological issues need to receive key attention in the area of contractual governance. Various dimensions of the contracts have not been well reconciled (Furlotti, 2007) and thus future research can improve on indicating the theoretical bases for differences (of these dimensions). The efforts to reconcile these dimensions need to pay specific attention on the validity and reliability concerns. Coordination has been pointed out to be an important component of the contract (Brousseau, 1995). Macher & Richman (2008) found that collaborative relationships have an influence only on the least stringent provisions that firms use for coordination purpose. Future studies need to examine the condition by which coordination procedures are important aspects of contracts (Furlotti, 2007) and how this is related to the other contractual dimensions.

Managerial decisions are influenced by cultural values (Schneider and De Meyer, 1991; Hofstede, 1980). The contextual surrounding or the institutional environment can encourage or discourage inter-firm relations (North, 1990). When two partners come from different cultural backgrounds, their cultural difference (Shenkar and Zeira, 1992) can likely challenge the interpretations of contractual terms (Cavusgil et al., 2004). It

could be more interesting to investigate in more detail the role of institutions in contractual dimensions. The institution is a broad concept; the concepts can be broken down in some specific variables when investigating such a role.

The current study has used few theoretical frameworks, but future studies can extend to a number of other theories such as resource dependence, social exchange and resource based view. Application of these other theories can also expand into interactive relations. We also suggest a different approach to studying these dimensions such as critical incidence that involve analysis of critical historical points of a relationship.

6.4.5 Conclusion

Contractual governance is an important part of the transaction. It is of little relevance to understand the dimensions of contracts without the knowledge of how these dimensions are driven. Studying contracts at the level of two dimensions is important for obtaining insights on what drives the degree of any given contractual relationship. The degree of asset specificity and its interaction with environmental uncertainty (volume uncertainty in particular) are the key distinctive drivers.

The asymmetrical influence of these factors call for critical decision on which side to base attention on (term specification versus contingent adaptability). In situations such as increased asset specificity (that has a positive influence on contingent adaptability), the establishment of strong informal/social enforcement mechanism is essential. The situation is similar when there is a combination of specific asset and volume uncertainty. This situation leads to negative and positive effects on term specification and contingent adaptability respectively. Contingent adaptability has to be opted in such a situation due to difficulties in specifying terms. Heterogeneous effects on two dimensional aspects of contracts provide a practical challenge on which side to give emphasis. When the choice is about contingent adaptation, relational mechanism will have to be strengthened because of the symmetrical positive effect on the two contractual dimensions. The two dimensional aspect of contracts is not opposing sides of contracts, but complements that provide practical guidance (on which aspect require strong emphasis and under what conditions).

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APPENDIX 2

CONSTRUCTS	ITEMS	Source	LOADINGS
ADAPTABILITY (CONTADAPT) α=0.89 CR=0.85 AVE=0.66	Arbitration procedures are well specified in our contract Re-negotiation periods were planned before the relation began The contract has specified major principles or guidelines for handling unanticipated contingencies as they arise	Luo (2002), Aubert et al. (2000), Hendriske & Windsperger, (2010)	0.809 0.885 0.884
EX-ANTE CONTRACTUAL SPECIFICATIONS (EXTSPC) α=0.87 CR=0.88 AVE=0.66	Parties' liabilities are well specified Responsibilities of both parties are well specified Information flow is well specified Confidentiality of information exchange is well specified	Luo (2002), Aubert et al. (2000), Hendriske & Windsperger, (2010)	0.879 0.786 0.834 0.696

RELATIONAL NORMS (RELN)			
Solidarity & Flexibility α=0.92 CR=0.94 AVE=0.80	We solve problems that arise in this relationship together The parties are committed to mutual benefits We jointly share the responsibility for making this relationship work well There is flexibility in response to changes in this relationship	Antia & Frazier (2001) Heide & John (1992)	0.848 0.755 0.894 0.865

Information exchange α=0.907 CR=0.93 AVE=0.79	It is expected that any information that might help the other part will be provided to them		.785
	Exchange of information in this relationship takes place frequently and informally		.742
	It is expected that the parties will provide strategic information if it can help the other party		.907
	It is expected that we keep each other informed about events or changes that may affect the other party		.878
BUYER ASSET SPECIFICITY (BUASP) α=.89 CR=.85 AVE=.54	We have made significant investments in equipment dedicated to our relationship with this supplier	Stump & Heide (1996)	.799
	We have made adjustments in order to deal with this supplier		.835
	Training our people to deal with this supplier has involved substantial commitments of time and money		.875
	We have rescheduled our time and operations to deal with this supplier		.882
	We have invested significant money and time in establishing a		.780

	market for the product(s) we purchase from this supplier		
TECHNOLOGICAL UNCERTAINTY (TECHUNC) α=0.78 CR=0.79 AVE=0.56	The technology used in this product changes fast	Buvik & John (2000),	0.700
	The technology used in manufacturing this product is complex	Anderson (1985)	0.856
	There is much R&D involved in the development of this product		0.861
VOLUME UNCERTAINTY (VOLUNC) α=0.82 CR=0.86 AVE=0.75	Demand for this product varies continually	Buvik & John (2000),	0.883
	The demand conditions for our supplier's product(s) are irregular	Anderson (1985)	0.900
TRUST α=0.89 CR=0.94 AVE=0.79	When an unexpected situation arises, the parties have a mutual understanding that a win-win solution will be found, even if it contradicts our formal agreements	Carson, Madhok, & Wu (2006)	0.830
	The parties hold mutual expectations that each will be flexible and responsive to requests from the other, even if not obliged to by our formal agreements		0.879
	Both parties understand each other when problems arise		0.862
	Both parties understand that the other will adjust to changing circumstances, even if not bound		0.916

to by formal agreement

NETWORK RELATIONS (NEWREL) α=0.70 CR=0.92 AVE=0.80	Our firm has a close relationship with one or more partners of this supplier	Holm, Eriksson & Johanson (1996), Nohria & Eccles (1992), Mitchell (1973)	0.926
	Our firm has a collaborative relationship with one or more partners of this supplier, like a real team		0.931
	Our firm's relationship with the partner of this supplier does not involve many formal procedures		0.822
BUYER DEPENDENCE (BUDEP) α=0.83 CR=0.81 AVE=0.52	If we stopped buying from this supplier, he would easily replace our volume by supplying another buyer	Heide (1994)	0.851
	It would be relatively easy for this supplier to find another buyer for his products		0.825
	Finding another buyer would not affect the price this supplier charges		0.792
	If the relationship is terminated, it will not hurt this supplier		0.803

CHAPTER SEVEN[8]
CONTRACTUAL SATISFACTION

DRIVERS AND IMPLICATION TO THEORY

Abstract

The essence of inter-firm relations is to achieve each firm's objectives. The achievement of these objectives is reflected in firms' satisfaction. Satisfaction as a concept can be studied at different levels. Contractual satisfaction is one of such levels. Most studies on inter-firm satisfaction have looked at the general level of satisfaction, which is complex to account for its drivers. This study aims at studying contractual satisfaction by bringing into perspective some of its key drivers.

The main finding suggests that, while contractual term specificity, contingent adaptability, reputation and trust have a positive influence on contractual satisfaction opportunism has a negative one.

Key Words:

Contractual satisfaction; reputation; trust; opportunism; contractual terms specificity; contingent adaptability

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7.0 Introduction

Assume a situation where two companies; B (buyer) and S (Seller) engage in a contractual relationship. In this contractual relationship, company S supplies product X to company B. After a series of misunderstandings which were later found to be related to a contract, company S was in a pressure to look for a new buyer, but the manager wanted to learn why company B was not satisfied with contractual dealings in the relationship. Practical case is the London 2012 Olympic contractual failure between G4S (Group for securicor) and the British government. The buying side in this case the British government was dissatisfied with the contractual relation due to G4S failure to fulfill the contractual requirements. The requirement included among other things, the provision of adequate security staffing, which was not realized. In their review of the reasons for the failure, G4S admitted that the nature (of a task) and the complexity of the contract were among attributes for the failure[9]. In this situation both British government and G4S could benefit if each one understood the reason for the failure. G4S could benefit more in future dealings if they learned a lesson because it suffered a huge negative impact. Among other things, G4S reputation, financial income and even the company rating were heavily affected. When partners are not satisfied (as the example indicates), there is a negative outcome in terms of relationship continuity and financial losses. This case leads us to a relevance of understanding contractual satisfaction and its drivers. From the example above, it is clear that satisfaction on a contract is important for performance, profitability and longevity of a relationship.

Satisfaction is among the key outcomes of a contract (Schepker et al, 2014). Most models on relationship satisfaction tend to ignore contracts as an important dimension to be evaluated in inter-firm relations. For example, Crosby (1987) identified three key attributes of overall relationship satisfaction to be; core service, contact person and the institution (firm). A term unfair contractual arrangement was introduced in the literature of transaction cost by Klein (1980) and later developed in the study by Poppo & Zhou (2013) is closely linked to the concept of contractual satisfaction. Though we understand fairness is one of the attributes for satisfaction (see Huseman, Hatfield and Miles (1987) and Tse & Wilton (1988) on equity theory), it does not capture all facets of the concept.

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[9] G4S plc (2012), http://www.g4s.com/~/media/Files/Corporate%20Files/Olymp%20Rev%20Ann%20-%2028%209%2012.ashx, accessed on 17th March 2014.

The way a contract is specified has previously been noted to have an impact on a relationship. For example, Macaulay (1963) pointed that rely on complex contracts or partial or complete equity ownership to manage an exchange relationship may signal a lack of trust to exchange partners. Similar observations were made by Ghoshal and Moran (1996). There is an increased awareness among consumers to look beyond the final products. Firms are pressurized not just to keep the quality of products, but also the fair deals in their supply chain.

Some investors react by pulling out their shares when there are unfair contractual deals (example Norway pulled its shares from Barrick Gold mining in 2009 for similar grounds[10]). Satisfaction in contractual relations is thus a major topic in today's business. The sensitivity of this subject is thus worth paying attention to. According to World Fair Trade Organization (WFTO) (2014), the EU public procurement directive voted for deliberate choice of fair trade products. This new law, according to WFTO confirms the direction set by the court of Justice of the European Union in the North Holland case ruling, which for the first time clarified that public contracts can award additional points to products ''of fair trade origin''.

These movements are also taking place in emerging markets. Mining companies in Tanzania (mostly multinationals) have been heavily accused for unfair contractual relations. Similar accusations have been raised in the agriculture sector (example, cocoa in Ivory Coast), the gas and petroleum (in Nigeria). South Africa, for example, has established a consumer protection Act (Timothy & Posthumus, 2010) which aim at establishing a balance between the supplier and buyer in situations where one party has more experience and knowledge that can result into unfair contracts.

Even though we understand that contracts are an important element in most of inter-firm relations, there are hardly established conceptual and empirical investigations on how satisfactions in contracts are evaluated. In this study, we focus entirely on contractual satisfaction as an important attribute in the evaluation of inter-firm relationship.

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[10] http://www.miningwatch.ca/norwegian-pension-fund-excludes-barrick-gold-ethical-grounds

This study introduces a concept of contractual satisfaction in line with the interaction level of relationship satisfaction (Crosby and Stevens, 1987). Contractual satisfaction refers to a positive feeling resulted from fulfilling normative and agreed expectations in a contractual relationship. In other words, contractual satisfaction is a transaction specific and post-evaluation of the experience with a partner in a contractual relationship. As opposed to the general relationship satisfaction contractual satisfaction dedicates at evaluating the aspects that are directly linked to a contract.

Studies from consumer (Cardozo, 1965, Churchill and Surprenant, 1982; Oliver, 1977, 1980; Tse & Wilton, 1988; Westbrook, 1981; Yi, 1991), and channels or business relations (Anderson & Narus, 1990; Andaleeb, 1996; Genesan, 1994; Geyskens & Steenkamp, 2000; Ruekert and Churchill, 1984) tend to use the aggregate level of satisfaction, but contractual satisfaction is a transaction-specific and post-evaluation of the experience with the partner in a contractual relationship. As opposed to overall satisfaction (Anderson, & Sullivan, 1993; Spreng et al., 1996) which evaluates experience across all services in a relationship (Jonsson & Zinelding, 2003), contractual satisfaction provide a practical feedback to decision makers because what is evaluated can be traced. When partners are not satisfied with their contractual relationship it is a clear sign that the longevity of the cooperation is at threat. Contracts have both standards and normative expectations. Standards are those specifications set ex-ante, while normative are those aspects which partners perceive as moral obligations even though they are not written down. Contractual satisfaction on that matter covers evaluation of both the agreed and normative expectations.

The unique contribution of this paper is on introducing a conceptual model for contractual satisfaction as well as providing an empirical assessment of its key drivers. To achieve this we used transaction cost theory, relational governance based view and satisfaction frameworks. Transaction cost theory and relational governance based view provide bases for the independent variables while satisfaction frameworks are for the dependent variable. The presentation of this paper will be in the following sequence. We will start with literature review of the key theories/frameworks, followed by a conceptual

model and hypothesis development section. We then provide research methods, followed by the presentation of results, discussion and practical implications.

7.1 Satisfaction and Contractual Satisfaction

Satisfaction has widely been studied in consumer research (Cardozo, 1965, Churchill and Surprenant, 1982; Oliver, 1977, 1980; Tse & Wilton, 1988; Westbrook, 1981; Yi, 1991), but the concept has also drawn attention in industrial marketing (Anderson & Narus, 1990; Andaleeb, 1996; Genesan, 1994; Geyskens & Steenkamp, 2000; Ruekert and Churchill, 1984). In consumer research, satisfaction has been defined in various terms. These include; ''consumer's response to the evaluation of the perceived discrepancy between prior expectations and actual performance of the product as perceived after its consumption'' (Oliver and Swan, 1989: 204); a judgment that a product or service provided a pleasurable level of consumption'' (Oliver, 1997: 13); ''a feeling developed from an evaluation of the user experience'' (Cadotte, Woodruff and Jenkins 1987: 305); a global evaluative judgment about product usage/consumption (Westbrook 1987: 260).

In industrial business relations/channel literature, satisfaction has also been defined in various perspectives. These include; An overall positive effect that reflects the focal organization's (a buyer's) overall contentment regarding its relationship with another party (Andaleeb, 1996:80); "a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm" (Anderson and Narus, 1984:45). Satisfaction has also been defined in terms of power balance. For example, Benton and Maloni (2005) defined it as the ''feeling of equity with the relationship, no matter what power imbalance exists'' (p. 5). Geyskens & Steenkamp (2000) distinguished between economic and social satisfaction. They defined economic satisfaction as a channel member's evaluation of the economic outcomes that flow from the relationship with its partner such as sales volume, margins, and discounts, while social satisfaction was defined as a ''channel member's evaluation of the psychosocial aspects of its relationship, in that interaction with the exchange partner are fulfilling, gratifying, and facile (p. 13).

The concept of satisfaction has been studied using several frameworks. Most noted ones are; expectancy (performance) disconfirmation (Churchill and Surprenant, 1982; Oliver,

1980), norms (Woodruff, Cadotte, and Jenkins, 1983), attribution (Folkes, 1984; Richins, 1983), equity /inequity (Oliver and Swan, 1989). Following is the presentation of these frameworks.

Confirmation/disconfirmation (C/D) paradigm: Full C/D paradigm is composed of four constructs; expectation, performance, disconfirmation and satisfaction. The expectation provides bases for comparison or establishes standards against which performance can be evaluated. In other words, expectation plays a role of an adaptation (Oliver, 1980). These expectations can arise from prior experiences (Woodruff et al., 1983). Performance on the other hand is a standard by which disconfirmation can be evaluated. Disconfirmation which arises from the deviations between expected and actual performance is an intervening variable in the model.

The size of the deviation is what determines the level of satisfaction/dissatisfaction. The paradigm was developed from an interpretation made by Oliver (1980) on Heslon's (1969) adaptation level theory. Adaptation theory suggests that one perceives stimuli relative to an adopted standard. In connection to the adaptation theory, Oliver (1980) argued that performance (of a product) can be viewed as an adaptation. Key dimensions from confirmation/disconfirmation paradigm are; expectation and performance. Due to validity and scales problems, most studies do not follow the complete model (Teas, 1993; Babakus and Boller, 1992) but instead use performance or the confirmation of expectations (Mittal, Ross, and Baldasare, 1998).

Equity/inequity theory: Equity theory has also been used in assessing consumer satisfaction (Tse & Wilton, 1988). Equity theory can be traced to Adam's (1963) work on inequity. Huseman, Hatfield and Miles (1987) incremented this theory by taking into consideration the differences that exist between individuals (benovalent, equity sensitive and entitle). The theory suggests that individuals determine the equity of their relationships with others in assessing the ratio of what they receive from an exchange (outcomes) to what they bring into the exchange (inputs). An equitable relationship exists when the individual perceives that the participants in the exchange are receiving equal relative outcomes of the relationship (i.e., they are receiving a fair return for the efforts or

resources that they put into the exchange). When individuals perceive that there is an inequity in the exchange, they will be motivated to reduce the inequity.

Norms: Woodruff et al (1983:296) argued that ''satisfaction results from the degree to which performance matches with the norm''. Norms are guarded by a consumer's experience and differ extensively with expectations (Woodruf, 1983). The authors identified different forms of norms such as; brand-based norm (occur when single brand controls a consumer's experience); and product based-norm (occurs when the consumer has experience with many brands of a given type or class of the product). Performance norm will likely develop from a product based norm, because the experience is pooled across similar brands. Miller (1976) identified four kinds of performance comparison (expected, deserved, ideal and minimum tolerable) but are considered to imply ''normative standards of performance '' (Woodruff et al., 1983:296). The cultural norm is also important in the evaluation of performance (Morris, 1976).

Attribution: Consumers' response to product failure is partly a function of perceived causes for the failure (Folkes, 1984). In describing the theory, Folkes (1984) used the example of laundry detergent; ''suppose a consumer uses a new laundry detergent and then discovers the laundry is not clean. According to attribution theory, the consumer will search for a reason why this occurred and may arrive at any of several explanations'' (Folkes, 1984: 398). The view of people, according to attribution theory is that they are ''rational information processors whose actions are influenced by their causal inferences (Folkes, 1984:398). The author identified three main causal dimensions of attribution to be ''stability, locus, and controllability'' (Fokes, 1984: 399). Stability refers to whether causes are perceived as relatively permanent and unchanging or as temporary and fluctuating. Locus refers to whether the cause of failure has something to do with the consumer or is located somewhere in the production or distribution of the product. Controllability refers to whether the outcomes of the failure are related to buyer efforts or the firm (volitional and non-volitional).

Other models or frameworks: Dominant group in this category are those models from a channel or business relations. Key feature in these models is that they do not follow a dominant pattern like those from consumer research. The theoretical constructs used in

these models are extensive. They cover the constructs from various theories/perspectives such as; transaction cost, relational governance, institutional and others. Examples of these models include; antecedents and consequence model (Hausman, 2001); Loyalty (Caceres & Paparodimis, 2007), multidimensional aspects of satisfaction (Caceres & Paparodimis, 2007); trust and norms impact on satisfaction (Doucette, 1996); satisfaction and commitment (as outcome variables); human and capital specific investment, promises and influence strategies (Ghijsen et al., 2010); service quality, relationship involvement, service encounter, service value (Lin, 2007); trust, commitment and communication model (del Bosque Rodrı´guez et al., 2006).

Contractual satisfaction and other satisfactions: Most studies in both consumer and industrial/channel relations have focused on the overall satisfaction as opposed to transaction specific satisfaction (Anderson & Sullivan, 1993; Spreng et al., 1996). In table 13 we provide a literature review of satisfaction in industrial/channel relations. The review has also confirmed our assessment that most of studies have focused on overall satisfaction. Whereas the overall satisfaction reflects the evaluation of all experiences across all services in relationship (Jonsson & Zinelding, 2003), transaction specific focuses on specific experience for a particular service level. Overall satisfaction provides an aggregated account of all attributes, thus it is difficult to represent an in-depth knowledge of satisfaction/dissatisfaction at a transaction specific (attribute) level. Though contractual satisfaction is a subset of overall satisfaction, it is a transaction specific evaluation. Relationship satisfaction is also an overall satisfaction evaluation because it provides an aggregated assessment (evaluation) of all attributes in a relationship. Contractual satisfaction is thus a subset of an inter-firm relationship satisfaction, but its evaluation is entirely based on aspects that pertain to a contract.

At a management level, it is very helpful to obtain very specific feedback on dimensions to be improved. As opposed to overall satisfaction (Anderson, & Sullivan, 1993; Spreng et al., 1996) which evaluates experiences across all services in a relationship (Jonsson & Zinelding, 2003), contractual satisfaction provides a practical feedback to decision makers because what is evaluated can be traced. In an attempt to study specific elements of satisfaction, Spreng and colleagues (1996) introduced the concept of information satisfaction. The author defined the concept as a ''subjective satisfaction judgement of

the information used in choosing a product'' (pg. 18). The concept of relationship satisfaction sometimes ignores contractual dimension which is an essential part of inter-firm relations (see Crosby and Stevens, 1987). Another challenge in the relationship satisfaction is that the measures that are evaluated extend beyond the relationship.

This study introduces a concept of contractual satisfaction in line with the interaction level of relationship satisfaction (Crosby and Stevens, 1987). In inter-firm relations, a contractual evaluation is a specific level of evaluation. Contractual evaluation refers to a partner's response to how the other partner fulfills normative and agreed standards. In other words, contractual satisfaction is a transaction specific and post-evaluation of the experience with a partner in a contractual relationship. As opposed to the general relationship satisfaction contractual satisfaction dedicates at evaluating the aspects that are directly linked to a contract.

7.2 Empirical Reviews

We present some key findings, mostly from channel/industrial business relations (because this is the area of focus in this study). Mohr and Spekman (1994) found that coordination, commitment, trust, communication quality, information sharing, participation, and joint problem solving have a positive effect on satisfaction. Jonson & Zinelding (2003) study on achieving high satisfaction in supplier-dealer working relationships and found out that communication, adaptation, reputation, non-coercive power, cooperation, relationship bonds, dependency and relationship benefits have a positive impact on satisfaction while coercive power had a negative impact (on satisfaction). The authors also found that, the variables that differ most significantly between high and low satisfaction are; reputation, cooperation and relationship benefits (expected benefits from the relationship).

Anderson & Narus (1984), had two key constructs in their model; CL and CL_{alt}. The two constructs were adapted from social exchange theory. CL represented a distributor's cognitive assessment of the outcomes obtained from a given working relationship, while CL_{alt} represented the perceived dependence of the distributor upon the manufacturer (Anderson & Narus, 1984:66). The authors found that both CL and CL_{alt} had a significant

impact on satisfaction. Whereas CL had a positive influence, CL_{alt} had a negative one (though indirectly through manufacturer's control).

Caceres & Paparoidamis (2007) found that service quality dimensions had a significant effect on relationship satisfaction. They also found that technical quality (advertising) had a greater effect on relationship satisfaction than functional quality (commercial service, communication, delivery service and administrative service). Their study found also that the relationship satisfaction has a significant effect on trust. Doucette (1996) conducted a study on the influence of relational norms (solidarity, role integrity, information exchange) and trust on customer satisfaction in inter-firm exchange relationships. They found out that trust had a positive influence on satisfaction. Further, information exchange had both direct and indirect positive effects on customer satisfaction.

Dwyer (1980) study of channel member satisfaction found out that, power had a significant positive influence on channel member satisfaction. He also found that satisfaction stems from the perceived cooperativeness of the partners in the channel. Ghijsen and colleagues (2010) study on supplier satisfaction and commitment found out that supplier specific assets (capital and human) have a positive effect on supplier satisfaction. This is one of the few studies in channel literature that linked transaction cost variable in predicting satisfaction.

Grønhaug & Gilly (1991) study on the transaction cost approach to consumer dissatisfaction pointed out that dissatisfaction can be conceived as a realized transaction risk related to transnational ex post performance or an expression of ex post regret. The authors presented findings showing that dissatisfaction experience can be ''related to market institutional arrangements outside the responsibility of the individual seller'' (p. 180). They also found out that ''many problems relate to realized risks are not covered in consumers' contracts'' (p. 175).

Patterson (1993) study on expectation and product performance found a perceived product performance to be most powerful determinant of a customer satisfaction. Ping (2003) study on the antecedents of satisfaction in a marketing channel found out that investment (in the relationship) was one of the key antecedents of satisfaction.

Razzaque (2003) study on effects of dependence and trust on channel satisfaction, commitment and cooperation found out that trust had a significant impact on satisfaction. del Bosque Rodrı´guez and colleagues (2006) study on the determinants of economic and social satisfaction in the manufacturer - distributor relationship found a strong impact on communication, trust, and commitment to satisfaction. The table 13 below provides a summarized review of studies on satisfaction (mostly within channel/industrial relations) between years 1980-2010.

Table 13 Literature Review On Previous Studies In Channel/Business-To -Business Satisfaction

Source	Level of analysis	Key Predictor variables	Context	Definition of Satisfaction	Findings
Ghijsen, Semeijn and Ernston (2010)	Overall supplier satisfaction	Specific assets, influence strategies, dependence, promise	Germany automotive industry	Define supplier satisfaction as ''the feeling of equity with the relationship no matter what power imbalances exists'' (Benton and (Maloni 2005, p.19)	Influence strategies and capital specific assets had a significant negative and positive impact on satisfaction respectively, while promises, human specific assets had no impact on satisfaction.
del Bosque Rodrı´guez et al (2006)	Economic and non-economic dimensions of satisfaction	Communication, trust, commitment	Food sector distributors in Spain	Economic satisfaction is the evaluation performed by a channel member of the economic results derived from his relationship with his partner, such as turnover, margins and discounts (Geyskens& Steenkamp, 2000, p. 667) Thus, non-economic satisfaction refers to the evaluation of interactive experiences (Scheer & Stern, 1992) and it has been linked with exchanges that reflect the good psychological behavior of the members (Gassenheimer & Ramsey, 1994, p. 667)	Credibility, trust (credibility and benevolence), and commitment have a positive impact on non-economic satisfaction, while communication and commitment has a positive effect on economic satisfaction. Further, there is a positive relationship between economic and non- economic satisfaction.
Benton and Maloni (2005).	Overall satisfaction	Power, performance	Automobile industry in USA	Supplier satisfaction is defined as the feeling of equity with the relationship no matter what power imbalance exists (p.5).	Power-affected buyer-supplier relationship had a significant impact on supplier satisfaction.
Razzaque & Boon (2003)	Overall	Trust and dependence	Experimental design	A positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another (Gaski and Nevin, 1985, p.27)	Trust and dependence have significant positive impact on satisfaction. The interaction between trust and dependence has a positive impact on satisfaction.

Jonsson & Zineldin (2003)	Overall relationship satisfaction	Communication, adaptation, reputation, coercive power, non-coercive power, cooperation, relationship bonds, dependency and relationship benefits	Swedish lumber dealers and their suppliers (single company versus many suppliers)	Customers (buyers') cognitive and affective evaluation based on personal experience across all service episodes within a relationship or an emotional response to the difference between what customers expect and what they ultimately receive.	When not considering the level of trust and commitment, all predictor variables had a positive impact on relationship satisfaction with the exception of coercive power which had a negative impact. However to full understand the impact of these relational variables, the effect of trust and commitment should be controlled.
Ping (2003)	Overall satisfaction	Alternative attractiveness, relationship investment and voice	Hardware retailers	A result of comparison to alternatives (Thibaut & Kelley, 1959), as well as relationship reward, cost, and fairness (Johnson, 1982, p.238).	Alternative attractiveness, relationship investment and voice were the most important antecedents of satisfaction
Sanzo (2003)	Overall satisfaction	Trust, conflict, perceived value	Spanish industrial firms	It therefore includes an evaluation of the economic and non-economic aspects of the relationship. In this way, economic satisfaction can be understood as a positive affective response that one of the participants has, with respect to the economic rewards, derived from the relationship in which they are immersed—margins, sales volume. Noneconomic satisfaction implies a positive affective response towards relationship's psychological aspects, in such a way that a satisfied participant enjoys working with the partner (p.329)	Trust and perceived value have a positive impact on satisfaction, while conflict has a negative one.
Backhaus & Bauer (2001)	Attribute satisfaction and overall	Critical incidents	Industrial clients with transportation services of a major	Attitude satisfaction refers to evaluation concerning a particular attribute in exchange, while overall satisfaction is	The data suggest that negative incidents loom more significantly than positive incidents. The

					degree of nonlinear satisfaction formation increases significantly, with the strongest changes being measured for companies with positive incidents. Negative incidents strengthen the effect of low attribute satisfaction on overall satisfaction. Therefore, a negative incident appears to be more critical if the satisfaction level was already low.
satisfaction			German logistics company	aggregates of several attributes	
Geyskens & Steenkamp (2000)	Economic and Social satisfaction	Coercive and non-coercive power.	Alcohol industry (barkeepers and brewery)	Distinguished between economic and social satisfaction. Economic satisfaction is defined as a channel member's evaluation of the economic outcomes that flow from the relationship with its partner such as sales volume, margins, and discounts. Social satisfaction is defined as a channel member's evaluation of the psychosocial aspects of its relationship, in that interaction with the exchange partner are fulfilling, gratifying, and facile (p.13)	Contingent/non contingent use of no-coercive power has a positive impact on economic and social satisfaction. Contingent use of coercive power has a negative impact on social satisfaction. No-contingent use of coercive power has negative impact on economic and social satisfaction
Wong (2000)	Overall satisfaction	Co-operative culture, commitment, constructive controversy	Not specified	Used definitions from; Cadotte et al (1987) that is an affective state that is the emotional reaction to a product or service experience. (P. 428)	Cooperative culture, commitment and constructive controversy are three variables affecting supplier satisfaction
Geyskens, Steenkamp & Kumar (1999)	Overall satisfaction (economic and social)	Various antecedents related to satisfaction.	Literature review from past studies.	Economic satisfaction is a positive response to the economic rewards that flow from the relationship with its partner, such as sales volume and margins. Non-economic satisfaction is a	Economic and non-economic satisfaction are distinct constructs with differential relationships to various antecedents and consequences. Further satisfaction

				positive affective response to non-economic, psychological aspects of its relationship (p. 224).	is conceptually and empirically separable from the related constructs of trust and commitment.
Mayo, Richardson and Simpson (1998)	Overall satisfaction	Power and influence strategies	Wholesale beer distributors	Used the definition from Schul, little and Pride (1985) that satisfaction is an affective response of individual channel members toward the salient aspects of the channel organization (p. 18).	The use of power sources is a better predictor of satisfaction than the use of the influence strategy (Coercive power or influence has a negative impact, while non-coercive power/influence has a positive impact).
Selnes (1998)	Overall satisfaction	Communication, commitment, conflict handling	Food producers in Norway. Product line as cafeteria and restaurants	No definition	Communication, commitment and conflict handling had a positive impact on satisfaction
Ghosh et al (1997)	Overall satisfaction	Expectation, relationship style, distribution size	U.S.A industrial distributors	No definition	Among the expectation dimension, only price benefit influence satisfaction. The impact of expectation and outcomes on relationship satisfaction are moderated by relationship style and distributor size.
Andaleeb (1996)	Overall satisfaction	Trust and dependence	Business executives	An overall positive affect and reflects the focal organization's (a buyer's) overall contentment regarding its relationship with another party (p.80)	Trust and dependence have significant impact on satisfaction
Gassenheimer Calantone & Scully (1995)	Overall satisfaction in the dealer's supply selection process	Norms, asset specificity, relationship quality	Office systems/furniture industry	Maintained Anderson and Narus (1984:45) definition that satisfaction is "a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm"	Satisfaction does not directly predict the increased share of purchases from the dealers.
Gassenheimer	Overall	Power and	Office system and	Maintained Anderson and Narus (1984,	Mutual dependence and power

& Ramsey (1994)	satisfaction (of a dealer)	dependence	furniture industry	p. 66) view that satisfaction is "a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm"	dependence imbalances makes a difference in reseller satisfaction, but the impact hinges upon whether the supplier is the primary, secondary, or tertiary supplier in terms of annual purchases by the reseller.
Genesan (1994)	Overall satisfaction (with previous outcomes)	N: B- This was a reverse model, where satisfaction predicted trust and long-term orientation.	Retail buyers and vendors supplying them	A positive affective state based on the outcomes obtained from the relationship (p. 4).	Satisfaction has a positive impact on trust (credibility and benevolence) and long-term orientation
Ping (1993)	Overall satisfaction	Voice, loyalty, neglect, exit, opportunism	Hardware retailers in USA	No definition	Voice has a positive impact on satisfaction, while exit and neglect had a negative one.
Lewis and Lambert (1991)	Overall satisfaction	Performance, reinvestment, dependence, credit	Single fast food system	No definition	Amount of credit (or blame) has a positive impact on satisfaction. Satisfaction with one's partner across a variety of dimensions would directly influence satisfaction with the overall performance. There is a direct relationship between satisfaction with overall role performance
Anderson & Narus (1990)	Overall satisfaction	Cooperation, conflict, relative dependence (influence over and by partner firm), outcomes given comparison	Manufacturer and distributor firms	Cited Anderson and Narus (1984, p. 66) that satisfaction is ''a positive affective state resulting from the appraisal of all aspects of the firm's working relationship with another firm''	Trust and outcome given comparison levels have a direct positive impact on satisfaction, while conflict has a negative influence. Further dependence, communication and cooperation had an indirect positive impact.

		levels			
Michie &Sibley, (1985)	Overall satisfaction	Coercive and non-coercive power	Franchisees of a large firm	No definition	Franchisee satisfaction is explained by Coercive and non-coercive power sources
Schul, Little Jr., Pride (1985)	Overall satisfaction	Channel climate dimensions (Autonomy, consideration, initiating structure and reward orientation)	Franchisee and Franchisor relations in the real estate brokerage industry	Affective attitudes and feelings concerning the domain of characteristics describing the internal environment of the channel organization and the relationship between the channel member and other institutions in the channel arrangement.	Initiating structure, consideration, autonomy and reward orientation are positively related with satisfaction.
Anderson & Narus (1984)	Overall satisfaction.	Comparison level, manufacturer control,	Electronic distributors	A positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm.	Comparison level had a positive impact on satisfaction while manufacturer control has a negative effect
Ruekert and Churchill (1984)	Overall satisfaction	Channel satisfaction construct was divided into different measures (single and multi- item measures)	Wholesalers and retailers	Channel member satisfaction comprises the domain of all characteristics of the relationship between a channel member (the focal organization) and another institution in the channel (the target organization) which the focal organization finds rewarding, profitable, instrumental, and satisfying or frustrating, problematic, inhibiting, or unsatisfying (p. 227)	Multi-item measures (which ask for differently, how satisfied the channel member is in the specific aspects of the relationship) and multi-item measure which asks for respondents' cognition or belief about the working of the relationship have strong internal consistency, are highly correlated and behave as expected with other behavioral constructs.
Bagozzi (1980)	Job satisfaction	Motivation, performance, verbal intelligence	Industrial sales persons and secondary information from company records	No definition	Job satisfaction was found to vary with performance. Further individual differences (such as self-esteem) functioned as important antecedents. Performance/satisfaction relation was shown to depend, in part,

					upon the degree to which individual evaluate outcomes associated with the job. The greater the value placed on job outcomes, the higher the level of satisfaction with attainment of subsequent rewards.
Dwyer (1980)	Overall channel members satisfaction	Power bases, cooperativeness and perceived self-control	Laboratory simulation	No definition	Satisfaction stems from perceived self-control over decision areas and perceived cooperativeness of the partners in the channel.

7.3 Conceptual Model and Hypotheses Development

Contractual satisfaction is determined by both the structural and relational characteristics surrounding a transaction. Transaction cost theory suggests that specific assets generate a potential for opportunistic (self-seeking) behavior (Williamson, 1985). The presence of specific assets in a relationship calls for a formal contractual governance (Lui et al, 2009) although such a safeguard mechanism cannot completely ensure protection (Williamson, 1975).

Contracts have been identified to have two key dimensions; term specificity and contingent adaptability. These two dimensions of contracts are expected to influence the level of contractual satisfaction. When parties have specified their agreements, their performance is evaluated by mutually agreed standards rather than normative expectations. When a contract is evaluated on a well-established standard, it will likely lead to satisfaction. Further, the willingness to adapt increases the level of partner satisfaction (Johonson & Zineldin, 2003).

The behavioral assumption of transaction cost that human agents are opportunistic by nature (Williamson, 1975, 1991) is associated with problems with monitoring performance of exchange partners (Williamson, 1979). Satisfaction will also be influenced by the behavioral aspects such as opportunism. For example, Grønhaug & Gilly (1991) found out that opportunism can result into dissatisfaction.

Complexities or difficulties in in formulating contracts (Lee & Cavusgil, 2006), and unforeseeable future contingencies (Poppo & Zenger, 2002), makes it important to combine both relational and formal governance mechanisms in structuring better safeguard mechanisms. Relational contracting theory (Macneil, 1980) resolves some of the limitations encountered by formal contractual governance in safeguarding transaction assets. Macneil (1980) view contracts as relations. Relational exchanges evolve over time and thus are not considered discrete (Dwyer, 1987) transactions. A discrete transaction is a non-relational exchange (Macneil, 1980) that is characterized by a ''limited communication and narrow content'' (Dwyer, 1987:12). Relational governance incorporates a large component of the informal (Geyskens et al, 2006) or relational norms

(Macneil, 1980). Relational norms establish mutual expectations (Cannon et al., 2000) that give rise to more specific norms such as trust (Gulati, 1995), and reputation (Worden, 2003). Macneil (1980) identified about ten relational norms, but the most researched ones are; flexibility, solidarity and information exchange (Heide and John, 1992; Jap and Genesan, 2000).

Confidence and contentment in inter-firm contractual relations increases with trust (Razzaque and Boon, 2003). Reputation is a relational dimension that is independent of an inter-firm relationship (can exist even before the commencement of a relationship). Even though this exists outside a relationship, Grønhaug and Gilly (1991) found that the dissatisfaction in contracts is also influenced by external attributes (that are outside the contracts). Further, we suggest reputation to also influence the structural composition of contracts (contingent adaptability and contractual term specificity). The conceptual model presented by the figure 17 below summarizes the above arguments. Detailed examination of the hypotheses is presented after this model.

Figure 17: Conceptual Model
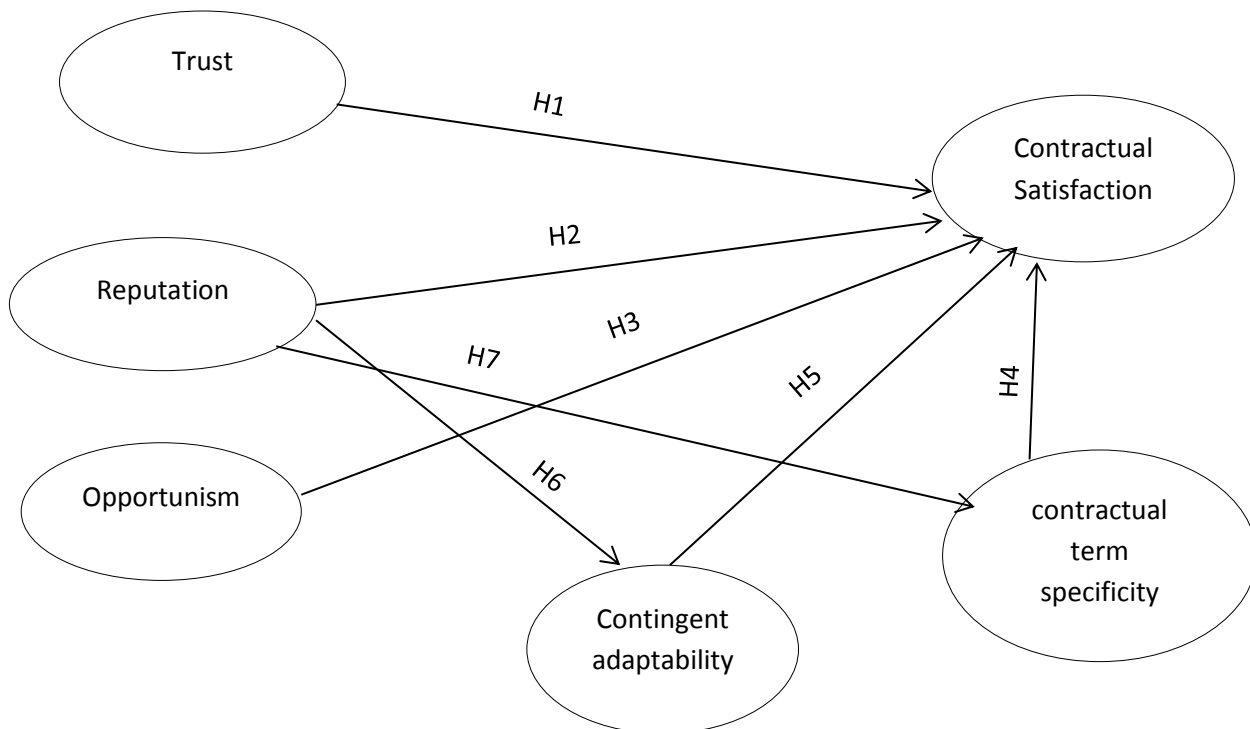
7.3.1 Direct effects on contractual satisfaction

7.3.1.1 Trust and contractual satisfaction

Trust is one of the core constructs in inter-firm relations and is linked to almost all relational constructs. Sako and Helper (1998: 30) viewed trust as a "state of mind, a belief, or an expectation held by one trading partner about another that the other will behave in a mutually acceptable manner". Andaleeb (1996) defined trust as a ''willingness of a party to rely on the behaviors of others, especially when these behaviors have outcome implications for the party bestowing trust'' (p. 79).

Apart from playing a key role in relationship development, trust decreases a behavioral uncertainty problem in inter-firm relations (Blomqvist, Hurmelinna, & Seppänen, 2005; Morgan & Shelby, 1994; Vandaele, Rangarajan, Gemmel, & Lievens, 2007). Consumers ''prefer to transact with service providers they can trust and with whom they have shared understanding about implied, and unspecified obligations that govern their relationship'' (Singh & Sirdeshmukh, 2000:155). Whereas some studies have argued trust to be an antecedent of satisfaction (Andaleeb, 1996; Anderson & Narus, 1990; Geyskens et al., 1999) others have argued for the opposite (satisfaction impacts trust) (Ganesan, 1994; Selnes, 1998). Despite of the differences, Sanzo et al (2003) suggested that trust stimulates satisfaction. Presence of trust between the parties makes parties confident and contented about the relationship (Razzaque and Boon, 2003).

In addition, trust enables partners to have a sense of feeling that their expectations will be fulfilled. This view is supported by Andaleeb (1996) who suggests that ''when the focal party trusts the source, it will feel secure by way of an implicit belief'' (p. 80).

In situations where trust dominates, the divergences can be accommodated because the other partner believes that all are done with good will. Contracts by default are incomplete (Williamson, 1979) and thus, to a large degree, the process and outcome of contractual relationship are inherently dependent upon partners' behavioral intentions. Trust in this case, plays an important function in ensuring that partners feel secure in spite of surrounding risks facing the relationship. Further, the positive association between

trust and satisfaction has also been supported in the literature (Andaleeb, 1996; Razzaque & Boon, 2003; Sanzo, 2003; Caceres & Paparodimis, 2007), thus we hypothesize;

H1: Trust has a positive effect on contractual satisfaction.

7.3.1.2 Reputation and Contractual satisfaction

As one of the influential constructs in generating and retaining customers (Dasgupta, 1988; Storbacka, Strandvik, & Gronroos, 1994), reputation is an important foundation upon which a firm identity stands (Worden, 2003). Researchers have viewed reputation from either an economics (Weigelt & Camerer, 1988), or institutional perspectives (Deephouse, 2000; Fombrun & Shanley, 1990). Consistent with these two perspectives, reputation in inter-firm relations can be defined as the degree to which either partner believes the focal firm to be reliable (Doney & Cannon, 1997; Ganesan, 1994). Information relating to reputation can be obtained through communication with a third party or directly through prior experiences with a partner (Jonsson & Zinelding, 2003). In relation to a third-part, reputation can be transferred easily between organizations (Ganesan, 1994).

Resulting from the social legitimization process (de Castro, López, & Sáez, 2006), reputation provides social sanctions (Carson, Madhok, & Wu, 2006) and flexibility (Al-Najjar, 1995). Reputation is also a valuable asset a firm possesses and is essential in retaining customers (Dasgupta, 1988; Storbacka et al, 1994). The nature and value contained in reputation forces a holder to maintain it for current and future transactions. Researchers have found a link between reputation and performance (Podolny, 1993; Fombrun, 1996; Roberts & Dowling, 1997). Trust, customer identification and commitment are bridges between reputation and behavioral intentions (Keh & Xie, 2009).

Woodruff and colleagues (1983: 298) suggested also that ''brand attitude influences expectations''. Most of these constructs which relate to reputation have a significant influence on satisfaction as we have indicated in the empirical review (table 13). Jonsson & Zineldin (2003) found a positive relationship between reputation and satisfaction.

Our assumption is based on the reasoning that contractual satisfaction will to a large degree depend on perceptions of the partner than the contracts themselves because by nature they are incomplete. We thus hypothesize:

H2: Reputation has a positive effect on contractual satisfaction.

7.3.1.3 Opportunism and contractual satisfaction

Opportunism is associated with the conventional assumption that economic agents are guided by considerations of self-interest (Williamson, 1975). Opportunism is the key challenge when there are specific assets involved in a relationship (Leiblein & Miller, 2003; Stump & Heide, 1996). It should be distinguished from both ''stewardship behavior and instrumental behavior'' (Williamson, 1975, p. 27). Whereas stewardship behavior is related to trust, instrumental behavior is neutral (Williamson, 1975). Opportunism has also been linked to information asymmetry and, in turn, information asymmetry has been linked to behavioral uncertainty (Wathne & Heide, 2004).

Though Myerson (2008) pointed on the incentive based mechanisms to deal with the information asymmetry problem, it is still hard to get rid of the problem because the information is private and hard to verify (Williamson, 1985a). Mistrust is likely to occur when the buyer has an opportunistic perception regarding the supplier. Such mistrusts or feelings that the partner is acting opportunistically, can likely result into dissatisfaction (Grønhaug & Gilly, 1991). The authors found out that about 26.3 percent of dissatisfaction was associated with opportunism. Thus we hypothesize:

H4: Opportunism has a negative effect on contractual satisfaction.

7.3.1.4 Contractual term specificity, contingent adaptability and contractual satisfaction

It is said that contracts are incomplete (Williamson, 1979, 1985b) due to exogenous (Grossman & Hart, 1986; Hart & Moore, 1990) or endogenous problems (Bolton & Faure-Grimaud, 2010; Hart & Moore, 2008; Tirole, 2009), but the degree of completeness will vary across transactions. Contractual completeness has been defined

by the degree to which terms are specified in the contractual relations (Brown, Potoski, & Van Slyke, 2007; Saussier, 2000) or as a "ratio between specific rights and residual rights, where specific rights refer to a detailed specification of a decision action in the ex-ante period and residual rights refer to the planning of decision procedures which will enable decision making about specific actions in the ex post period" (Hendrikse & Windsperger, 2010, p. 4).

Luo (2002) suggested that contractual completeness is a dichotomous, comprising contingent adaptability and term specificity. Satisfaction in inter-firm channel relations can reflect the degree to which terms are specified (term specificity) as well as contingent adaptability (Neu, 1991). Contingent adaptability refers to the ability of partners in responding to unexpected events (contingencies) in a relationship. In other words, when economic or relational objectives are aligned with expectations, they will be reflected in satisfaction (Anderson, & Narus, 1984). Based on the argument from social exchange theory, that when behavior and expectations converge, the result is satisfaction (Gassenheimer et al., 1995), we expect the degree of contractual completeness to have a positive effect on contractual satisfaction.

Contractual term specificity sets standards by which contractual performance or experience can be evaluated. This is more objective way by which satisfaction is built on. Terms specificity can be an important determinant of contractual satisfaction because it provides guidance for partners in the relationship. The literature in business relations/channels has not made clearly this important link (between term specificity and satisfaction). When partners have mutual agreed standards, the performance is no longer driven by normative expectations but rather by established terms, thus we hypothesize;

H4 Contractual term specificity has a positive effect on contractual satisfaction.

When parties can accommodate divergence in the agreement, the difference between expected and actual outcomes is minimal. Adaptation is important in developing collaborative relations (Axelsson & Easton, 1992). Johonson & Zineldin (2003) pointed out that ''it is the willingness to adapt that demonstrates the supplier's commitment to the development of the relationship and dealer satisfaction'' (p.227). When it is possible to

accommodate contingencies in contractual relations, the partners' level of satisfaction will be high because the unforeseen events have constraints on contractual performance. In a situation where the exchange partners are not willing to make adaptations, this could also lead to dissatisfaction. Thus;

H5 Contingent adaptability has a positive effect on contractual satisfaction.

7.3.2 Indirect effects on contractual satisfaction

7.3.2.1 Reputation, contingent adaptability, contractual term specificity, contractual satisfaction

Reputation is a key factor in developing collaborative relations (Axelsson & Easton, 1992). Firms' identity and its ability to retain and generate customers are well noted to be influenced by its reputation (Dasgupta, 1988; Worden, 2003). Reputation has a potential influence on both contractual specification and contingent adaptability because the nature of a partner (in terms of character) is critical for the formulation and implementation of contractual agreements. Banerjee & Duflo (2000) argued that reputation matters because of contractual incompleteness. The author also pointed out that reputation can come from several sources such as; previous contractual relations (where the contractual partner acted reliable), age of relationship and the behavior of the firm in terms of abiding to policy and business requirements such as certification.

Partners are likely to be flexible when dealing with reputable firms. This implies that reputation is important element in ensuring both adaptability and contractual term specificity. In figure 17, we have indicated that contractual term specificity and contingent adaptability to mediate a relationship between reputation and contractual satisfaction. Access to information concerning reputable partners is relatively easy because such information is transferable across businesses (from third party or other reliable sources) (Genesan, 1994). Proper and reliable information is critical when it comes to specifying of contractual terms. Contracts functions as a signal (Banerjee & Duflo, 2000). Reputable firms will display this signal in conducting their contractual

transaction by highlighting in detail essential areas and even provide reliable information to their partners. This type of signal is not likely to be found in non-reputable firms. Banerjee & Duflo (2000, p. 8) pointed out that ''an optimal contract is either a fixed-price or a time and material contract'', ''for any fixed level of client reputation, the more reputed the firm, the more likely it is that it is a time and material contract'' (optimal contract). Reputable firms will also like to maintain their status by helping in structuring relatively better contractual specifications with their partners. We thus hypothesize;

H6: Reputation has a positive effect on contractual term specificity

Reputable partners can also be willing to adapt to changes so as to maintain their status which is a valuable asset. Banerjee & Duflo (2000) suggested that, reputation impacts the outcomes of ex-post contractual negotiations. Arkerlof (1970) observed that the parties can likely be in a position of not observing all the relevant dimensions at the point of sale. This in turn leads to relying on reputation. In practical situations, neither the seller's effort nor the probability of high performance is observed at the time of sale (MacLeod, 2007:597). In such type of a situation reputation plays an important decisive role when unexpected events occur. Adaptability is a normal process in the contractual relations.

> *''If a seller agrees to supply a good of a specified quality, as a matter of law, this does not imply that the seller must supply the good or else face inordinate penalties. It is required that the seller makes adjustments to the price to compensate the buyer for his or her loss'' (MacLeon, 2007: 612).*

In extreme conditions when there are inevitable situations that could likely result in failure, reputation can play a very positive and significant role. McLeon (2007) noted that ''when the likelihood of failure is significant, then it is efficient for a seller's reputation to be associated with this lack of remedial payment, rather than with the defect in the good per se'' (p. 612). In other words, reputation defends a firm in critical situations, and hence the willingness of the partners to adapt to the changes will be positively influenced. During the Mediterranean-traders period (around eleventh-century), problem related to contracts was resolved by arranged agency relations (Greif, 1989: 589). Membership in this coalition required a member to have among other things, the good behavior in the past. Members understood on that respect that there was no incentive for behaving opportunistic (Greif, 1989). This scenario is similar to what happens during contingencies

in contractual relations. The reputable firms understand that there is no incentive for improper behavior.The consequence of such behavior will tarnish not only the possibilities for long-term contractual relations with the partner at hand, but all members that relate to that partner. This is similar to the coalition membership during the Mediterranean traders. We thus hypothesize;

H7: Reputation has a positive effect on contingent adaptability

7.4. Research Method

7.4.1 Research design
The study was based on a survey in collecting the data. A survey tends to be large in size, especially when the focus is on empirical analysis. According to Robson, the survey enables a researcher to collect ''a standardized information from a specific population, or some sample from one, usually but not necessarily by means of a questionnaire or interview'' (1996: 49). This survey was conducted in Poland, focusing on the manufacturing firms. The survey design is effective in obtaining data (Zikmund et al, 2010). Manufacturing firms were relevant to this topic because they are likely to engage in contractual relations with their suppliers.

7.4.2 Data collection
The study focused on supplier-buyer relations of manufacturing firms in Poland, with data being collected from the buying side of the relationships. Most studies tend to use the one side of the dyad, but there are still ongoing discussions concerning the use of one or the two sides.

Firms that participated in this study were required to make their preferred list of three suppliers (first, second or third largest) whom to choose for answering the questionnaire (Rokkan et al., 2003). This form of choice was used to increase the variation in the sample. Data were gathered from primary and secondary sources. Primary source used was self-administered questionnaires, while the secondary data included offline and online (electron) sources. In the section below we present these sources.

7.4.2.1 Self-administered questionnaire

The questionnaires were delivered to the respondents via SurveyXact software. SurveyXact is a web based research tool for gathering data. The targeted respondents were first contacted via a telephone and an email containing a SurveyXact link was later sent when a targeted respondent agreed to participate. This mechanism was convenient, cheap and flexible way of gathering large amount of data.

7.4.2.2 Documentary review

We used a variety of sources (both offline and online (electronic)) in obtaining secondary data. Secondary data were essential for establishing the rationale for the used context as well as providing guidance concerning the selection of targeted sample.

7.4.3 Sample selection

The targeted sample was purposive; however the final data units (contractual exchanges) were randomly selected. The mechanism (for introducing randomness in selecting the response units) is feasible in the study of contracts because the focus is on the exchange. Respondents were instructed to select either the first, second or third largest supplier in answering the questionnaires. We do not assume that this can result into a bias, because both the respondents and types of exchange used in responding to questionnaires differed extensively.

7.4.4 Data profile

About 1800 firms were contacted and asked to participate in the study. Of these, 400 companies partially completed and 201 fully completed the questionnaire – a response rate of about 33%. The final sample used in the analysis was thus 201 respondents. The average number of employees of the firms was 255, annual sales were USD16, 558,089 on average (conversion rate: 1USD=3.1PLN). Average supply frequency was five times per month and the minimum length of relationship was one year. The study involved domestic companies owned by local citizens, subsidiaries of international companies, joint-venture with international partners, and foreign companies at a proportion of 56.5%, 11.7%, 8.7% and 23% respectively.

7.4.5 Data analysis

In carrying out data analysis, we used SPSS 19 and SmartPLS 2.0 (M3) software packages. SPSS19 was used for exploratory factor analysis and SmartPLS were used for confirmatory factor analysis and path estimations in the structural modeling. Advantage of SmartPLS over other structural analysis tools is that it does not lead to estimation problems or improper or non-convergent results (Hensler, Ringle and Sinkovics, 2009). Cut off point for factor loadings in the exploratory factor analysis was .50 because most constructs were established in theory.

7.4.6 Measurement

A list of the measures used and specific measurement aspects can be viewed in the appendix 3. For all multi-item measures, an exploratory followed by confirmatory factor analysis was carried out using SPSS 19 and SmartPLS 2.0 (M3) Beta respectively. Most of the concepts have been used in previous studies; however, some concepts had to be adjusted so as to fit the new context.

Contractual satisfaction (CONTRSAT): Most authors have used multiple items in measuring this concept (Brown, Lusch, & Smith, 1991; Geyskens & Steenkamp, 2000; Ruekert & Churchill, 1984; Schul, Little, & Pride, 1985). Some satisfaction measures capture cognitive, while others capture the affective dimensions (Eggert & Ulaga, 2002).

Razzaque & Boon (2003) measured satisfaction by using items from three levels; performance and the achievement of goals; propensity to make a positive recommendation after satisfying encounter; other aspects of the relationship. Relatively similar measures were used by Jonsson & Zineldin (2003). Consistent with the satisfying perspective of contracts (Bolton & Faure-Grimaud, 2010) and above measures, this study applied a conceptual reasoning from the mentioned literatures but new items were developed to fit the study context. We used six items reflecting the degree to which partners were satisfied with contractual arrangements (in 5 points Likert scale). After performing the factor analysis, four of these were retained. The items deleted were having low factor loading (below the acceptable range).

Trust was adapted from Carson et al. (2006). The measures used to reflect the degree to which partners had mutual expectations and understanding. After performing a

factor analysis, three factors loaded well. The items that were dropped, related to, how conflicts and the adaptation were handled. This suggests that the concept of trust is within the perspectives of mutual expectations and understanding.

Reputation (REPT) is one of the well-established measures from the media (for example fortune 500 and fortune 1000 companies). Measures from fortune covers items relating to product, financial performance, the ability to attract and keep talented workers, social responsibility (Fortune, 2000). Unidimensional measures have been previously used in measuring this construct (Goldberg & Hartwick, 1990), but multidimensional measures are commonly used. In this study, we have adopted measures from Fombrum and Shanley (1990). Seven items were used to reflect the degree to which the buyer perceived the partner to have a good reputation. After performing a factor analysis, all the factors loaded were within the acceptable range.

Buyer-perceived opportunism (OPPORT) reflects the self-seeking behavior of partners (Williamson, 1975). This study adapted items from Rokkan, Heide, and Wathne (2003). The authors used measures relating to the context of outsourcing contracts. The measures reflected the non-cooperative and cheating behavior of the supplier. Their measures were consistent with the previous measures that were developed by John (1984), but incremented the element of non-cooperative behavior. We used six items in measuring the concept. After performing factor analysis, one item was removed due to low loadings.

Contractual term specificity (TSPC) and contingent adaptability (ADAPT) are based on Luo's (2002) dual view of contractual completeness. In measuring contractual term specificity, the author used 5 points Likert scale in assessing the degree to which a contract specifies relevant terms and clauses. In this study, we used a total of six items (5-points Likert scale) in measuring this concept. After performing a factor analysis, four items loaded well, while the remaining had poor loadings. The factor loadings were in the acceptable range.

In measuring the concept of contingent adaptability, Luo (2002) used the items that relates to; ''(a) adaptive issues that are particularly vulnerable to an uncertain

environment or resource availability; (b) the contract has specified major principles or guidelines for handling unanticipated contingencies as they arise; and (c) the contract have provided alternative solutions for responding to various contingencies that are likely to arise'' (p. 911). In this study, we have adopted similar measures, but added on arbitration procedures and renegotiation periods. These items were added based on the role they play in adaptation phase. A total of three items was used in measuring this concept. After performing a factor analysis, all factors loaded within the acceptable range.

7.4.7 Validity and reliability

We tested for discriminant, convergence, and nomological validity. In testing discriminant validity we used Fornell and Larcker's (1991) criterion to test (Anderson & Gerbing, 1993). The test supports discriminant validity when the average variance extracted (AVE) for two factors are greater than the square of the correlation between the two factors. The discriminant validity was supported (see results in tables 14).

Factor loadings and construct validity were used to test for convergence or internal validity. All factors loadings and construct reliability (CR) in appendix 3 fulfilled this rule of thumb which requires construct validity and reliability to be greater than .5 and .70 respectively (Nunnally, 1978; Hair et al, 2010).We tested for nomological validity by inspecting the inter-item correlations between items if they had a theoretical sense (Hair et al, 2010). The inspection confirmed the nomological validity.

We tested for reliability using two mechanisms (Hair et al, 2010); First, we tested for the item- to- total correlations (should exceed .50 by rule of thumb) and inter item correlations (should exceed .30). Second, we tested for reliability coefficient. The generally accepted lower limit for cronbach's alpha is .70 (Nunnally, 1978), although it may be down to .60 in exploratory research (Hair et al, 2010). The values of cronbach's alpha fulfilled the required rule of thumb (.70), meaning that the study has a high degree of reliability.

Table 14

Correlation matrix

	1	2	3	4	5	6
1 CONTRSAT	**.89**					
2 TRUST	.49[**]	**.89**				
3 REPT	.61[**]	.52[**]	**.82**			
4 OPPORT	-.31[**]	-.183[**]	-.34[**]	**.85**		
5 TSPC	.58[**]	.38[**]	.59[**]	-.231[**]	**.81**	
6 ADAPT	.539[**]	.25[**]	.46[**]	-.097	.55[**]	**.81**
MEAN	3.81	3.17	3.65	3.75	1.96	3.8
SD	0.8	1.06	0.84	0.7	0.89	0.65

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

N= 201.

The diagonal elements in bold are the square roots of the average variance extracted for constructs measured reflectively with multiple. Using Fornell and Larcker's (1991) rigorous criterion to test for discriminant validity (Anderson & Gerbing, 1993), the average variance extracted for the reflective constructs are greater than the off-diagonal elements.)

7.5. Results

We applied PLS structural equation modeling (SEM) to estimate our theoretical model using SmartPLS software (Ringle, Wende, Will, 2005). The advantage of using PLS is that it does not lead to estimation problems or improper or non-convergent results (Hensler, Ringle and Sinkovics, 2009). For researches that aim at predictions, simulation studies that compare PLS with covariance-based SEM confirm that PLS path modeling is particularly suitable as a means to avoid improper solution (Reinartz, Haenlein, and Hensler, 2009). Model below (table 15) provides results on path coefficients and their corresponding t-values.

Table 15

Structural parameter estimates

Antecedents → Outcome	Mediator →Outcome	Antecedents → Mediators	β	t-value
Trust →Contractual satisfaction (H1)			0.20**	2.1
Reputation→Contractual satisfaction (H2)			0.22**	1.8
Opportunism-→Contractual satisfaction (H3)			-0.12**	-1.7
	Contractual term specificity →Contractual satisfaction (H4)		0.25**	1.9
	Contingent adaptability-→Contractual satisfaction (H5)		0.23**	2.1
		Reputation-→Contingent adaptability (H6)	0.46***	5
		Reputation-→ Contractual term specificity (H7)	0.60***	6.9

***Significant at P<.01   **Significant at P<.05

7.5.1 Hypotheses testing and structural model assessment

We used a nonparametric bootstrapping procedure (5000 samples; 200 cases; no sign change) to evaluate the significance of path coefficients (Henseler, Ringle, and Sinkovics, 2009). SmartPLS uses bootstrapping because it does not presume that the data are normally distributed (Hair, Ringle & Sarstedt, 2011). The Non parametric bootstrapping ''involves a repeated random sampling with replacement from the original sample to create a bootstrap sample'' (Hair et al., 2011: 148). The minimum allowed (rule of thumb) bootstrap sample is 5000 (Hair et al., 2011). The computation procedure allows a researcher to change the number of samples (from the original cases). The structural model consisted of three endogenous constructs. Assessing the influence of exogenous constructs, R^2 was important. R^2 for satisfaction, contingent adaptability and contractual term specificity are 0.57, 0.21 and 0.36 respectively. This means that the given model has

explained satisfaction by 57%, while indirect effects explained contingent adaptability and contractual term specificity by 21% and 36% respectively. All the explained variances are satisfactory (Chin, 1998). The moderate R^2 is acceptable for the endogenous constructs with one or two exogenous constructs (Henseler, Ringle and Sinkovics, 2009). The Stone Geisser criterion Q^2 values are obtained from running blindfolding procedures and range above the threshold level of zero, indicating the model's predictive relevance (Henseler, Ringle and Sinkovics, 2009). We use results from table 15 to present results of hypotheses.

All the hypotheses H1-H7 were significantly supported; H1 suggested that trust has a positive effect on contractual satisfaction (β=0.20, t=2.1, p<0.05); H2 suggested that reputation has a positive effect on contractual satisfaction (β=0.22, t=1.8, p<0.05); H3 suggested that opportunism has a negative impact on contractual satisfaction (β=-0.12, t=-1.7, p<0.05); H4 that suggested contractual term specificity has a positive effect on contractual satisfaction (β=0.25, t=1.9, p<0.05); H5 suggested that contingent adaptability has a positive effect on contractual satisfaction (β=0.23, t=2.1, p<0.05); H6 suggested that reputation has a positive effect on contingent adaptability (β=0.46, t=5, p<0.01). H7 suggested that reputation has a positive effect on contractual term specificity (β=0.60, t=6.9 p<0.01).

7.6. Discussion

The composition of contracts (contractual specifications) and the supporting informal structures (relational norms) are issues that have been extensively discussed in the contractual governance literature, however an interesting part that has not been well captured is the parties' psychological response on such contractual structures. The contractual composition deals with how contracts are structured in terms of terms specifications and contingent adaptability. The relational dimensions cover aspects such as trust and reputation, but opposite to these are behavioral assumptions like opportunism. This study has investigated these key dimensions and their influence on contractual satisfaction.

Trust and reputation are essential for ensuring that partners feel secure when the relationship is vulnerable. The finding on the role of trust on satisfaction is consistent

with previous findings (Andaleeb, 1996; Razzaque & Boon, 2003; Sanzo, 2003; Rodrı´guez, Agudo, Gutie´rrez, 2006; Caceres & Paparodimis, 2007). Trust stimulates satisfaction (Sanzo et al., 2003) and makes parties to be confident in a relationship (Razzaque and Boon, 2003). The confidence and a sense of security that is built by trust, tends to favor the evolution of contractual relations, even when there are unexplained discrepancies. On the other hand, reputation influences expectations. For example Woodruf (1983) suggested that ''brand attitude influences expectations'' (p. 298). A finding on the positive impact of reputation on contractual satisfaction is consistent with previous findings (Jonsson & Zineldin, 2003). Reputable firms tend to protect their identity because it is a valuable asset. In doing, so they tend to build healthy relations with their partners.

Opportunism is a critical problem when it comes to contractual arrangements. The problem of perceived opportunism becomes complex when the information is private and hard to verify (Williamson, 1985). The incentive based mechanisms (Myerson, 2008) are not sufficient to deal with the problem of perceived opportunism. Unexplained discrepancies (difference between expected and actual outcomes) are likely to be a source of perceived opportunism. The finding on the negative impact of opportunism on satisfaction is also consistent with Grønhaug & Gilly (1991). This suggests that partners need to feel secure in contractual dealings so as to be satisfied.

Contractual term specificity establishes standards for evaluating contractual performance or experiences. This minimizes the normative evaluations which will likely result in dissatisfaction. Industrial/channel relations literature has not provided this link (term specificity and contractual satisfaction) but this study has indicated the relevance of establishing clear terms. Dissatisfaction can at a large extent come from the areas outside contractual aspects (Grønhaug & Gilly, 1991). This is a clear indication that the wider the unspecified aspects, the more likely the chances for opportunism and ultimately dissatisfaction.

Further, the development of collaborative relations depends to a large extent on adaptation (Axelsson & Easton, 1992). The findings on the positive impact of contractual adaptability on contractual satisfaction are consistent with Johanson & Zinelding (2003)

view that willingness to adapt is an indicator of supplier's commitment and satisfaction. Contingent adaptability to a large extent plays the role of minimizing both normative expectations and contractual deficiencies. This builds a better relationship climate of trust and understanding between partners. Such ingredients are essential for contractual satisfaction.

Term specificity and contingent adaptability are also influenced by partners' reputation. The degree of term specificity increases when there is adequate information on partners in the transaction (using the complementary assumption of relational norms). Information on reputable firms is easily accessed and transferred across businesses (Genesan, 1994). In other words, better contracts are likely to be found in more reputable firms (Banerjee & Duflo, 2000). The problem of information asymmetry increases when dealing with less reputable partners.

The positive impact of reputation on contractual term specificity is consistent with these perspectives. When unexpected situations occur, partners' reputation has an essential role in resolving such a situation (McLeon, 2007). This was a noted practice even during the Mediterranean traders period (Greif, 1989), where partners joined coalitions on the bases of good behavior in the past. When unexpected and unexplained situation arises, the reputation increases the likelihood for adaptation. This is because partners will perceive that the discrepancies are an outcome of the environmental factors and not a result of opportunism.

The general observation from this study is that both the structural and relational dimensions have an important contribution to contractual satisfaction. Understanding the drivers that influence contractual satisfaction is important because it shifts the attention from how inter-firm contractual governance can be organized to how best it can maximize parties' normative intentions (expectations). The endogenous choice concerning the contractual optimality does not trade off the relational dynamics that surround a transaction. The interplay between structural and relational dimensions is essential for ensuring not only strong safeguard, but also satisfying contractual relations. Such satisfactory contractual relations are important for longevity and cooperation among partners. A key message from this study is that contractual satisfaction is not just a

function of elements that are within a contract but also those which are outside the contract.

7.6.1 Theoretical implications

Contractual satisfaction is a specific level evaluation of inter-firm contractual exchange. At this level, both normative and agreed standards form the bases for evaluating satisfaction. Concepts that have been developed in the hypotheses focus on explaining how contractual satisfaction is influenced. Nature (dimensions) of a transaction and of the parties involved is of key relevance in explaining such influence. Behavioral elements such as opportunism have been found to have a negative effect on contractual satisfaction. This observation is consistent with & Gilly (1991) argument that opportunism and satisfaction are negatively related. This also indicates the extent to which perceived opportunism can have a serious negative outcome in inter-firm relations. In-spite of good performance, the presence of perceived opportunism in an inter-firm relationship can lead to disconfirmation of expectations, implying that the atmosphere of trust is fundamental for any inter-firm contractual relationship to function well.

Some of relational dimensions used are ex-ante and ex-post in nature. For example reputation of a partner can be ex-ante assessed while trust is a dimension that develops in a course of the relationship. Reputation is important dimension because it is an asset for the firm that possesses it. Reputable firms will try to ensure that they remain in that way in all their dealings. This attitude forces them to fulfill their transaction responsibilities which are ex-post. One of such responsibilities is on fulfilling contractual agreements. A trust which is predominantly ex-post relational dimension is important in influencing contractual satisfaction.

Function of trust on contractual satisfaction is to lubricate the perception concerning partners' performance. This minimizes the gap between expected and actual outcome. In case of discrepancy between expected and actual, trust helps in bringing a positive thought on this. Nature of contractual design (in terms of dimensions) has an important influence on inter-firm satisfaction. Key components of contracts according to Luo (2002) are term specificity and contingent adaptability. Contractual term specifications are those agreed standards which govern the exchange. These formulate assessment

criteria for evaluating exchange relations. These agreed standards can likely lead to satisfaction in case they are well structured and partners follow them. In situations where no agreed standards are in place, expectations differ because of unavailable objective assessment.

Adaptability on the other hand helps partners' response to unforeseen circumstances. This can likely contribute to satisfaction because it signals a commitment to the relationship and minimizes the discrepancy between the expected and actual outcomes. Reputation has a key effect on both contractual term specificity and contingent adaptability. Reputable partners will likely be willing to take a consideration of changing circumstances. The ability to respond to changing conditions, will in turn lead to contractual satisfaction. Structuring contractual terms with reputable partners can likely be less challenging because it is easy to access their information from third parties or other reliable sources. Extensive information search and verification is likely to be minimal when drafting contractual terms with reputable partners. It is also likely that reputable partners respect the contractual terms during the execution period, which in turn leads to contractual satisfaction.

7.6.2 Practical implications

At this point, it is helpful to remember the example, in the introduction i.e. London 2012 Olympic contractual failure between G4S (Group for securicor) and the British government. The current study has indicated that reputation has a positive influence on contractual satisfaction. The effect of G4S loss in reputation extends into other existing contractual relations that the firm has. The manager needs to ensure that their contractual relations with existing partners are well secured because failure can lead to dissatisfaction in other contractual relations. Being able to design, contractual terms are as relevant as adjusting to uncertainties. Dissatisfaction that leads to termination of the contractual relationship in the mentioned example was largely a product of failure to adapt rather than to specify terms. Behavioral interventions that can lead to reduced levels of perceived opportunism are also relevant in ensuring that partners are not dissatisfied by factors that are not core to contractual performance.

Contractual satisfaction has practical significance for managers because it is a specific level of assessing contractual relations. Exchange features (such as how contracts are specified) and the relational dimensions are significant in influencing contractual satisfaction. In designing contracts, the role of term specificity and of adaptability should receive proper attention so as to facilitate contractual satisfaction. When choosing partners, ex-ante aspects such as reputation can be used as assessment criteria because they contribute towards contractual satisfaction.

Reputable partners strive to maintain their reputation status and on that respect, they fulfill their contractual obligations. Behavioral aspects such as opportunism have opposing effects on contractual satisfaction. Building up satisfactory contractual relations should, among other things push for a trusting relationship.

7.6.3 Limitations

The study has only looked at contractual satisfaction and not the overall satisfaction. Studying specific and overall satisfaction levels can provide a broad explanation of the studied phenomenon. The concept of satisfaction is broadly studied in both consumer and industrial marketing. We have focused on the area of industrial marketing perspectives and not general areas of satisfaction. The sets of theories that we used in exploring this subject are limited. Other theories like dependence and institutional perspectives can be of relevance in the future. Using a single country adds another limitation when it comes to generalizability of findings.

The study is also limited in terms of methodological approach. Data that have been used for this study are cross-sectional. Use of longitudinal data can improve the understanding of the subject. Factors that influence satisfaction are ex-ante and ex-post in nature. This means that the use of data that represent different points of time can provide a rich source of information on satisfactions.

Finally, this study is limited by investigating only inter-firm contractual relations and no other forms of contracts such as between firms and individuals. The perception of individual buyers when it comes to evaluation of purchase can vary significantly

compared to the industrial (firms) buyers. Our results are thus relevant to the transactions that involve firms rather than individuals.

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APPENDIX 3

CONSTRUCT	ITEM	SOURCE	LOADING
CONTRACTUAL SATISFACTION (CONTRSAT) α=.93 CR =.94 AVE=.81	We feel that this contract provides the direction needed for this relationship		.842
	We feel that this contract can be enforced when problems arise		.930
	We feel that this contract provides no room for cheating		.936
	We do not feel that this contract needs to be changed		.905
TRUST α=.89 CR=.91 AVE=.79	When an unexpected situation arises, the parties have a mutual understanding that a win-win solution will be found, even if it contradicts our formal agreements	Carson et al. (2006)	.830
	The parties hold mutual expectations that each will be flexible and responsive to requests from the other, even if not obliged to do so by our formal agreements		.879
	Both parties understand each other when problems arise		.862
REPUTATION (REPT) α=.92 CR=.92 AVE=.68	Quality of supplier's management is high		.840
	Quality of products and services of this supplier is high		.762
	This supplier is performing well financially		.798
	This supplier has the ability to attract, develop and keep talented people		.814
	This supplier is socially and		.846

	environmentally responsible		
	This supplier behaves ethically and is reliable		.807
	This supplier is well respected in society		.839
BUYER-PERCEIVED OPPORTUNISM (OPPORT) α=.88 CR=.92 AVE=.73	This supplier sometimes promises to do things and then fails to do them later	Rokkan et al. (2003)	.752
	This supplier rarely acts in accordance with our contract(s)		.844
	This supplier sometimes tries to breach informal agreements we have made to maximize his own benefits		.862
	This supplier sometimes uses unexpected events to his advantage		.845
	This supplier rarely acts in accordance with our expectations		.842
CONTRACTUAL TERMS SPECIFICATIONS (TSPC) α=.87 CR=.92 AVE=.73	Parties liabilities are well specified	Luo (2002), Aubert et al. (2000), Hendrikse & Windsperger (2010)	.879
	The responsibilities of the parties are well specified		.786
	Information flow is well specified		.834
	The confidentiality of information exchange is well specified		.696
ADAPTABILITY (ADAPT) α=.89 CR=.93 AVE=.81	Arbitration procedures are well specified in our contract	Luo (2002), Aubert al. (2000) Hendrikse & Windsperger (2010)	.809
	Renegotiation periods were planned before the relationship began		.885
	The contract specifies major principles or guidelines for handling unanticipated contingencies as they arise		.884

CHAPTER EIGHT[11]
CONTRACTUAL SATISFACTION
THE POLISH AND TANZANIAN PERSPECTIVES

Abstract

Purpose: Inter-firm satisfaction has been studied at the aggregate level, which has limited use in terms of understanding specific dimensions. Contractual satisfaction relates to the specific level of evaluating inter-firm contractual relationships. This study contributes towards understanding contractual satisfaction and the contextual nature of the concept. To achieve the later, two heterogeneous emerging markets were used (Poland and Tanzania).

Methodology: The study was conducted in Poland and Tanzania, focusing on manufacturing firms. The sample included 201 Polish firms and 240 Tanzanian firms.

Findings: The major findings suggest that ex ante contractual efforts and ex post contractual specifications have a significant positive effect on contractual satisfaction, with a stronger effect in Poland. Behavioral uncertainty has a significant moderating effect on these two constructs in Tanzania but not in Poland, while the moderating effect of trust is found to be significantly positive in Poland but negative in Tanzania.

Research Implications: The nature of markets and institutions has an influence on existing inter-firm contractual relationships

Practical Implications: Contractual satisfaction is not homogeneous across markets; managers should pay attention to specific contextual factors such as institutions and the stage they are at in their transformation.

Originality: The study looks specifically at contractual satisfaction and extends the contractual governance literature by considering heterogeneous emerging markets.

Keywords:
Contractual satisfaction; ex ante contractual efforts; ex post contractual specifications; history; emerging markets

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8.0 Introduction

Most studies on satisfaction are based on consumers. Satisfaction can be studied at the aggregated level or by looking at a specific dimension. In business-to-business relations, there is a range of dimensions by which satisfaction can be evaluated. Evaluating satisfaction via specific dimensions provides deeper and more practical insights, which may be relevant for strategic decisions. Contractual satisfaction refers to an ex post evaluation of inter-firm contractual relations.

Normative expectations are a characteristic feature in most contractual relations. Studying contractual satisfaction will provide us with important drivers of these expectations. It is also important to study contractual satisfaction because most contractual relations are at the satisficing rather than the optimum level (Bolton & Faure-Grimaud, 2010). This is due to the complex and dynamic environment in which they exist (Choi, Lee, & Kim, 1999). The complexity will vary in different institutional settings, forcing the parties to adjust with the context.

Most studies have considered the aggregate level of satisfaction in business-to-business relations. This study makes two key contributions: one, relating to the concept of contractual satisfaction and its drivers and the other to the contextual interplay of the concept. Introducing contractual satisfaction into the study of inter-firm contractual relations represents a step toward explaining contractual governance choices and their expected outcomes. With respect to contextual influence, the study chooses two heterogeneous emerging markets. Apart from improving our theoretical understanding, emerging markets has recently become an interesting and growing area for research, due to their growth potential in global business. Two countries drawn from two different regions were selected for this study. The countries have unique features that will be of interest to both practitioners and researchers. This study is organized as follows; first we a concept of satisfaction and contractual satisfaction. We then provide a conceptual framework and hypothesis, followed by research method. The final section consists of the presentation of findings, discussion and conclusion.

8.1 Satisfaction and Contractual Satisfaction

Industrial and relationship marketing literature on satisfaction have drawn much of the literature from consumer research. Consumer research on satisfaction (Cardozo, 1965, Churchill and Suprenant, 1982; Oliver, 1977, 1980; Tse & Wilton, 1988; Westbrook 1981; Yi, 1991) views satisfaction in terms of response evaluation (Oliver and Swan, 1989), judgement (Oliver, 1997) or feeling (Cadotte, Woodruff and Jenkins, 1987) resulted from consumption of a product or service. When such an evaluation/judgement/feeling exceeds the consumer's prior expectations, the outcome is satisfaction; otherwise it is dissatisfaction (when prior expectations are below the actual outcome). This view of satisfaction is commonly referred to as a confirmation / disconfirmation paradigm (Churchill and Surprentant, 1982; Oliver, 1980). Westbrook (1987) specifically pointed out that satisfaction is a ''global evaluative judgment about product usage/consumption'' (p. 260).

The industrial/business relations literature looks satisfaction at the organizational level as opposed to individual consumers. The view of satisfaction in the literature of industrial/business relations literature is the overall contentment (Andaleeb, 1996), positive affective state (Anderson and Narus, 1984), equity feeling (Benton and Maloni, 2005) resulted from the evaluation of different elements in the relationship. Economic and social satisfaction has also been pointed out to be the main dimensions of satisfaction (Geyskens & Steenkamp, 2000). Economic satisfaction is ''outcomes that flow from the relationship between partners, while social satisfaction is ''evaluation of the psychological aspects of the relationship'' (Geyskens & Steenkamp, 2000: 13).

General versus Specific Satisfaction: In connection to the satisfaction views above, it is important to point out on the levels. Two common levels of studying satisfaction are: overall/global and transaction specific. Overall satisfaction covers evaluation across all experiences and services in a relationship (Jonsson & Zinelding, 2003). On the other hand transaction specific limits itself on a specific experience or service. There are few examples of studies that have looked at specific satisfaction levels. Most studies in both consumer (Cadotte, Woodruff and Jenkins, 1987; Churchill and Surprenant, 1982; Oliver, 1997; Westbrook, 1980) and industrial/relationship marketing literature (Benton and

Maloni, 2005; Gassenheimer, Calantone & Scully, 1995; Geyskens, Steenkamp & Kumar, 1999; Ghijsen, Semeijn and Ernston, 2010; Jonsson & Zineldin, 2003; Ping, 2003) have looked at general or global satisfaction. In assessing overall satisfaction, the feedback received has limited use due to inability to trace the specific attributes.

At a management level, it is very helpful to obtain very specific dimensions that can be improved. Crosby and Stevens (1987) identified three levels of relationship satisfaction. These include; (1) interactions with personnel, (2) core service, (3) the organization. In an attempt to study specific elements of satisfaction, Spreng et al (1996) also introduced the concept of information satisfaction which they defined as a ''subjective judgement of the information used in choosing a product'' (pg. 18).

Contractual satisfaction: This study introduces a concept of contractual satisfaction in line with the interaction level of relationship satisfaction (Crosby and Stevens, 1987). In inter-firm relations a contractual evaluation can be one of such specific level of evaluation. Contractual satisfaction refers to a positive feeling resulted from the fulfilled normative and agreed expectations in a relationship. In other words, contractual satisfaction is a transaction-specific and post-evaluation of the experience with a partner in a contractual relationship. As opposed to overall satisfaction (Anderson, & Sullivan, 1993; Spreng et al., 1996) which evaluates experience across all services in the relationship (Jonsson & Zinelding, 2003), contractual satisfaction provides a practical feedback to decision makers because what is evaluated can be traced. Overall satisfaction is an aggregate of the specific attributes, making it is inadequate to portray an in-depth understanding of satisfaction/dissatisfaction at an attribute level. Contractual satisfaction is a transaction specific evaluation, thus it is a subset of overall satisfaction. Relationship satisfaction is also an aggregated (overall) evaluation that has also been studied in business relations literature. Contractual satisfaction is thus a subset of an inter-firm relationship satisfaction, but its evaluation is entirely based on aspects that pertain to a contract. Contractual satisfaction worth studying, because it provides an in-depth understanding of satisfaction originating (linked) to a contract than relationship satisfaction.

8.1.1 Frameworks for studying satisfaction:

Confirmation/disconfirmation paradigm: Satisfaction in consumer research has a strong tendency for applying well-established frameworks. The commonly used framework is the Confirmation/disconfirmation (C/D) paradigm. Oliver (1980) developed the paradigm as an outcome of interpreting the adaptation level theory by Helson (1969). This theory suggests that the perception of stimulus is relative to an adopted standard. The framework revolves around four constructs (expectation, performance, disconfirmation and satisfaction) but the key dimensions are expectation (provides bases for comparison or establishes standards against which performance can be evaluated) and performance (a standard by which disconfirmation can be evaluated). In this model, disconfirmation is an intervening variable. The performance or the confirmation of expectations side of the model is the one which is followed in most studies (Mittal, Ross, and Baldasare, 1998). The reason for this trend is the validity and scale problems (some items measuring expectation are also used in measuring performance). In general terms, satisfaction is determined by the consumers' confirmation or disconfirmation of the expectations. In case of discrepancy between the expectation and actual experience, it will lead into disconfirmation (positive or negative). The positive confirmation is what result in satisfaction (the actual outcome exceeded the expectation). On the other hand the negative confirmation results in dissatisfaction (the actual outcome is below the expectation).

Equity theory has also been used in assessing consumer satisfaction (Tse & Wilton, 1988). Developed from Adams (1963), equity theory is different from the confirmation / disconfirmation paradigm that we have discussed above. This theory is relevant in assessing the exchange relations rather than one time or discontinuous involvement in consumption of services. Further, the theory is more relevant in the inter-firm relations, but with a limited capacity because the focus is on the equity or equal foot in the exchange relations rather than the quality of outcomes. Equity in this theory is determined by the ratio to which individual receive from an exchange (outcomes) to what they bring into the exchange (inputs). The individual differences in the perception of equity were brought into the theory by Huseman, Hatfield and Miles (1987). Individuals can change the equity level by adapting with their own inputs (Walster et al., 1973).

Norms have also been used in studying satisfaction (Woodruff et al, 1983). There are several types of norms. These include, for example brand-based and product-based norms (Woodruff et al, 1983), cultural norms (Morris, 1976). Norms differ with the expectations, and are guarded by consumer experience (Woodruff et al, 1983). The degree to which norms match with performance is a key determinant for satisfaction (Woodruff et al, 1983). Norms are very important in studying inter-firm relations because the perceptions of partners are the outcome of the experience of existing and past relations.

Attribution: The reasons to which user accounts for the failure has been used in examining satisfaction (Folkes, 1984). The attribution theory suggests the action of people (who are rational information processors) to be influenced by their causal inferences (Folkes, 1984). The reason for the product failure (Folkes, 1984) or any negative outcome is a function of the perception attached by the consumer concerning the cause for such discrepancy. This is also relevant in studying satisfaction because when consumers believe that the product malfunction is a result of their own ignorance; the response will be different compared to when such a belief is attached to the seller.

Others models/frameworks: Models or frameworks that are used in industrial/channel relations extend beyond the ones that are dominantly used in consumer research. The models in the field of industrial/channel relations tend to include a range of theories and constructs. Theories involved are transaction cost and relational governance (Andaleeb, 1996; Gassenheimer, Calantone & Scully, 1995; Jonsson & Zineldin, 2003; Razzaque & Boon, 2003) as well as institutional perspectives. Constructs that are mostly used in predicting satisfaction are trust (Andaleeb, 1996; Razzaque & Boon, 2003; Sanzo, 2003), power /dependence (Andaleeb, 1996; Benton and Maloni, 2005; Gassenheimer & Ramsey, 1994; Geyskens & Steenkamp, 2000; Ghijsen, Semeijn and Ernston, 2010; Jonsson & Zineldin, 2003; Razzaque & Boon, 2003), cooperation (Anderson & Narus, 1990; Dwyer, 1980; Jonsson & Zineldin, 2003), communication (Jonsson & Zineldin, 2003; Selnes, 1998), specific assets (Gassenheimer , Calantone & Scully, 1995; Ghijsen, Semeijn and Ernston, 2010), reputation (Jonsson & Zineldin, 2003), commitment (Selnes, 1998), adaptation (Jonsson & Zineldin, 2003), and norms (Gassenheimer, Calantone & Scully, 1995). Most of the highlighted constructs were found to influence satisfaction.

8.3 Conceptual Framework and Hypothesis

Complexity of industrial transactions makes it difficult for objective evaluation of all aspects in the exchange, thus the specific evaluation of satisfaction with the contractual arrangement makes this feasible. Inter-firm contractual relations are both transaction and relationship oriented. Transaction cost theory focuses on assigning specific governance mode on the basis of low (economical) transaction costs (Heide, 1994; Williamson, 1985_a). Under the assumption of bounded rationality, key attributes of the transaction cost are asset specificity, uncertainty and frequency (Williamson, 1985_a). Four of the central costs of transactions are searching, contracting, monitoring and enforcing costs (Hennart, 1993; North, 1990; Williamson, 1985_a).

The most problematic of these dimensions is specific assets that generate a potential for opportunistic (self-seeking) behavior (Williamson, 1985_a). The presence of specific assets in a relationship calls for formal contractual governance (Lui et al, 2009) although such a safeguard mechanism cannot completely ensure protection of assets (Williamson, 1975). Ex-ante efforts (costs) and structural composition are important elements in establishing contractual governance. Ex-ante efforts which reflect the partner and exchange features (Foss & Foss, 2010) together with ex-post contractual specification which addresses the contractual limitations (Chung, 1991) are important in determining the contractual satisfaction.

Ex-ante efforts (costs) are those prior costs that are incurred in establishing the contractual governance. They include such aspects as searching and drafting costs. Ex-post specifications (contingent adaptability) on the other hand, complements for the incomplete nature of contracts. Contractual governance literature suggests that contracts are not complete due to difficulties in specifying unforeseen future events (Williamson, 1975). Part of the remedy for this limitation is the establishment of the contingent adaptability plan (ex-post contractual specification). Contingent adaptability is the same as ex-post contractual specification. In this paper we choose to use the term ex-post contractual specifications. Ex-post contractual specifications provide a guideline on how partners can deal with future contingencies. These specifications are considered to

positively influence contractual satisfaction because of their potential in lowering partners' perceived future uncertainty.

Behavioral uncertainty aspects of transaction cost are also important in the evaluation of contractual satisfaction. The behavioral assumption of transaction cost that human agents are opportunistic by nature (Williamson, 1975, 1991) is associated with problems with monitoring performance of exchange partners (Williamson, 1979). Performance expectations form the bases for how partners evaluate their contractual satisfaction. Behavioral uncertainty can likely generate ill expectations which are associated with dissatisfaction (Grønhaug & Gilly, 1991). When the behavioral uncertainty increases, the perception concerning performance is negatively affected, thus contractual satisfaction will also be affected in the same direction.

Closely related to the argument concerning behavioral uncertainty is trust. The rationalism which is based on mutual expectations (Cannon, Achrol &Gundlach, 2000) has been viewed as a higher-order norm (Noordewier, 1990) that gives rise to other specific relational aspects. Trust as a dominant construct in most relational based literature is one of the relational-based norms (Argyres, 2007). The limitations of contractual governance make relational governance a significant in safeguarding specific assets (Poppo & Zenger, 2002). Trust provides health contractual relationship because partners tend to feel secure, thus their evaluation concerning contractual satisfaction will be positively favored. This observation is consistent with the literature on satisfaction (del Bosque Rodrı´guez, et al, 2006; Jonsson & Zinelding, 2003; Razzaque, 2003).

Interaction relations of the above dimensions have important implications to contractual satisfaction. For example, behavioral uncertainty can lower the effect of ex-ante efforts on contractual satisfaction. Behavioral uncertainty can hardly be fully resolved by increasing ex-ante efforts. The implication is that, when the problem of behavioral uncertainty exists, the effect of ex-ante efforts on contractual satisfaction will decrease. On the other hand trust can increase the effect of ex-post specifications on contractual satisfaction. Both trust and ex-post specifications act in a same direction. While trust forms a relational complementary effect, ex-post specifications form an alternative mechanism to deal with future uncertainties. The combined effect will thus lead to

increased effect of ex-post specifications on contractual satisfaction, when there is trust in a relationship. It is also worth noting that trust is essential for successful adaptation.

The role of institutions is important in shaping contractual satisfaction. Institutions can be defined as "regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior" (Scott, 1995: 33). Efficiency (North, 1990; Williamson, 1985$_b$) and legitimacy (DiMaggio & Powell, 1983; Scott, 1995) are commonly known institutional poles.

Recent statistics indicate that the proportion of the world's manufacturing goods coming from emerging markets is increasing, while that from mature markets is falling (UNCTAD, 2012). This is an indicator of the growing role of emerging markets in the global economy. The shift of global business toward emerging markets calls for scholarly attention in integrating data from these markets to theoretical analysis. The hidden assumptions when conducting research in mature markets have been pointed out (Meyer & Peng, 2005), but the challenge remains as to how specific contextual aspects can be integrated into the theoretical development. One mechanism for achieving this is a comparison of findings from different contextual environments.

For this comparison to work properly, the countries or regions that are compared need to have sufficient differences. One current limitation of the contextual comparisons made in most studies on business-to-business relations is the use of firms that originate from closely related regions. In this study, the countries selected come from regions that present distinctive features. Poland (from Central and Eastern Europe) and Tanzania (from Sub-Saharan Africa) are distinctive in many aspects.

Eastern and Central Europe, for example, has been considered an attractive debt market since the Eurozone crisis (Oprita, 2012a), while Sub-Saharan Africa on the other hand has been named the region with the second highest economic prospects in the world for the years 2011-20 (Economist, 2011). The countries selected have also specific differences that make them interesting to study. With respect to economic performance, Poland was the only country in East and Central Europe to have post economic growth during the 2009 recession (Oprita, 2012a). On the other hand, Tanzania is ranked as one

of the fastest growing economies in Africa (Economist, 2011). It is also ranked among the top 15 countries in Africa in terms of FDI; these 15 countries have attracted 82% of new FDI projects in Africa since 2003 (Ernest & Young, 2012). In relation to culture, Poland and Tanzania are relatively similar in terms of power distance and long-term orientation, but differ in terms of individualism, masculinity and uncertainty avoidance (Hofstede, 2012), with Poland ranking higher in all three dimensions.

Most studies involving relational dimensions tend to be more institutionally-based than those that involve technical aspects (Kiggundu, Jorgensen, and Hafsi, 1983). We expect the constructs that influence contractual satisfaction to vary across the two markets. For example, in some cases the dimensions like behavioral uncertainty can significantly vary due to cultural differences.

Hofstede's (1980) uncertainty avoidance aspect of culture can significantly influence firms' perception of behavioral uncertainty. In advanced emerging markets, there are better mechanisms to deal with the problem of performance measurement than in less advanced emerging markets. Thus we can experience less effect of behavioral uncertainty on contractual satisfaction in advanced emerging markets and strong effect in less advanced ones. Other variables such as ex-ante costs, ex-post specifications and trust are expected to vary by their effects' strength due to institutional contexts of the specific markets. This also applies to the interactive effects.

The conceptual model presented in figure 18 below suggests that while trust, ex-post contractual specifications and ex ante costs have a positive impact on contractual satisfaction, behavioral uncertainty has a negative one. The model also suggests an interaction effect. Behavioral uncertainty is expected to decrease the effect of ex-post specifications on contractual satisfaction while trust will increase the effect of ex-ante costs on contractual satisfaction. The institutional context is also expected to influence the variations of the relations across the two markets. The control variables (size, Foreigness of supplier and network relations) were introduced in the model based on their theoretical relevance. We have controlled for size because the evaluation (such as satisfaction) is related to the size of the given firm (Backhaus & Bauer, 2001). Networks relations were used based on a positive link between network relations and satisfaction

(Ganesan, 1994). The foreignness of supplier was used due to its influence on trust in inter-firm relations (Shane, 1992). The detailed link between the specific constructs and contractual satisfaction is provided in the hypothesis section.

Figure 18: Conceptual Model
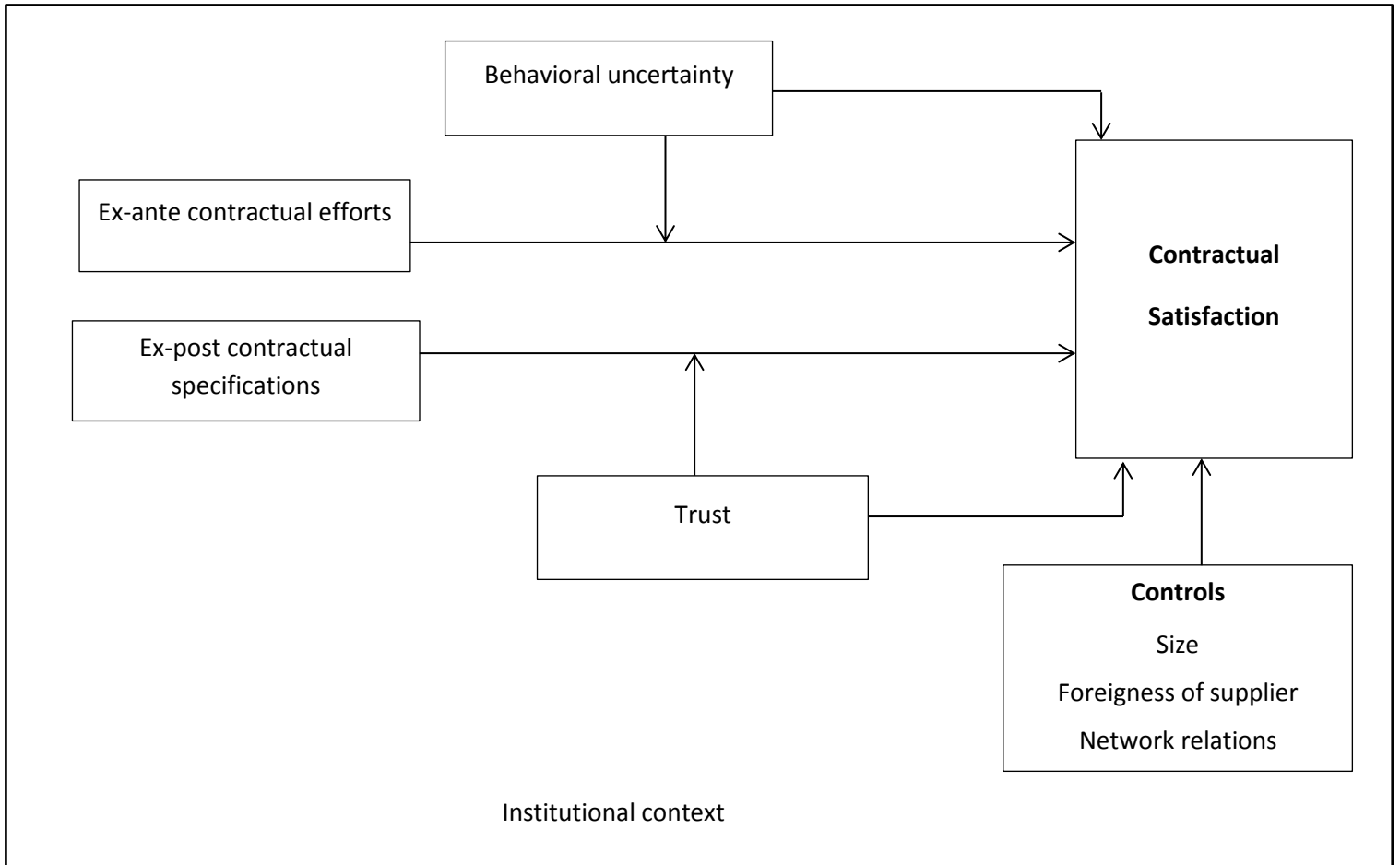
8.3.1 Main effects on contractual satisfaction

8.3.1.1 Behavioral uncertainty

Behavioral uncertainty is likely to increase measurement costs (Rindfleisch, 1997). Due to the fact that most transactions refer to future performance, inadequate expectations regarding the behavior of partners can result in dissatisfaction (Grønhaug & Gilly, 1991).

With regard to the question of whether it is expectations or behavior that matters more, Gassenheimer, Calantone, and Scully (1995) indicated that the convergence between the two is what results in satisfaction. When the exchange partners make plans in relation to each other "that is the source of *ex ante* uncertainty and *ex post* surprises" (Williamson 1985$_a$: 57-58). Such uncertainty is likely to reduce satisfaction, and in addition it is likely to increase the measurement costs, which also may reduce contractual satisfaction.

H1: Behavioral uncertainty will have a negative effect on contractual satisfaction.

8.3.1.2 Ex-ante contractual efforts (costs)

Ex ante contractual efforts are those that firms incur prior to a relationship in an attempt to establish contractual relations. They are often incurred in the process of obtaining guidance for the inter-firm relationship (Anderlini & Felli, 1999). This can include searching and contractual drafting (Hennart, 1993; North, 1990; Williamson, 1985$_a$). The costs will increase with greater environmental complexity, especially in emerging markets (Choi et al., 1999). This increase in costs will lower the benefits of having "optimal contracts" (Segal, 1999) in some contexts. Ex ante contractual efforts can reflect both the nature of the transaction and of the parties involved (Foss & Foss, 2010). The main reason why firms incur ex ante contractual efforts is to ensure a certain satisficing level that is comfortable for carrying out a contractual relationship. Firms that provide some sunk costs for ensuring better contractual relations are more likely to be satisfied. Thus;

H2: Ex ante contractual efforts will have a positive effect on contractual satisfaction.

8.3.1.3 Ex-post contractual specifications (contingent adaptability)

Ex post contractual specifications (contingent adaptability) are defined as guidelines provided in the contractual arrangement to deal with unexpected events. As opposed to ex ante contractual efforts, which are sunk costs that limit contractual failures, ex post contractual specifications are set within the contractual framework. A key role played by ex post contractual specification is the governance of contingent aspects so as to reduce the chances of a contractual failure.

In the real world, contracts operate under changing conditions which force parties to leave open options for future renegotiations (Williamson, 1975). Renegotiations are likely to vary across borders (Luo, 2005) due to institutional differences (Choi et al., 1999). Grossman and Hart (1986) also noted the efficiency of ex post specifications under the assumption of infeasible ex ante written contracts. Initial agreements are generally "ex post inefficient" (Chung, 1991) and future dimensions of the transaction "may not be foreseeable at this initial stage" (Segal, 1999). This means that parties can likely gain from properly restructuring their agreements to include or specifying ex post options. Due to a "lack of knowledge and resources in formulating complete contracts" (Grønhaug & Gilly, 1991: 169), ex post specifications can act as a substitute for complete contracts (Chung, 1991) and parties can gain by agreeing to restructure arrangements. Ex post specifications can thereby generate perceived satisfaction.

H3: Ex post specifications will have a positive effect on contractual satisfaction.

8.3.1.4 Trust

Trust is defined as the 'actors' expectation of the other party's capability, goodwill and self-reference in future situations involving risk and vulnerability (Blomqvist et al, 2005:269). It is thought to play a power-balancing role (Arrighetti & Bachmann, 1996) in the development of long-term relationships. Different perspectives have been put forward in relation to trust, but the key ones suggest that trust is a "cognitive expectation, or affective sentiment, a risk-taking behavior or a willingness to engage in such behavior" (Smith & Barclay, 1997: 5). Because trust presents a psychological feeling about, or the perceived value of a relationship (Arrow, 1974), it is likely that partners will feel more secure and satisfied when trust exists in a relationship. In business-to-business relations, trust has also been found to have a positive association with satisfaction (Jonsson & Zinelding, 2003). Thus;

H4: Trust has a positive effect on contractual satisfaction

8.3.2 Interactive effects on contractual satisfaction

8.3.2.1 Behavioral uncertainty and ex ante contractual efforts

Apart from increased ex ante contractual efforts, perceived behavioral uncertainty also leads to lower contractual satisfaction due to perceptions of insecurity. This means that the effect of ex ante contractual efforts on contractual satisfaction can be reduced as a result of an escalating behavioral uncertainty.

The reason for this is the increased divergence between expected and actual relational outcomes that is associated with an increase in behavioral uncertainty. Generally speaking, satisfaction will be close to ideal when partners' expectations are close to the actual outcomes, a situation that is more likely when there is less behavioral uncertainty. Increasing ex ante contractual efforts under a situation of behavioral uncertainty can lead to dissatisfaction because the partners' mind is turned towards disconfirmation. Thus,

> *H5: Behavioral uncertainty has a stronger negative effect on contractual satisfaction when ex ante contractual efforts are higher than when ex ante contractual efforts are low.*

8.3.2.2 Trust and ex post specifications

Since trust tends to act as an alternative control mechanism (Bradach & Eccles, 1989), its presence will have a significant impact on inter-firm relations (Andaleeb, 1996), in terms of influencing the partners' perceptions of the contract (Arrow, 1974). This implies that the impact of ex post specifications on contractual satisfaction will also be greater when there is a high level of trust. Trust is an important ingredient, especially when dealing with future unexpected events. Ex post specifications deal with events that occur in the contractual execution period. For these arrangements to result in contractual satisfaction, atmosphere where the partners believe the adjustments are being made in good faith and for the benefit of all parties involved is essential. Under conditions of trust, ex post specifications will increase contractual satisfaction due to a feeling that the other partner is not taking advantage of the situation. In other words, trust provides an internal assurance that the expectations will be met. In a situation where such expectations are not

met, the discrepancy is taken as an outcome of actions done in good faith. Such a sense of assurance is well connected to satisfaction. Thus;

H6: Under high levels of trust, the effect of ex post specifications on contractual satisfaction will be strengthened.

8.3.3 Controls

8.3.3.1 Size
The size of the firm has implications for the evaluation of satisfaction. Foa & Foa (1974) found that large firms are less likely to become dissatisfied when there is a discrepancy between the expected and actual results in comparison to small firms. Backhaus & Bauer (2001) noted the similar role of size in the evaluation of inter-firm transactions. Thus, we expect the firm's size to have an influence on its contractual satisfaction.

8.3.3.2 Foreignness of supplier
Based on the role trust plays in satisfaction and the fact that the trust level is likely to vary in international relations (Shane, 1992); we expect foreignness of supplier to have an influence on contractual satisfaction.

8.3.3.3 Networks
Networks refer to the situation where "two or more organizations" (Thorelli, 1986: 37) are involved in a relationship. Researchers have recognized the importance of satisfaction in business relations, indicating that relations have an impact on satisfaction (Dwyer et al., 1987; Pfeffer & Salancik, 1978). There is a positive link between network relations and satisfaction (Ganesan, 1994), so we expect networks to have the same type of effect on contractual satisfaction.

8.4 Research Methods

8.4.1 Research design

This study used a cross-sectional survey in obtaining data from Tanzania and Poland, focusing on the manufacturing firms. This design was essential for collecting standardized information (Robson, 1996: 49) in a fast and efficient way (Zikmund et al, 2010). Further, the study was designed for empirical analysis, thus the total sample size was relatively large in each country.

8.4.2 Data collection method

Data collection involves the process of obtaining the information or responses from targeted sample frame. This process can be varied (McQueen & Knussen, 2002) due to differences in the institutional settings. We used two countries with a focus on manufacturing firms in obtaining the information (the rationale for this context can be found in the introduction section), and thus the presentation of data collection processes will take into account the institutional aspects.

In both countries (Tanzania and Poland) data were collected from the buying side of the dyadic relationships. Data collection involved both primary (interviews and self-administered questionnaires) and secondary sources (archives, reports, newspaper etc.). In the section below, we provide a detailed examination of these sources.

8.4.2.1 Self-administered questionnaire

Self-administered questionnaires were delivered through two common ways; electronic and paper based. In Poland we used electronic based distribution, while in Tanzania we used a paper based through personal delivery. The good global e-readiness ranking in Poland (Bilbao-Osorio et al, 2013) was a key factor that favored the use web based survey on delivering the questionnaires there. The web based survey in Poland was facilitated by SurveyXact data collection software. The software has several advantages, including monitoring the real time response and constraining the questions that are mandatory. In Tanzania, a paper based distribution was preferred due to low e-readiness rankings. Further the institutional contexts (culture) in Tanzania prefer personal

communication than the in-person one, especially when dealing with sensitive information. The presence of the interviewer in the personal delivery can increase both the participation rate and the representativeness of the sample (Zikmund et al, 2010). In both countries, the telephone was also used in contacting potential respondent before delivering the questionnaires. This mechanism was important for lowering the non-response rate. In addition, the reminders were sent in Poland (two times), while in Tanzania, follow-ups were made personally.

8.4.2.2 Personal-interview

Personal interview was conducted in Tanzania using anonymous firm, so as to gain a better insight on the nature of the problem. The assumption for not including Poland in this preliminary interview was the availability of prior researches which were performed in a related context. An interview is a purposeful conversation (Robson, 1996), thus the key aspects that were focused on the interview was those that reflected the concept of the study. The interview was semi-structured, so as to allow the respondent flexibility in raising other issues along the main questions. The interview lasted for about one hour.

8.4.2.3 Documentary review

The use of secondary data was important for developing a contextual argument for the heterogeneity of the economies. The secondary sources included both online and offline data ranging from reports, newspapers, archives and similar sources. Reputation of data agencies was given a key priority. The choice of reputable sources was motivated by reliability and validity concerns. Most of secondary data agencies included reputable organizations such as the World Bank, United Nations, World Economic Forum, The Economist, Transparency International and national portals of respective nations.

8.4.3 Sample selection

The sample was mainly obtained from the population of manufacturing firms in Tanzania and Poland. In Poland a sample frame of 1800 firms was targeted (From directory of Poland companies, 2011), while Tanzania the targeted sample frame was about 750 firms (Listed companies in Tanzania Revenue Authority, 2011). The choice of sample units was purposive but we introduced a random selection of transaction (exchange) units

which respondents based on their responses. When a focus is on exchange, it is possible to induce the randomness in the selection of a particular exchange that can be evaluated.

This was done by instructing respondents to choose between first, second or largest supplier before answering the questionnaires. This implies that each exchange had equal chances of being selected by the respondent. Such a mechanism is feasible in studies related to contracts because the focus is on the exchange. The general concern for this form of choice is bias (Bryman, 2004), which in most cases is assumed to result from the researcher. The bias was not a critical problem with this form of selection because responses originated from various sample units and each is assumed to be independent.

8.4.4 Data profile

Table 16 below provides a summary of data profile for the both countries. The profile information covers; sample size, response rate, average number of employees, average annual sales, average purchase frequency, length of the relationship and nature of partners involved.

Table 16: Data Profiles

Item	Tanzania	Poland
Sample size	240	201
Response rate	31.25%	33%
Average number of employees	1,020	255
Average annual sales (USD)	7,270,004	16, 558, 089
Average purchase frequency (per month)	6	5
Minimum length of relationship (year)	1	1
Number of subsidiaries of international companies	5.4%	11%
Number of joint ventures with international partners	8.4%	8.7%
Number of domestic companies owned by local citizens	57.1%	56.5%
Number of foreign suppliers	29.2%	23%

8.4.5 Measurements

A list of the measures employed in this study is provided in the appendix 4, including information on loadings, Cronbach's alpha, composite reliability and average variance extracted for both countries.

To ensure reliability, an exploratory followed by a confirmatory factor analysis were conducted. For confirmatory factor analysis of predictor variables we used AMOS 19 to estimate the structural model. In each country we obtained two models; the freely estimated and constrained model. The freely estimated model for Poland [chi-square= 306 (df= 125, p=.000), NFI=.89, TLI=.91, CFI=.93, RMSEA=.085, PCLOSE=.000] and Tanzania [chi-square= 613 (df= 250, p=.000), NFI=.89, TLI=.91, CFI=.93, RMSEA=.06, PCLOSE=.003] performed poorly, while the constrained model for Poland [chi-square= 185(df= 122, p=.000), NFI=.93, TLI=.97, CFI=.98, RMSEA=.05, PCLOSE=.44] and Tanzania [chi-square= 371 (df= 244, p=.000), NFI=.93, TLI=.97, CFI=.98, RMSEA=.036, PCLOSE=.999] fitted well the data. In both constrained models we allowed for correlation of error terms in some factors (Kline, 2005). Most of the constructs used had been developed and tested in previous studies, including the controls (size of firm, the foreignness of the supplying firm and networks). However, some constructs were adjusted to fit the new context.

Contractual satisfaction (CONTRSAT) was reflectively measured with a multidimensional construct (Brown, Lusch, & Smith, 1991; Geyskens & Steenkamp, 2000; Ruekert & Churchill, 1984; Schul, Little, & Pride, 1985). This is consistent with the satisficing perspective of contracts (Bolton & Faure-Grimaud, 2010) but new items were developed to fit the present context. Six items were used to measure the concept and four of them were retained. The items that were dropped had low loadings in the initial factor analysis. The confirmatory factor analysis indicated that the two items were not good measures for the concept. The validity of performance-based satisfaction measurement has been shown to work particularly well in situations where customers have extensive experience with the object being evaluated (Yi, 1993; Patterson,1993). This applies especially in business-to-business relationships.

Behavioral uncertainty (BU) reflects the degree of difficulty associated with assessing the performance of a transaction partner (Rindfleisch, 1997). The measures used in measuring this concept were adopted from Buvik & Andersen (2002). This study used five items in measuring the concept. After performing a factor analysis, four items were retained and one was deleted due to low factor loading. The range of factor loading was from 0.86 to 0.89 in Tanzania and 0.75-0.79 in Poland.

Ex ante contractual efforts (ECE) reflect both the financial and non-financial expenses incurred by the buyer prior to the commencement of the relationship with the supplier. The measures used in this study are consistent with Segal (1999) view on ex-ante efforts, but new measures were added to fit the study context. Five items were used in measuring the concept. After performing a factor analysis, all the items were retained. The range of factor loadings was from 0.71 to 0.84 in Tanzania and 0.77-0.91 in Poland.

Ex post contractual specifications (EPS) reflect the degree to which specifications are made to deal with future problems or contingencies in the contractual relationship. Such specifications are made ex ante. This study developed new measures for this construct consistent with Segal (1999). Four items were used to measure this concept. After performing a factor analysis, three were retained and one was deleted due to low factor loading. The range of factor loadings was from 0.85 to 0.88 in Tanzania and 0.95-0.97 in Poland.

Trust measures were adapted from Carson, Madhok, and Wu (2006). The concept was measured using seven items reflecting the degree to which the partners have mutual expectations and understanding. After performing factor analysis, three items were retained and four were deleted due to low factor loadings. The range of factor loadings was from 0.87 to 0.90 in Tanzania and 0.88-0.93 in Poland.

Size of firm was measured by the number of employees.
The foreignness of supply firm (FC) was measured with a dummy variable set to 1 if the supply firm was foreign and 0 otherwise.

Network relations (NEWREL) focus on the connection between firms (Holm et al., 1996; Mitchell, 1973; Nohria & Eccles, 1992). Four items were used to measure this concept. After performing a factor analysis three items were retained and one was deleted due to low factor loading. The range of factor loadings was from 0.83 to 0.91 in Tanzania and 0.67-0.93 in Poland.

8.4.6 Data analysis

Data analysis was mainly quantitative. Two data analysis software (SPSS 19 and AMOS 19) was used in entering and the analysis of data. Data were first entered into SPSS19 and cleaned for outliers, missing variables, and non-normality problems. Preliminary data analysis was conducted. At first an exploratory factor analysis was conducted via SPSS19. Most concepts have been established in previous research, thus we selected the factors that had scores of .50 or above. After the initial results from the exploratory tests, we conducted a confirmatory factor analysis test using AMOS19. The final constructs were those which the findings are built on. The task of testing the specific relations involved different techniques, such as ordinary least square regression, structural equation modeling and ANOVA.

Multiple regression analysis can be faced with Measurement and specification errors. We resolved both errors by using the summated scales and variables that have a strong theoretical base respectively (Hair et al., 2010). ANOVA was used to compare the differences in the variables' impact across the two countries. For comparison purpose, the data were standardized using means for the two countries (Aiken & West, 1991). We also supplemented this test with the effect size computation and chow tests (Matsumoto et al., 2001). These tests provided the relevant information which was not captured in ANOVA. We also tested for the interaction effects. The variables involved in interaction tests were mean centered and the results were plotted in graphs (Aiken & West, 1991).

8.4.7 Validity

Validity is a key issue that needs to be addressed in social sciences research because it deals with the degree to which a measure is accurately represented (Hair et al, 2010). The commonly tests include; discriminant, convergent, and nomological validity.

We assessed discriminant validity using Fornell and Larcker's (1991) rigorous test (Anderson & Gerbing, 1993). The test supports for discriminant validity when the average variance extracted (AVE) for two factors are greater than the square of the correlation between the two factors). The results presented in tables 17 and 18 confirm this test. Factor loadings and construct validity were used to test for convergent validity. The rule of thumb suggests the factor loadings of .5 or greater and construct reliability of .7 or higher (Nunnally, 1978; Hair et al., 2010). All factors loadings and construct reliability (CR) fulfilled these rules of thumb (results are available in the appendix 4), thus confirming the convergent validity. We inspected the inter-item correlations if they make sense, as a procedure for testing nomological validity (Hair et al., 2010) and the results confirmed for nomological validity (the inter-item correlations had a theoretical sense).

8.4.8 Reliability

In addition to validity test, reliability test is conducted to ensure that the observed variable to a large degree measures the ''true'' value and is ''error'' free (Hair et al., 2010:8). The two key alternatives for testing reliability according to Hair and colleagues (2010), these include; (1) to relate each separate item, including the item to total correlation. Rules of is that the item-to-total correlations should exceed .50 and that the inter item correlations exceed .30; (2) is reliability coefficient, which assesses the consistency of the entire scale with correlation alpha, being most widely used measure. The generally agreed lower limit for cronbach's alpha is .70, although it may decrease to .60 in exploratory research. This study fulfilled the above mentioned ruled of thumb, thus confirming the reliability (see appendix 4).

Further, we conducted a collinearity check. When multicollinearity exists in the empirical studies, the interpretations become less reliable (Hair et al, 2010). The problem can be assessed by tolerance and its inverse (the variance inflation factor). According to Hair and colleagues (2010), the cutoff point is Tolerance of .01 (corresponding to VIF value of 10.0). The maximum VIF for this study was 1.6 and 2.29 for polish and Tanzanian model respectively (table 19). This indicates the study did not suffer from a multicollinearity problem.

Table 17: Tanzania Correlations

	1	2	3	4	5	6	7	8	9	10	11
1.CONTRSAT	**0.60**										
2.BU	-.35**	**0.67**									
3.ECE	.34**	-.20**	**0.61**								
4.EPS	.22**	-.09	.30**	**0.63**							
5.TRUST	.14*	.27**	.17**	.20**	**0.60**						
6.ECEXBU	-.19**	.04	.13*	-.10	.13*	na					
7.EPSXBU	-.18**	.17**	-.10	.04	.16*	.47**	na				
8.EPSXTRUST	-.44**	.17**	-.29**	-.12	.19**	.12	.19**	na			
9.SIZE	-.23**	-.07	-.18**	-.24**	-.10	.16*	.19**	.35**	na		
10.FC	.05	-.25**	-.04	-.08	.07	.07	.02	.07	.14*	na	
11.NEWREL	.08	.16*	-.03	.09	-.44**	-.13*	.02	-.28**	-.06	-.24**	**.80**
MEAN	3.96	2.32	4.01	3.94	3.54	-.14	-.08	.17	1965.40	.29	2.73
SD	.82	1.02	.70	.84	1.00	.70	.83	.80	14906.71	.46	1.13

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

N=201. Diagonal elements in bold are the average variance extracted for constructs measured reflectively with multiple items, while the off diagonal elements are the square of correlations

Table 18: Poland Correlations

	1	2	3	4	5	6	7	8	9	10	11
1.CONTRSAT	**0.70**										
2.BU	-.13	**0.65**									
3.ECE	.16**	-.09	**0.61**								
4.EPS	.29**	-.11	.35**	**0.87**							
5.TRUST	.24**	-.02	.20**	.22**	**0.60**						
6.ECEXBU	.13	-.09	.05	.16*	.01	**na**					
7.EPSXBU	.10	.00	.15*	.02	-.01	.50**	**na**				
8EPSXTRUST	.05	-.01	.00	.24**	-.09	.27**	.04	**na**			
9.SIZE	-.03	.03	.01	-.06	-.10	-.01	-.02	.06	**na**		
10.FC	-.11	.03	.01	-.14	-.04	.02	-.05	.04	.15*	**na**	
11.NWREL	.28**	-.11	.29**	.28**	.16*	.15*	.12	.02	.03	.05	**.80**
MEAN	3.65	2.85	3.04	3.16	3.83	-.09	-.10	.15	255.43	.22	2.66
SD	.84	.91	1.09	1.03	.66	1.23	1.23	.86	1444.83	.42	1.31

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

N=201. Diagonal elements in bold are the average variance extracted for constructs measured reflectively with multiple items, while the off diagonal elements are the square of correlations

8.5 Results

The results shown in table 19 below were obtained by entering variables in the regression models in a stepwise procedure, starting with the control variables, then including the independent variables, and finally including the interaction terms. Data were pooled when comparing constructs for the two countries, but the regression equations used separate data for each country.

Table 19: Regression Results

INDEPENDENT VARIABLES	POLAND MODEL1 β	t	MODEL2 β	t	MODEL3 β	t	TANZANIA MODEL1 β	t	MODEL2 β	t	MODEL3 β	t
Controls												
FC	-.12	-1.68*	-.04	-.80	-.04	-.71	.10	1.5*	.04	.85	.03	.58
SIZE	-.02	-.03	.035	.67	.04	.73	-.24	-3.8***	-.12	-2.40**	.03	.66
NEWREL	.29	4.25***	.07	1.30	.06	1.10	.09	1.4*	.23	3.90	.13	2.5**
Main effects												
BU (*H1*)			-.06	-1.23	-.06	-1.21			-.36	-6.5***	-.33	-6.37**
ECE (*H2*)			.13	2.15**	.12	1.91**			.32	5.3***	.23	3.67***
EPS (*H3*)			.40	6.64***	.41	6.3***			.22	3.5***	.18	2.91**
TRUST (H4)			.37	6.90***	.37	6.81***			.22	3.63***	.24	4.48***
Interactive effects												
ECE x BU (*H5*)					-.02	-.37					-.15	-3.33***
EPS x TRUST(*H6*)					.090	1.8**					-.24	-4.62***
R²	.09***		.47***		.54***		.07***		.51***		.61***	
Adj.R²	.081***		.4***		.51***		.06***		.49***		.59***	
F-value	6.85***		26.5		21.8***		5.71***		33.81***		35.45***	
Incremental R²	-		.508***		.04***		-		.44***		.10***	
F1	-		37.5***		6.03***		-		51***		20***	
Maximum VIF	1.03		1.36		1.6		1.10		1.78		2.29	

N= 201   ***p<0.01   **p<0.05   *p<0.1 F_1 =F-value of incremental R

The reason for not pooling the data for the regressions was to maintain a rich source of information throughout the analysis. Each country has specific contextual factors which affect the measurements. This approach has an advantage not only for those who will be interested in our main results, but also for those who are interested in measurement issues across countries. In the analysis of the interactive effects, all the variables were mean-centered (Aiken & West, 1991). Three regression models were used.

Model 1 (Poland: $R^2Adj=0.09$, $F_{(198, 3)} =6.85$, $p<0.001$; Tanzania: $R^2Adj=0.06$, $F_{(237, 3)} =5.71$, $p<0.001$) included the control variables only. Model 2 (Poland: $R^2Adj=0.40$, $F_{(194, 7)} =26.5$, $p<0.001$; Tanzania: $R^2Adj=0.49$, $F_{(233, 7)} =33.81$, $p<0.001$) included the main effects. Model 3 (Poland: $R^2Adj=0.51$, $F_{(191, 10)} =21.8$, $p<0.001$; Tanzania: $R^2Adj=0.61$, $F_{(230, 10)} =35.45$, $p<0.001$) included the interactive variables, the controls and the main effects. The incremental R^2Adj of M2-M1 (Poland: $\Delta R^2Adj=0.508$, $p<0.001$; Tanzania: $\Delta R^2Adj=0.44$, $p<0.001$) and of M3-M2 (Poland: $\Delta R^2Adj=0.04$, $p<0.001$; Tanzania: $\Delta R^2Adj=0.10$, $p<0.001$) were significant.

Model 3 is used to report the results of hypotheses. In addition to an independent sample t-test, a Chow test was also performed to confirm whether there was a significant difference between the regression equations for the two countries. The results of the Chow test indicated an overall as well as specific variable differences between the two countries that are significant ($p<0.001$). To test for multicollinearity, VIF values were calculated and were in the range of 1.1-2.29, suggesting that the study does not suffer from multicollinearity problems.

8.5.1 Main effects

H1 suggested that behavioral uncertainty has a negative effect on contractual satisfaction. This hypothesis was supported (table 19) in Tanzania ($\beta=-0.33$, $t=-6.37$, $p<0.01$) but not in Poland ($\beta=-0.06$, $t=-1.21$, $p>0.1$). Further inspection (table 20 and figure 19) reveals that the effect size of behavioral uncertainty is significantly higher in Poland (M=2.85, SD=0.914) than in Tanzania (M=2.3, SD=2.3), $t_{(437)} =5.7$, $p<0.001$, $d=0.5$).

H2 suggested that ex ante contractual efforts have a positive effect on contractual satisfaction. This hypothesis was supported (table 19) in Poland (β=0.12, t=1.91, p<0.05) and in Tanzania (β=0.23, t=3.67, p<0.01). Assessing the differences in the observed results, table 20 (and figure 19) indicate that the impact of ex ante contractual effort was higher in Tanzania (M=4.01, SD=0.700) than in Poland (M=3.04, SD=1.09), t (327) = 11.2, p<0.001, d=1.05).

H3 suggested that ex post contractual specifications have a positive effect on contractual satisfaction. This hypothesis was supported (table 19) in Poland (β=0. 41, t=6.3, p<0.01) and in Tanzania (β=0.18, t=2.91, p<0.05). Further inspection (table 20 and figure 19) reveals that, although ex post contractual specifications in Tanzania were higher (M=3.94, SD=1.003) than in Poland (M=3.16, SD=.84), t (437) = 2.5, p<0.001), the effect was significantly stronger in Poland.

H4 suggested that trust has a positive effect on contractual satisfaction. This hypothesis was supported (table 19) in Poland (β=0. 37, t=6.81, p<0.01) and in Tanzania (β=0.24, t=4.48, p<0.05). Further inspection (table 20 and figure 19) reveals relatively higher trust levels among firms in Poland (M=3.83, SD=0.66) than in Tanzania (M=3.54, SD=1.00), t (416) = 3.6, p<0.001, d=0.34).

Table 20

Assessing Effect Size by Country Using an Independent Sample T-Test

VARIABLE	COUNTRY	M*	SD	t	df	d	r	P
ECE	PL	3.04	1.09	-11.2	327	1.05	.5	<.001
	TZ	4.01	.700					
BU	PL	2.85	.914	5.7	437	.5	.3	<.001
	TZ	2.3	1.02					
NEWREL	PL	2.66	1.3	-.65	439	.06	.03	>.05
	TZ	2.73	1.13					
EPS	PL	3.16	1.03	2.5	437	.83	.4	<.001
	TZ	3.94	.84					
TRUST	PL	3.83	.66	3.6	416	.34	.2	<.001
	TZ	3.54	1.00					
FC	PL	.22	.42	-1.62	439	-.16	-.08	p>.05
	TZ	.29	.46					
SIZE	PL	255.43	1444.83	-1.62	439	-.16	-.08	p>.05
	TZ	1965.40	14906.71					

* Mean value used was based on original values, PL=Poland, TZ= Tanzania, d=Cohen d, r=effect size

Figure 19

Comparison of Main Effects
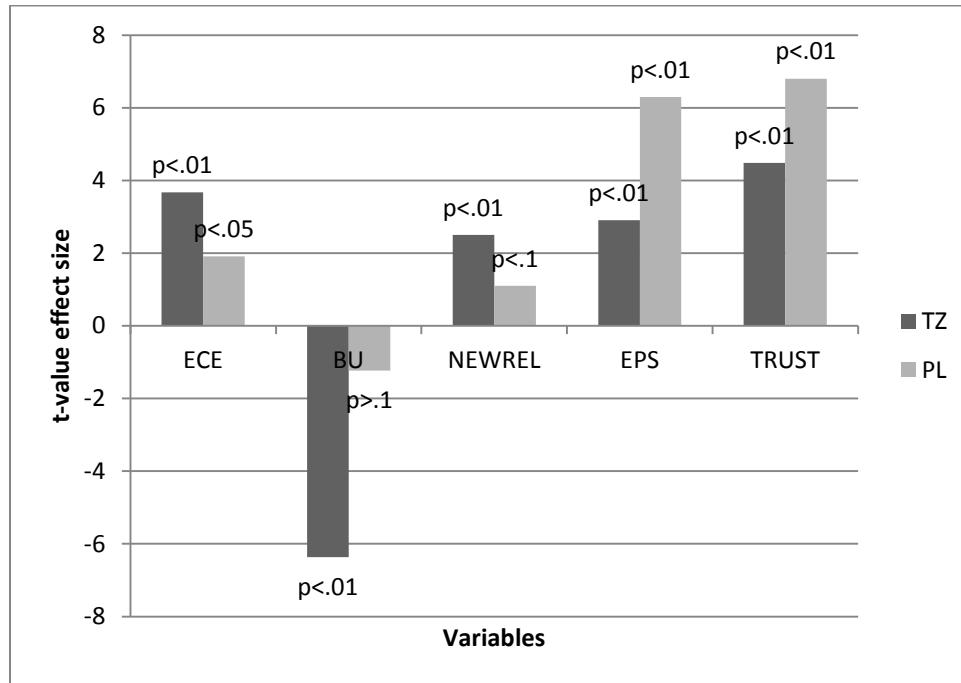
Note: Values above and below bars are the significance levels; negative values indicate a negative effect and positive values a positive effect.

8.5.2 Interactive effect

To test for the interaction effect, all the variables were mean centered.

H5 suggested that, behavioral uncertainty has a stronger negative effect on contractual satisfaction when ex ante contractual efforts are higher than when ex ante contractual efforts are low. Results from table 19 indicates that this hypothesis was supported in Tanzania (β=-0.15, t=-3.33, p<0.001) but not in Poland (β=0.02, t=0. 37, p>0.05). Figures 20 and 21 provide a graphical presentation for Poland and Tanzania respectively.

H6 suggested that the interaction between ex post specifications and trust has a positive effect on contractual satisfaction. This hypothesis is supported (table 19) in Poland (β=0.09, t=1.8, p<0.05) but not in Tanzania (β=-0.24, t=-4.62, p<0.01). In Tanzania, the

values are significant but the effect is in the opposite direction to that expected. Figure 22 suggests that, in Poland, ex post contractual specifications have a positive effect on contractual satisfaction and the effect is greater when trust is high. For Tanzania, figure 23 suggests that ex post contractual specifications have a negative effect on contractual satisfaction, with that effect being greater when trust is high.

Figure 20

Effects of Behavioral Uncertainty and Ex ante contractual efforts on Contractual Satisfaction (Poland)
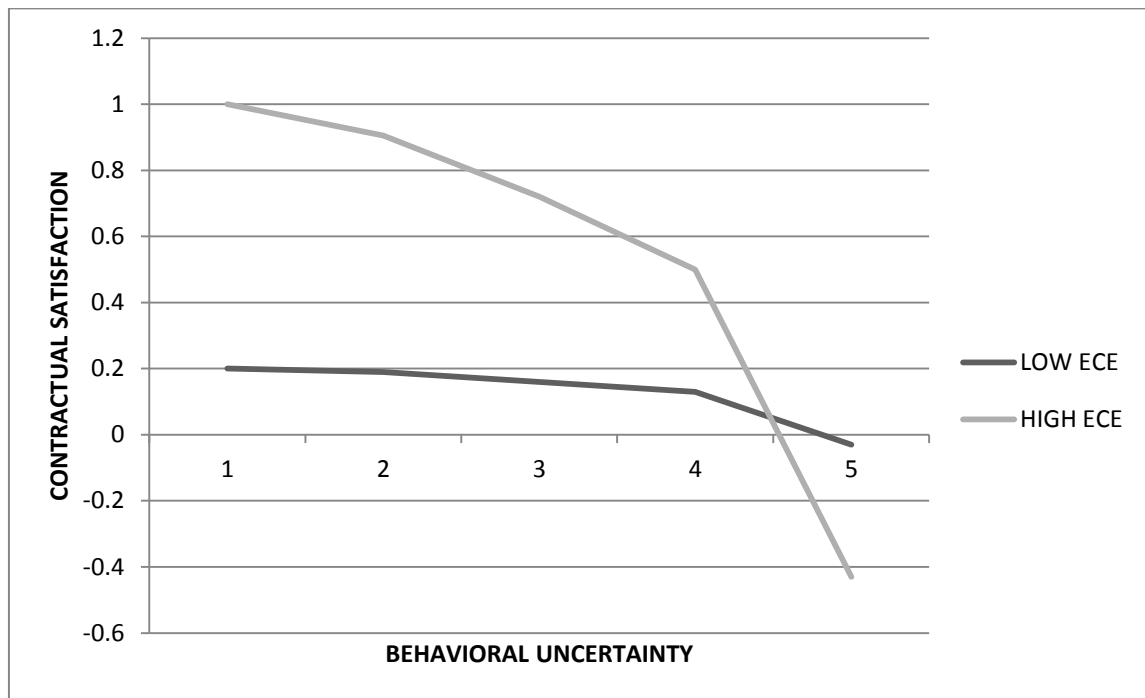
Figure 21

Effects of Behavioral Uncertainty and Ex ante contractual efforts on Contractual Satisfaction (Tanzania)
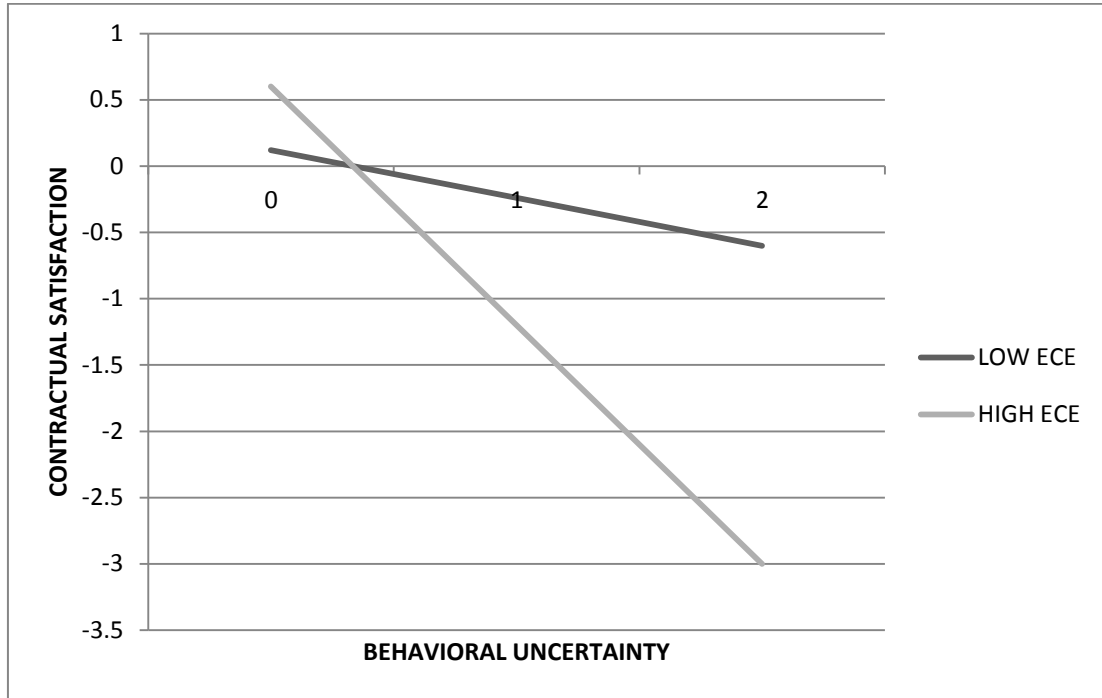
Figure 22

Effects of Trust and Ex Post Specifications on Contractual Satisfaction (Poland)
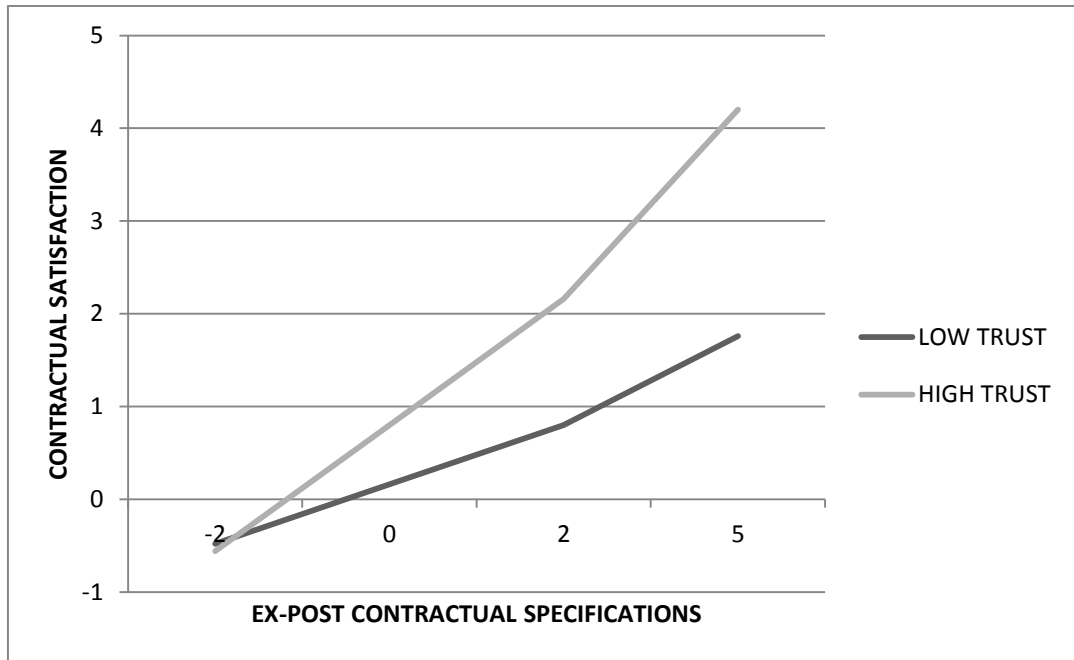
Figure 23

Effects of Trust and Ex Post Specifications on Contractual Satisfaction (Tanzania)
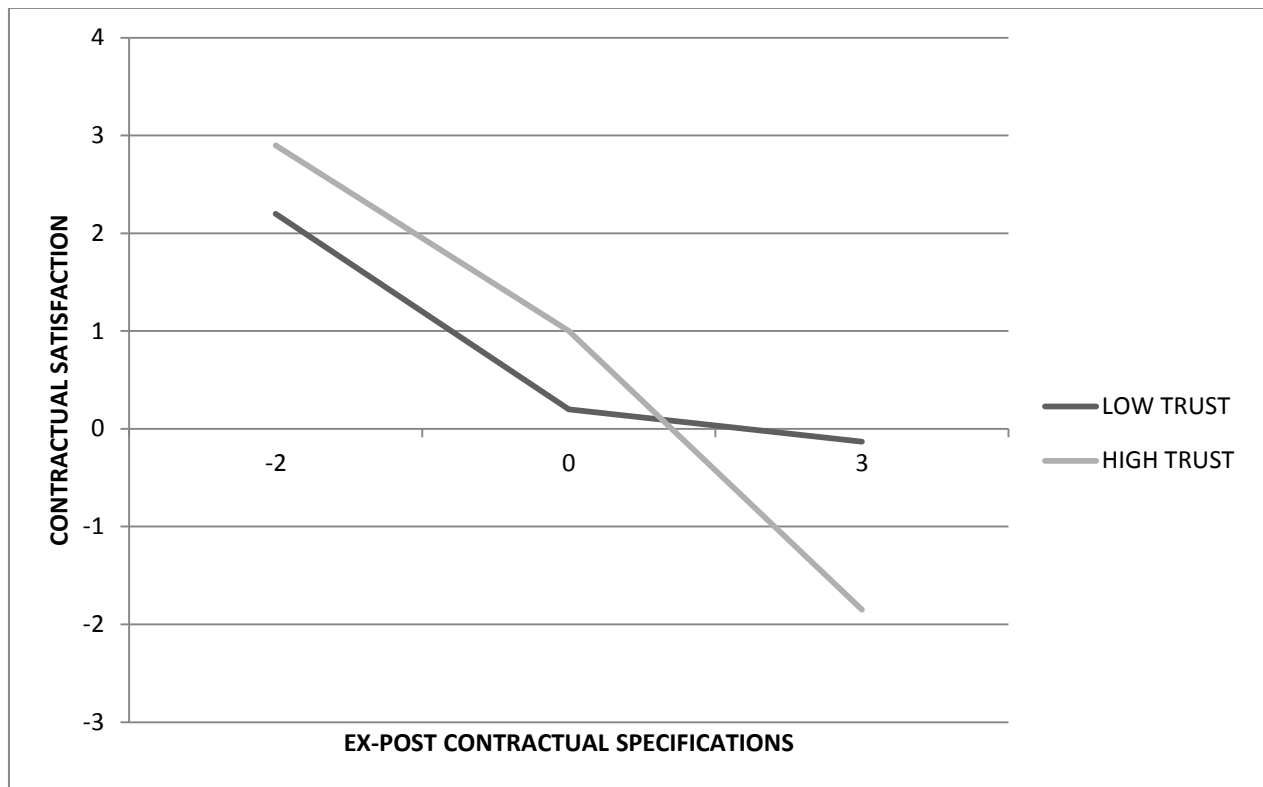
8.5. 3 Controls

Size and the foreignness of supply firm did not have significant influence on contractual satisfaction in both countries, while network relations was found to have a significant positive effect on contractual satisfaction in Tanzania (β=0.13, t=2.5, p<0.05) but not in Poland (β =0.06, t=1.10, p>0.1) (table 19, model 3).

8.6 Discussion

This study has focused on contractual satisfaction and thus the discussion below provides a link between the dimensions that influence contractual satisfaction and the role of the institutional context. Further, the analysis and the subsequent discussion provide a theoretical structured response to contractual governance choices. Behavioral uncertainty is a critical variable in inter-firm relations because it is linked to performance evaluation problems. The perception concerning the level of behavioral uncertainty in a relationship

is partly a function of culture. The Hofstede's index (2012) shows a large difference in uncertainty avoidance between Tanzania and Poland.

In an uncertainty avoidance culture, the level of uncertainty is normally perceived to be higher than it is in low uncertainty avoidance cultures. This was consistent with the relatively low level of perceived behavioral uncertainty in Tanzania (which has low uncertainty avoidance) compared to Poland (with higher uncertainty avoidance). Behavioral uncertainty had a negative impact on contractual satisfaction in Tanzania but not in Poland. This suggests the influence of behavioral uncertainty on contractual satisfaction is context dependent. The increased level uncertainty is uncomfortable for consumer (partners). Grønhaug and Gilly (1991) found out in their study that 26% of dissatisfaction problems were behavioral related. They also found that about 82% of dissatisfaction comes from institutional arrangements. The higher uncertainty avoidance firm tends to be selective, thus ending up with better and well searched contractual relations. On the other hand, the low uncertainty avoidance firm will tend to spend little efforts in coming up with well-structured contractual relations, leading to dissatisfaction.

Ex post contractual specifications are expected to make a positive contribution to contractual satisfaction. Adaptations that partner will undergo in the relationship are normally specified in the contracts (Jonsson & Zineldin, 2003). Adaptation whether formally specified or informally, provides a signal of the willingness to cooperate (Ganesan, 1994). Adaptation can also influence the willingness to customize (Doney & Cannon, 1997). There was a higher level of ex post contractual specifications in Tanzania than in Poland (in terms of mean differences). This can partly be explained by the institutional differences of the low-versus high context culture in the two countries. In a high-context culture, an explicit meaning is very important in the message, while in low-context culture, things are specified in much detail (Larsen et al., 2002). High context cultural societies include; Asia, Middle East, Africa and South America, while North America and Europe are considered low-context cultures (see Larsen et al., 2002). Tanzania and Poland can be considered as high and low-context cultures respectively. In a high context culture, the contracts are less detailed (Larsen et al., 2002) and parties rely more on verbal and non-verbal communication.

In situations with weaker formal institutions, a larger role tends to be played by informal ones. This role can be reflected in the contractual designs where most aspects of the contracts are ex-post negotiable. With respect to satisfaction, the findings suggested that a high level of ex post specifications leads to higher levels of contractual satisfaction. In Tanzania, where the ex post specifications were higher; contractual satisfaction was higher than in Poland. A possible explanation could be that when markets move towards a market economy, transactions tend to be impersonal and results into constraints in ex-post term specifications.

Closely related to ex-post contractual specifications is ex-ante contractual effort. High ex ante contractual efforts are prevalent in more formalized market economies (Dwyer et al., 1987). In situations where a purely market form has been chosen, ex post contractual specifications will have a negative effect on contractual satisfaction. There has not been systematic evidence on how transaction cost impacts on satisfaction. Grønhaug & Gilly (1991) looked at consumer satisfaction from the transaction cost perspective. Trust has an important role when it comes to inter-firm contractual relations. The positive impact of trust on satisfaction is consistent with the past studies (Andaleeb, 1996; Anderson and Narus, 1990; Caceres & Paparodimis, 2007; Razzaque & Boon, 2003; Sanzo, 2003). Contracts aim at lowering the potential risks and vulnerability in a relationship. Such contractual expectancy when covered by trusting relationship, the result is satisfaction. Thus, contracts formulate bases for expectations. Depending on the partners perception along the relationship this expectation can be a success or failure. When complemented with trust, the failure from these perceptions is minimized.

The results on the effects of an interaction between ex post contractual specifications and trust indicated that the presence of trust in Poland leads to a significant positive impact of ex post contractual specifications on contractual satisfaction, the effect being stronger as the trust level rises. This effect was not supported in Tanzania. For Tanzania (where there was a significant negative effect), the effect of ex post contractual specifications was contingent upon other relational dimensions. Ex post contractual specifications might signal a lack of trust and result in dissatisfaction, but this was not the case in Poland. As markets become more formal, contractual dimensions have mixed effects on the existing channel relations.

The findings on the direct impact of trust on satisfaction is well supported in the literature (Doucette, 1996; Mohr and Spekman (1994) but the interaction with ex-post contractual specifications is what of interest. The discussion on high versus low context culture can be useful in explaining the differences in the interaction effects between the two countries. In a low context culture (such as Poland) ex-post specifications give a good combination with trust because, the partner will feel more secure with an increased level of details. On the other hand, in a high context culture (such as Tanzania), ex-post specifications do not make a good combination with trust because the increased level of details in handling the anticipated outcomes can symbolize a lack of trust. This finding generally suggests that in a low context culture, trust and ex-post contractual specifications leads into contractual satisfaction whether in separate or in combination. On the other hand, in a high context culture, ex-post specifications and trust lead to contractual satisfaction when operating as separate dimensions and not in combination.

8.6.1 Managerial implications

Whether in relation to products and services or to information, satisfaction is a key driver of cooperation and continuity in inter-firm relations. Understanding its drivers is of relevance in setting up proper governance that will ensure that both specific assets and fragile relational dimensions are safeguarded. Perceived contractual satisfaction is not assumed to be the same across markets. This is due to specific institutional arrangements relating to where a particular market stands in the transformation process. While most firms focus on safeguarding, firms that focus on both safeguards and relational aspects will gain more contractual satisfaction.

Behavioral uncertainty can turn the benefits of relational dimensions into disadvantages. Managers therefore need to focus on resolving the problem of perceived uncertainty by being more open, as this will allow them to enjoy the benefits of the relational aspects of inter-firm contractual relations. Finally, ex post contractual specifications will generally be more beneficial in terms of contractual satisfaction among parties that trust each other. However, this is not necessarily the case for all economies. In less advanced emerging markets, behavioral uncertainty has a significant negative impact on contractual

satisfaction and, when there is a high level of trust between the partners, greater ex post contractual specifications will likely result in lower contractual satisfaction.

Ex post contractual specifications leads to contractual satisfaction in a situation dominated with trust. In relatively less advanced emerging economies, it seems that one can rely on relations and ex-post specifications, especially in situations when behavioral uncertainty is considered higher.

8.6.2 Limitation of the study

The study has used institutional context without detailed analysis of specific institutional dimensions and their connection to contractual satisfaction. Future studies can extend to such analysis by looking, for example the role of culture in contractual satisfaction. The current study has only examined the contractual satisfaction. The comparison of different satisfaction levels can provide a broad theoretical insight. The nature of satisfaction evaluated involved firms that have formal contractual relations, which can limit the generalizability to every inter-firm relationship. Further, cross-sectional data have been used for analyzing the results. The use of panel data can give more information which cannot be captured in a cross-sectional setting. The number of countries and firms used are also limited (few countries are used and the focus is on manufacturing firms). Future studies can extend the analysis at the level of the country. This will make it possible to involve specific institutional dimensions in the analysis.

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Appendix 4

CONSTRUCTS	ITEMS	SOURCES	TZ LOADINGS	PL LOADINGS
CONTRACTUAL SATISFACTION α_{TZ}=0.85 CR_{TZ}=0.85 AVE_{TZ}=0.60 α_{PL}=0.93 CR_{PL}=0.94 AVE_{PL}=0.79	We feel that this contract provides the direction needed for this relationship		.812	.842
	We feel that this contract could be enforced should a problem arise		.874	.930
	We feel that this contract does not provide room for cheating		.817	.936
	We do not feel that this contract needs to be changed		.826	.905
BEHAVIORAL UNCERTAINTY α_{TZ}= 0.90 CR_{TZ}=0.89 AVE_{TZ}=67 α_{PL}=0.77 CR_{PL}=0.88 AVE_{PL}=0.65	We are uncertain about how our supplier organizes the resources they use to produce the product(s) we buy from them	Buvik & Andersen (2002)	.873	.773
	Our knowledge about our supplier's production process is limited		.885	.794
	We have little knowledge of the terms of trade the supplier offers to other buyers		.883	.755
	It is difficult to interpret how this supplier perceives the present relationship with our firm		.863	.753

EX ANTE CONTRACTUAL EFFORTS α_{TZ}=0.84 CR_{TZ}=0.80 AVE_{TZ}=0.61 α_{PL}=0.91 CR_{PL}=0.90 AVE_{PL}=0.61	We consulted lawyers and consultants in drafting contractual terms with this supplier	Segal (1999)	.712	.771
	We put great care and time into establishing contractual terms with this supplier		.783	.82
	We ensured that each of the terms in the contract with this supplier was well specified		.838	.909
	We ensured that the contract would be enforceable		.748	.910
	We ensured that the contract covered all dimensions of the relationship with this supplier		.824	.899
EX POST SPECIFICATIONS α_{TZ}=0.83 CR_{TZ}=0.83 AVE_{TZ}=0.63 α_{PL}=0.96 CR_{PL}=0.95 AVE_{PL}=0.87	The contract specifies alternative solutions to various contingencies that are likely to arise		.875	.950
	The contract specifies major guidelines on how to handle unanticipated contingencies		.857	.966
	The contract specifies the roles of the parties in dealing with contingencies		.852	.967
TRUST α_{TZ}=0.86	The parties hold mutual expectations that each will be flexible and responsive to	Carson, Madhok, & Wu (2006)	.875	.890

CR$_{TZ}$=0.80	requests from the other, even if not obliged			
AVE$_{TZ}$=0.60	to by our formal agreements			
	Both parties understand each other when		.885	.888
α$_{PL}$=89	problems arise			
CR$_{PL}$=0.80	Both parties understand that each will		.898	.929
AVE$_{PL}$=0.60	adjust to changing circumstances, even if			
	not bound to change by formal agreement			
NETWORK	Our firm has worked intensively with one	Holm, Eriksson, &	.913	.669
RELATIONS	or more partners of this supplier	Johanson (1996),		
α$_{TZ}$=0.86	Our firm has a close relationship with one	Nohria & Eccles	.910	.930
CR$_{TZ}$=0.92	or more partners of this supplier	(1992), Mitchell		
AVE$_{TZ}$=0.80	Our firm has a collaborative relationship	(1973)	.833	.918
	with one or more partners of this supplier –			
α$_{PL}$=0.70	like a real team			
CR$_{PL}$=0.92				
AVE$_{PL}$=0.80				

α$_{TZ,}$ α$_{PL}$ =alpha in the Tanzanian and Polish data, CR$_{TZ}$,CR$_{PL}$ =composite reliability (Tanzanian/Polish data), AVE$_{TZ,}$ AVE$_{PL}$ =average variance extracted (Tanzanian/Polish

CHAPTER NINE
CONTRIBUTION, FUTURE RESEARCH AND LIMITATION[12]

9.0 Contribution

The influence of the institution in shaping transactions has been emphasized by Williamson (1991). ''Although microeconomic organization is formidably complex and has long resisted systematic analysis, that has been changing as new modes of analysis have become available, as recognition of the importance of institutions to economic performance has grown, and as the limits of earlier modes of analysis have become evident'' (Williamson, 1991: 269). Perhaps a major limitation in most studies in the contractual governance is the setting that is used in obtaining the analytical results. Though it is clear that the contracting is determined by the nature of transaction and corresponding institutional environment (Luo, 2005; Oxley, 1999), much was not adequately addressed in terms of in integrating the institutions in the contractual literature.

Most studies tend to use single context or homogeneous countries. One of the alternatives to address the situation is to apply heterogeneous institutional data (Oxley, 1999). Shenka & Mary Ann von (1994) pointed out that the macro-level theories such as institutions have proved to be relevant when studying organizations operating in different environments. A channel dyad is a social system (Stern and Reve, 1980), thus the ways by which firms respond to contractual hazards differ across countries (Williamson, 1991; Joskow, 1988; Poppo and Zenger, 2002). These differences can be influenced by the institutional processes (Grewal & Dharwadkar, 2002). Though it is clear that the contracting is determined by the nature of transaction and corresponding institutional environment (Luo, 2005; Oxley, 1999), much has missed in terms of integrating the dynamics of institutions in the contractual literature.

At a managerial level, most of the decisions that are undertaken are to a large extent a by-product of cultural values (Schneider and De Meyer, 1991; Hofstede, 1980). The contextual surrounding or the institutional environment can encourage or discourage inter-firm relations (North, 1990). This study has an important feature because it looks at micro level theories and makes inferences at a macro level.

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[12] The references that are used in this section are available at the end of chapter three

Contractual governance literature has moved from incomplete perspective (where we have less to do about it), towards the discussion of optimal and complex structures. It is not sufficient to understand that the parties can reach an optimal or complex contractual arrangement (not necessarily 'complete') but the more relevance is the understanding of the factors that influence such a choice. Further, there is a need to subject these factors in the institutional laboratory to come up with a broader predictive potential. The findings from this study increments the theory of contracting by addressing both the exogenous (Grossman & Hart, 1986; Hart & Moore, 1990) and endogenous (Bolton & Faure-Grimaud, 2010; Hart & Moore 2008; Tirole, 1999, 2009) perspectives of contracts.

Another area where there has been much debate when it comes to contractual governance is the complementary (Aubert et al., 2006; Blomqvist, Hurmelinna & Seppänen, 2005; Hart and Moore, 2008; Klein, 1996; Möllering, 2002; Seppänen, Blomqvist & Sundqvist, 2007) versus the substitutive roles (Gulati 1995; Oxley 1997; Yu, Liao, Lin, 2006). Literature on contractual governance has extensively supported the complementary role of relational dimensions. Although this kind of debate approached an end, the institutional perspective has not been well explored. The basic argument has been that due to cultural and institutional differences, the relational dimensions could substitute the contractual governance especially in emerging markets.

This study has incremented this debate by suggesting that the complementary role of relational dimensions extends to the two contractual dimensions (from Luo, 2002). Relational norms play an important role in obtaining the relevant information from partners that assist in establishing better contracts. The adaptation element of relational governance is driven by a desire for partners to maintain the relationship by showing willingness to adjust to new situations. Relational norms are thus important for the adaptation because it enable partner to agree smoothly when contingencies arise.

Further, the difficulties in specifying the terms can arise from the information asymmetry. Adaptation can be enhanced when the parties have a good relational base, a matter which is less likely when partners come from different backgrounds. Schepker and colleagues (2014) suggested the future research on this area should look at how cultural distance influences the safeguard mechanism and its effectiveness. When two partners come from different cultural backgrounds, their cultural difference (Shenkar and Zeira, 1992) can likely challenge the interpretations of contractual terms (Cavusgil et al., 2004). The study has incremented these arguments by indicating how the presence of a foreign partner in

an inter-firm relationship can hinder both ex-ante contractual term specificity and contingent adaptability.

The studies that took place in China and Eastern Europe (Xin & Pearce, 1996; Roth & Kostova, 2003; Peng & Zhou, 2005) have indicated the support on the institutional role in the contractual governance. What the findings from this study suggests is that, when institutions are aligned towards the market, the values for complementary role are stronger, but when the institutions move toward non-market, those values are weaker (substitutive effect).

The completeness structure of a contract is a choice between tightening (ex-ante term specificity) and relaxing (contingent adaptability) the contractual terms. Arithmetic computation of such choices is not a straight forward as economic theories assume, thus providing an empirical examination behind these dimensions (term specificity and contingent adaptability) is important. In addition, the theoretical distinction concerning these dimensions has not been well established.

Consistent with Vandaele and colleagues (2007), the findings from this study suggests that the high level of technological uncertainty decreases the effect of asset specificity on both contingent adaptability and contractual term specificity. There is always a trade-off between contingent adaptability and term specificity (Hart & Moore, 2008), thus the increased choice toward contingent adaptability as a result of increased levels of volume uncertainty, does not significantly affect the degree of the term specification. We contribute to the literature of contracting by providing the theoretical and empirical argument concerning the differences and drivers behind these contractual dimensions.

The psychological side of the contractual governance is important in studying contracts. Study on fairness in the contractual relations by Poppo and Zhuo (2013) indicates the relevance of the subject not only on performance but on ethical grounds. Actors in the exchange relationship are not machines; they are human by nature. The psychological element is reflected by how the parties respond (feel) concerning their contractual governance structure. We contribute to the literature of contracting by exploring the drivers behind contractual satisfaction. It is important to look at the satisfaction side because when partners are not satisfied, the survival of the relationship is at risk.

The confidence and a sense of security that is built by trust, tends to favor the evolution of contractual relations, even when there are unexplained discrepancies. On the other hand, reputation influences expectations. Reputable firms tend to protect their identity because it is a valuable asset. In doing, so they tend to build healthy relations with their partners. Contractual term specificity establishes standards for evaluating contractual performance or experiences. This minimizes the normative evaluations which will likely result in dissatisfaction. Industrial/channel relations literature has not provided this link (term specificity and contractual satisfaction) but this study has indicated the relevance of establishing clear terms. Grønhaug & Gilly (1991) have previously pointed out that dissatisfaction can at a large extent come from the areas outside contractual aspects. This is a clear indication that the wider the unspecified aspects, the more likely the chances for opportunism and ultimately dissatisfaction.

The general observation from this study is that both the structural and relational dimensions have an important contribution to contractual satisfaction. Understanding the drivers that influence contractual satisfaction is important because it shifts the attention from how inter-firm contractual governance can be organized to how best it can maximize parties' normative intentions (expectations). The endogenous choice concerning the contractual optimality does not trade off the relational dynamics that surround a transaction. Further, the development of collaborative relations depends to a large extent on adaptation (Axelsson & Easton, 1992).

Adaptations that partner will undergo in the relationship are normally specified in the contracts (Jonsson & Zineldin, 2003). Adaptation whether formally specified or informally, provides a signal of the willingness to cooperate (Ganesan, 1994). Adaptation can also influence the willingness to customize (Doney & Cannon, 1997). As markets become more formal, contractual dimensions have mixed effects on the existing channel relations. High ex ante contractual efforts are prevalent in more formalized market economies (Dwyer et al., 1987).

Studies from consumer (Cardozo, 1965, Churchill and Surprenant, 1982; Oliver, 1977, 1980; Tse & Wilton, 1988; Westbrook, 1981; Yi, 1991), and channels or business relations (Anderson & Narus, 1990; Andaleeb, 1996; Genesan, 1994; Geyskens & Steenkamp, 2000; Ruekert and Churchill, 1984) tend to use the aggregate level of satisfaction, but contractual satisfaction is a transaction-specific and post-evaluation of the experience with the partner in a contractual relationship. The study has contributed in

terms of introducing a conceptual model for contractual satisfaction as well as providing an empirical assessment of its key drivers. The literature in the area of culture suggests that culture has a significant influence when it comes to making decisions (Schneider and De Meyer, 1991; Hofstede, 1980) such as contracts. Our findings suggest that in less advanced emerging markets this is even more important.

The discussion on high versus low context culture can be useful in explaining the differences in the interaction effects between the two countries. In a high-context culture, an explicit meaning is very important in the message, while in low-context culture, terms are specified in much detail (Larsen et al., 2002). In a low context culture (such as Poland) ex-post specifications give a good combination with trust because the partner will feel more secure with an increased level of details. On the other hand, in a high context culture (such as Tanzania), ex-post specifications do not make a good combination with trust because the increased level of details in handling the anticipated outcomes can symbolize a lack of trust.

9.1 Future Research

There are potential future research areas that need to be addressed concerning the topics that have been covered in this study. These areas are both theoretical and methodological by nature. Literature suggests that completeness is one of the contributing aspects towards complexity (Furlotti, 2007); the reason being that it is not the level of specifications that lead to complexity but the number of the clauses. Future research can explore the separation between the simple, complete and complex contracts. This separation is important because Crocker & Reynolds (1993) suggested that the optimal contractual level is a function of completeness and the costs for doing so.

General question is whether there are optimal complete and optimal complex contracts. The challenge around research in contractual governance is that most concepts emerge from the operationalization and factor analysis. In future scholars can focus on reaching consensus on most of these concepts (contractual dimensions) through strong theoretical and empirical support.

The nomological issues were not a big challenge in most of classical economic papers on contractual completeness because there was a general consensus on most of the assumptions. This is different from most of research work in the area of management. The closely similar problem is that various dimensions within the contracts have not been well reconciled (Furlotti, 2007). One way to reconcile these dimensions is to conduct further research that will bring more validity and reliability. Coordination has been pointed out to be important components in the contracts (Brousseau, 1995). Future studies need to examine the condition by which coordination procedures are important aspects of contracts (Furlotti, 2007). Ex-ante efforts are part of the coordination procedures that take place before the commencement of contracts. Future studies can examine in detail these ex-ante procedures and their influence on contracts.

How contracts influence partners' behavior, satisfaction and performance (Schepker et al., 2014) are also a potential area for future research. Fairness's has an important role in sustaining inter-firm relationships (Das & Teng, 1998; Ring & Van de Ven, 1994). Poppo and Zhou (2013) found that exchange performance is higher when contracts and fairness exist and thus maximizing fairness involves appropriate levels of monitoring or socializing. Future studies can explore critical areas that have more weight on contractual satisfaction and their outcomes (in terms of performance).

Further research can leverage on the role of content and contexts aspects in improving the reliability and validity of results. This can include an investigation of whether the nature / type of firms (manufacturing versus non-manufacturing) has influence on contractual completeness. Institutional context is another broad area that can bring a rich understanding on the subject. At a managerial level, most of the decisions that are undertaken are to a large extent a by-product of cultural values (Schneider and De Meyer, 1991; Hofstede, 1980). The contextual surrounding or the institutional environment can encourage or discourage inter-firm relations (North, 1990). It could be more interesting to investigate in more detail the role of institutions in contracts. The institution is a broad concept; the concepts can be broken down in some specific variables when investigating such a role. Though it is clear that contracting is determined by the nature of the transaction (transaction dimensions) and corresponding institutional environment (Luo, 2005; Oxley, 1999), much is still to be done in integrating the dynamics of institutions in the contractual literature.

Future research can look at whether there are distinctive clauses across different countries or institutions. When two partners come from different cultural backgrounds, their cultural difference (Shenkar and Zeira, 1992) can likely challenge the interpretations of contractual terms (Cavusgil et al., 2004).

Methodology is another important area for improvement in future research. The level of analysis should be taken into account in future research. For example, the national level analysis can be performed when there is a large sample of countries involved. The use of panel data can improve some of the explanations that cannot be captured by cross-sectional data. We suggest future studies to also utilize different forms of data (panel and cross-sectional). Operationalization of constructs is also an important area for improvement in future studies. Measures for the concept of contractual satisfaction can be improved in future studies. The clear distinction between general relationship satisfaction and contractual satisfaction can be developed. Future research can also examine the empirical differences of these concepts.

The current study has used few theoretical frameworks, but future studies can extend to a number of other theories such as resource dependence, social exchange and resource based view. Application of these other theories can expand into interactive relations. We also suggest a different approach to studying these dimensions such as critical incidence

that involve analysis of critical historical points of a relationship. The comparison of different satisfaction levels can provide a broad theoretical insight.

9.2 Limitation

This study is limited in terms of the following aspects: First, it has used only two countries from emerging markets for comparison. This limits the generalizability of the findings to other emerging markets. Furthermore, the study used manufacturing firms and thus the findings might not apply to non-manufacturing firms. Reliance on responses drawn from the buying side of the relationship brings another limitation; however, there are ongoing discussions in the literature concerning the relevance of using data from both sides of the dyadic relation.

Using the questionnaire is another limitation of the study. An alternative mechanism would be to assess the real contractual documents. This method was not opted due to availability of such data. Reliance on empirical analysis is also a limitation in this study. We are aware of the potential benefits of using case studies or other methods such as critical incidents.

This study is limited by investigating only inter-firm contractual relations and no other forms of contracts (such as between firms and individuals). Further, the study is limited on how it involved the institutional context. The institutional element has not been broken down into specific variable (sub-components). This makes it difficult to attribute the observed effects with some particular institutional variable. Data that has been used are cross-sectional. This makes it difficult to provide sufficient treatment of concepts like history and its influence on contractual governance.

An extensive literature on contracts has emerged from economics. The assumptions and models that are employed in such literature tend to differ with the approach used in management studies. This study is limited by focusing on the approach that is used in management though the concepts applied in the economic models have been acknowledged.

Time and financial constraints are other limitations of this work. This project had only a limited amount of funds and a time allocation of three years. Within this limited time framework a candidate is required to do theoretical classes for about one year and the remaining two years are for doing the research. The field works normally takes a lot of time to prepare and execute. The budget and time limitations minimized a number of options that could be used.

9.3 Conclusion

Whether it is completeness or satisfaction perspective of contracts, extending the relevance and scope of any theory is within the wishes of any researcher. The use of both local and international contexts provides stronger predictive power, especially in the social sciences. We have managed to contribute to the literature of contracts by showing how institutional context can influence the contractual structures. We understand that the study has not addressed all aspects, but has provided a strong base on which future studies can build upon.

Contractual governance is an important part of the transaction. It is of little relevance to understand the dimensions of contracts without the knowledge of how these dimensions are driven. Studying contracts at the level of two dimensions is important for obtaining insights on what drives the degree of any given contractual relationship. Relational dimensions have critical influence in emerging markets, but they are not merely substitutes for contracts. Their role is factor and context dependent. Further, the cost component can significantly contribute to changes in the contractual structures across different economies. Though the literature has moved towards assessing the complexity of contracts, we still understand that there is a gap that needs to be addressed within the completeness reasoning. The degree of asset specificity and its interaction with environmental uncertainty (volume uncertainty in particular) are the key distinctive drivers that differentiate term specificity and contingent adaptability.

The asymmetrical influence of these factors call for critical decision on which side to base attention on (term specification versus contingent adaptability). In situations such as increased asset specificity (that has a positive influence on contingent adaptability), the establishment of strong informal/social enforcement mechanism is essential. The situation is similar when there is a combination of specific asset and volume uncertainty. This situation leads to a positive effect on contingent adaptability.

Contingent adaptability has to be opted in such a situation due to difficulties in specifying terms. The two dimensional aspects of contracts are not opposing sides of contracts, but complements that provide practical guidance (on which aspect require strong emphasis and under what conditions).

Managers need to ensure that their contractual relations with existing partners are well secured because failure can lead to dissatisfaction in other contractual relations. Being able to design contractual terms is as relevant as adjusting to uncertainties. Dissatisfaction that leads to termination of the contractual relationship is largely a function of failure to adapt rather than the specification of terms. Behavioral interventions that can lead to a reduced level of perceived opportunism are also relevant in ensuring that partners are not dissatisfied by factors that are not core to contractual performance.

Contractual satisfaction has practical significance for managers because it is a specific level of assessing contractual relations. Exchange features (such as how contracts are specified) and the relational dimensions are significant in influencing contractual satisfaction. In designing contracts, the role of term specificity and of adaptability should receive proper attention so as to facilitate contractual satisfaction. When choosing partners, ex-ante aspects such as reputation can be used as assessment criteria because they contribute towards contractual satisfaction.

Understanding contractual satisfaction drivers is of relevance in setting up proper governance that will ensure that both specific assets and fragile relational dimensions are safeguarded. Perceived contractual satisfaction is not assumed to be the same across markets. This is due to specific institutional arrangements relating to where a particular market stands in the transformation process. While most firms focus on safeguarding, firms that focus on both safeguards and relational aspects will have a satisfying contractual exchange. In relatively less advanced emerging economies, it seems that one can rely on relations and ex-post specifications, especially in situations when behavioral uncertainty is considered higher.

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APPENDIX A
COUNTRY PROFILES[13]

Poland

Location

Poland is located in Central Europe with geographical coordinates of 52 00 north and 20 00 east. Bordering countries are Belarus, Czech Republic, Germany, Lithuania, Russia, Slovakia and Ukraine

Capital city

Poland capital city is Warsaw

Area

Poland has the total area of 312,685 sq km and is ranked at 70th position in comparison to the world.

GDP-Per capita (ppp)

Poland GDP per capita is 20, 100 (according to 2011 estimates). In comparison to the world, the country ranks at 63rd position.

GDP growth rate

Poland GDP growth rate is estimated to be around 3.8% (according to 2011 estimates).The country is ranked at 105th position in comparison to the world.

Population

Poland population is about 38,415,284 (according to July 2012 estimates).

GDP composition by sector

Poland's GDP is supported by mainly agriculture, industry and services at a proportion of 3.4%, 33.6% and 63% respectively.

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[13] Information concerning country profile, otherwise stated, it was retrieved from Factbook, 2012. https://www.cia.gov/library/publications/the-world-factbook/geos/pl.html, accessed on 18th April, 2012

Institutions

In Institutional performance, Poland is ranked 54th position out of 139 countries with a score of 4.18. It is also ranked at 39th position out of 83 in EU27 (Klaus & World Bank, 2010).

General economic history

Poland disintegrated from communist system (Prazmowska, 2010) with a solidarity government that entered in to power in 1989 and marked a successful path toward market liberalization. Joining EOCD since 2004, Poland has experienced significant economic growth (EOCD, 2006) and was ranked among key emerging markets of Europe (S&P, 2010, Dow Jone, 2011).

Poland is considered to be in transition from efficiency driven to innovation driven (Klaus &World Bank, 2010). The country's GDP has been rising at the reasonable pace since late 1990's (EOCD, 2006) and the pick was reached in 2007 with annual growth rate of 6.8%, which was interfered by global economic down turn and dropped to a current rate (2010-2011) of 3.9% (World Bank, 2012). Current growth rate is considered to be best in comparison to other European countries, the fact that made Poland the only European country that did not experience recession (Pleitgen, CNN, Davies, 2010; Brogger & Lovasz, 2009).

Tanzania

Location

Tanzania is a country in the eastern part of Africa with a latitude and longitude reading of 6° 00' South and 35° 00' east. Tanzania's commercial capital (Dar es Salaam) sits in between 6° 48' South latitude and 39° 17' East longitude.

Capital

Dodoma is the official capital city of Tanzania, but Dar es salaam is the commercial city.

Area

Tanzania has a total area of 947,300sq km, where 885,800 sq km is land and 61,500sq km is water

GDP per Capita

Tanzania has a GDP per Capital of $1,500 (according to 2011 estimates)

GDP growth rate

Tanzania GDP growth rate is about 6.1% (according to 2011 estimates). The country is ranked at 42nd position in comparison to the world.

Composition by Sector

Agriculture contributes about 27.8% of country's GDP while industry and service contributes 24.2% and 48% respectively.

Population

Tanzania population is about 43,601,796 (according to July 2012 estimates). The country ranks at 30th position in comparison to the world.

Institutions

According to institutional performance ranking of 2010-2011, Tanzania is ranked 83rd out of 139 countries with a score of 3.74 in 7-points scale (Klaus & World Bank, 2010).

General economic history

Tanzania is considered to have undergone significant political and macroeconomic reforms since 1995 (Havnevik & Isinika 2010) though there was structural adjustments reforms in mid-1980 that followed the economic crisis on 1970's. In its early years of independent, Tanzania adopted African socialism policies also known as ujamaa (familyhood) that lead to the establishment of collective villages, the program which ended up with massive failure and was later abandoned around 1975 (Lofchie, 1978). Tanzania being one of the fastest growing economies in Africa (Economist, 2011) is considered to be a factor driven economy (Klaus, 2010). In 2007, Tanzania's annual GDP was 7.1%, the rate which was sustained by around 7% in between 2010-2011 (World Bank, 2012) in spite of global economic downturn. Future forecasts indicate Tanzania to

maintain the position of top ten fastest growing economies with estimated annual growth of around 7.2% between years 2011-2015 (Economist, 2011).

APPENDIX B
QUESTIONNAIRE

UNIVERSITY OF AGDER

A SURVEY ON SUPPLIER-BUYER CONTRACTUAL RELATIONS 2011

This is survey which focus on understanding the buyer-supplier contractual relationship. To be able to answer this questionnaire please choose one of your largest (first, second or third) domestic or international supplier i.e. the one you purchase highest volume of your supplies from.

If you have any document that is viewed as contractual forms with this supplier, please have them readily available, just in case you will need to refer to them in course of answering these questions. The questions are not technical in jurisdictional terms and there is no right and wrong answer but if you have such documents it make it easy.

The anonymity in this study will be highly ensured. All the information obtained will be treated with confidence. Your company name will not be mentioned anywhere in our reports. Data obtained from this study will be used for academic and no further usage.

Expected time for answering this questionnaire is between 10-15 minutes.

We really appreciate for your time in answering this questionnaire.

SECTON A

1. Business name (optional)

   _____

2. Year of establishment

   _____

3. How many employees do your firm has?

   _____

4. What was approximated last year sales turnover for your firm? (TZS)

   _____

5. How long have you worked with this company (years)?

   _____

6. What is your position in this company?

   _____

7. The supplier you have chosen in answering the rest of questions is:
   ❑ Domestic subsidiary of international company
   ❑ Joint venture with international partner
   ❑ Domestic company owned by local citizen
   ❑ Foreign company

8. If the supplier is foreign company, please mention its country of origin

   _____

9. Please indicate the country which arbitration will take place when there are conflicts (incase of international supplier)

   _____

10. Approximately how many years has this relationship with supplier lasted?

    _____

11. 1How many times do you receive supplies from this supplier? (Choose either monthly or annually)
    ❑ Monthly   _____
    ❑ Annually   _____

SECTION B

For the rest of questions, please provide your opionion by ticking your choice

12. To which extent does statements below give description of supplier dependence to your firm. Please rank them to the extent they give accurate description   (1=completely inaccurate, 2=inaccurate, 3=uncertain, 4=accurate, 5=completely accurate)

	1	2	3	4	5
If we stopped buying from this supplier, he would easily replace our volume with another buyer	❑	❑	❑	❑	❑
it is relatively easy for this supplier to find another buyer for his products	❑	❑	❑	❑	❑
Finding another buyer would not affect the price this	❑	❑	❑	❑	❑

	1	2	3	4	5
supplier charge					
If the relationship is terminated, it will not hurt this supplier	❏	❏	❏	❏	❏

13. Statements below give a description on investment made by your firm in this relationship with supplier. Please rank them to extent they give accurate description (1=completely inaccurate, 2= inaccurate, 3= neutral, 4= accurate, 5=completely accurate)

	1	2	3	4	5
We have made significant investment in equipment dedicated to our relationship with this supplier	❏	❏	❏	❏	❏
We have adjusted ourselves in order to deal with this supplier	❏	❏	❏	❏	❏
Training our people to deal with this supplier has involved substantial commitments of time and money	❏	❏	❏	❏	❏
We have rescheduled our time and operations in dealing with this supplier	❏	❏	❏	❏	❏
We have significantly invested money and time in establishing the market for the product(s) we purchase from this supplier	❏	❏	❏	❏	❏

14. Statements below give a description on investment made by the supplier in relationship with your firm. Please rank them to the extent they give accurate description (1=completely inaccurate, 2=inaccurate, 3=uncertain, 4=accurate, 5=completely accurate)

	1	2	3	4	5
Supplier have trained their employees to deal with our firm	❏	❏	❏	❏	❏
Supplier has made substantial commitment of time and money to meet our demands	❏	❏	❏	❏	❏
Supplier production system has been tailored to produce for our firm	❏	❏	❏	❏	❏
Supplier has customized the product we purchase from him to meet our specific needs.	❏	❏	❏	❏	❏
Supplier has customized the distribution services to meet our demands	❏	❏	❏	❏	❏

15. Following statements relates to how your firm views the supplier firm. Please give a rank to an extent which you think they give an accurate description (1=completely inaccurate,2=inaccurate, 3=uncertain, 4=accurate, 5= completely accurate)

	1	2	3	4	5

	1	2	3	4	5
On occation, this supplier do not provide the complete truth for the sake of protecting his interests	❏	❏	❏	❏	❏
On occasion, this supplier promises to do things without actually doing them later	❏	❏	❏	❏	❏
This supplier rarely act in accordance with our contract (s)	❏	❏	❏	❏	❏
This supplier sometimes tries to breach informal agreements we have made to maximize his benefit	❏	❏	❏	❏	❏
This supplier sometimes uses unexpected events for his advantage	❏	❏	❏	❏	❏
This supplier rarely act in accordance with our expectations	❏	❏	❏	❏	❏

16. Following statements below give description on your knowledge about the supplier. Please rank the accuracy of these statements (1=completely inaccurate, 2=inaccurate, 3=uncertain, 4=accurate, 5=completely accurate)

	1	2	3	4	5
We are uncertain about how our supplier organizes	❏	❏	❏	❏	❏

	1	2	3	4	5
purchases used for producing the product (s) we buy from him					
Our knowledge about our supplier's production process is limited	❏	❏	❏	❏	❏
We have little knowledge about the terms of trade the supplier offers to other buyers	❏	❏	❏	❏	❏
It is difficult to interpret how supplier perceives the present relationship with our firm	❏	❏	❏	❏	❏
We are uncertain about our supplier's future plans	❏	❏	❏	❏	❏

17. Following statements relate to how you view supplier performance. Please rank them to the extent on which you agree or disagree with them (1=completely disagree, 2= disagree, 3= uncertain, 4=agree, 5-completely agree)

	1	2	3	4	5
It is inadequate to evaluate this supplier based on item (s) price	❏	❏	❏	❏	❏
It is difficult to verify whether this supplier is performing all of its contractual obligations under this agreement	❏	❏	❏	❏	❏
Evaluating the supplier's performance is a complex process	❏	❏	❏	❏	❏

	1	2	3	4	5
It is expensive to monitor this supplier	❏	❏	❏	❏	❏
We do not have clear standards to assess the performance of this supplier	❏	❏	❏	❏	❏

18. Statements below relate to how terms in the contract are specified between your firm and the supplier. Rank the statements to the extent on which you agree or disagree with them (1=completely disagree, 2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
Agreements stipulate all aspects concerning exchange of information about price and market condition between our firms	❏	❏	❏	❏	❏
Written contracts stiputate all aspects regarding quality control of products we purchase from this supplier	❏	❏	❏	❏	❏
Written contracts stipulate all aspects regarding the selection of sub-suppliers for the product we order from this supplier	❏	❏	❏	❏	❏
Detailness in our contractual relationship with our supplier is given a key priority	❏	❏	❏	❏	❏
Written agreements stipulate how to handle problems	❏	❏	❏	❏	❏
Written agreement stipulate	❏	❏	❏	❏	❏

	1	2	3	4	5
the role of parties in the relationship					
Written agreement stipulate all aspects regarding delivery	❏	❏	❏	❏	❏

19. Statements below relate to things that were done to ensure terms were well specified between your firm and the supplier. Rank the statements to the extent on which you agree or disagree with them (1=completely disagree,2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
We consulted lawyers and consultants in drafting contractual terms with this supplier	❏	❏	❏	❏	❏
We gave great care and time in establishing contractual terms with this supplier	❏	❏	❏	❏	❏
We ensured each terms related to this contract with the supplier were well specified	❏	❏	❏	❏	❏
We ensured that the contract is enforceable	❏	❏	❏	❏	❏
We ensured the contract covers all the dimensions of the relationship with this supplier	❏	❏	❏	❏	❏

20. Following statements relate to items that a contract or agreement covers. Please rank them to the extent on which you agree or disagree with them (1=completely disagree, 2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
Planned price/volume is well specified	❑	❑	❑	❑	❑
Payment terms are well specified	❑	❑	❑	❑	❑
Expected/targeted performance level to be reached is well specified	❑	❑	❑	❑	❑
Arbitration procedures are well specified in our contract	❑	❑	❑	❑	❑
Re-negotiation periods were planned before the relation began	❑	❑	❑	❑	❑
Contract has specified major principles or guidelines for handling unanticipated contingencies as they arises	❑	❑	❑	❑	❑
Duration of contract is well specified	❑	❑	❑	❑	❑
Parties liability are well specified	❑	❑	❑	❑	❑
Responsibility of parties are well specified	❑	❑	❑	❑	❑
Termination rights are well specified	❑	❑	❑	❑	❑
Information flow is well	❑	❑	❑	❑	❑

	1	2	3	4	5
specified					
Confidentiality of information exchange is well specified	❏	❏	❏	❏	❏
Subcontracting options are well specified	❏	❏	❏	❏	❏
Exclusive rights of parties are well specified	❏	❏	❏	❏	❏

21. Statements below relate to how you perceive the reputation of the supplier. Rank these statements to the extent on which you agree or disagree with them (1=completely disagree, 2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
Quality of supplier's management is high	❏	❏	❏	❏	❏
Quality of product and services of this supplier is high	❏	❏	❏	❏	❏
This supplier is performing good financially	❏	❏	❏	❏	❏
This supplier has ability to attract, develop, and keep talented people	❏	❏	❏	❏	❏
This supplier is social and environmental responsible	❏	❏	❏	❏	❏
This supplier has ethical behavior and reliable	❏	❏	❏	❏	❏
This supplier is well respected in society	❏	❏	❏	❏	❏

22. Statements below relate to relational between your firm and the supplier. Rank the statements to the extent on which you agree or disagree with them (1=completely disagree, 2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
We solve together the problems that arise in this relationship	❏	❏	❏	❏	❏
The parties are committed to mutual benefits	❏	❏	❏	❏	❏
We share jointly the responsibility for making this relationship work well	❏	❏	❏	❏	❏
There is flexibility in response to changes in this relationship	❏	❏	❏	❏	❏
We expect to adjust ourselves to cope with changing circumstances	❏	❏	❏	❏	❏
When some unexpected situation arises, we work out a new deal together	❏	❏	❏	❏	❏
Parties are can changes the terms together whenever necessary	❏	❏	❏	❏	❏
It is expected that any information that might help the other part will be provided to them	❏	❏	❏	❏	❏
Exchange of information in this relationship takes place frequently and informally	❏	❏	❏	❏	❏

	1	2	3	4	5
It is expected that the parties will provide strategic information if it can help the other part	❏	❏	❏	❏	❏
It is expected that we keep each other informed about events or changes that may affect the other part	❏	❏	❏	❏	❏

23. Statements below relate to linkage you had with the supplier. Rank the statements to the extent on which you agree or disagree with them (1=completely disagree,2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
Our firm worked intensively with one or more partners of this supplier	❏	❏	❏	❏	❏
Our firm had a close relationship with one or more partners of this supplier	❏	❏	❏	❏	❏
Our firm had a collaborative relationship with one or more partners of this supplier like a real team	❏	❏	❏	❏	❏
Our firm's relationship with the partner of this supplier did not involve many formal procedures	❏	❏	❏	❏	❏

24. Below statements relate to perceived risk in the relationship with the supplier. Rank the statements to the extent on which you agree or disagree with them (1=completely disagree, 2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
We are confident that the supplier will deliver according to the agreements	❑	❑	❑	❑	❑
We are confident that the relationship will not break	❑	❑	❑	❑	❑
We are confident that we will not loose our assets in this relationship	❑	❑	❑	❑	❑
We are confident that supplier will adapt even when circumstances change	❑	❑	❑	❑	❑
We have confidence that the supplier will meet the standards for our customers	❑	❑	❑	❑	❑

25. Following statements relate to flexibility in your relationship with supplier. Please rank them to the extent on which you agree or disagree with them (1=completely disagree, 2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
Terms are flexible for issues that are valnerable to uncertain enviornment or resource availability	❑	❑	❑	❑	❑

	1	2	3	4	5
Contract has specified alternative solutions in responding to various contingecies that are likely to arise	❏	❏	❏	❏	❏
Contract has specified major guidelines on how to handle unanticipated contingencies	❏	❏	❏	❏	❏
Contract has specified the roles of parties in dealing with contingencies	❏	❏	❏	❏	❏

26. Following statements relate to informal relations with your supplier. Please rank them to the extent on which you agree or disagree with them (1=completely disagree,2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
Most of our transactions with this supplier do not base on formal agreements	❏	❏	❏	❏	❏
We use more words than written terms in our transactions with this supplier	❏	❏	❏	❏	❏
Our relation with this supplier is more of friendness in nature	❏	❏	❏	❏	❏
Both our firm and the supplier have easy access to each other without formal barriers	❏	❏	❏	❏	❏
When problem arise we solve them ourselves without	❏	❏	❏	❏	❏

	1	2	3	4	5
involving external agencies like courts					
Our business agreements with this supplier are concluded with simple arragements.	❑	❑	❑	❑	❑
We view this supplier as part of our firm	❑	❑	❑	❑	❑

27. Following statements relate to experience or history with your supplier. Please rank them to the extent on which you agree or disagree with them (1=completely disagree,2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
We have known this supplier for long time	❑	❑	❑	❑	❑
We have enough understanding of this supplier	❑	❑	❑	❑	❑
We have a rich history with this supplier	❑	❑	❑	❑	❑
We have strong connections with this supplier which started long time ago	❑	❑	❑	❑	❑
Given our experience with this supplier, we consider him as part of our firm	❑	❑	❑	❑	❑
Given a long history of with this supplier, our relationship can hardly end up easily	❑	❑	❑	❑	❑

28. Following statements relate to events experienced in this relationship with your supplier. Please rank them to the extent on which you agree or disagree with them (1=completely disagree,2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
We have not had significant problems in the relationship	❑	❑	❑	❑	❑
Supplier has fulfilled all of our agreements	❑	❑	❑	❑	❑
We do not wish to change this supplier because so far he has been good	❑	❑	❑	❑	❑
We do not wish to put more monitoring on this supplier because he meet our expectations	❑	❑	❑	❑	❑

29. Below statements relate to trust between your firm and the supplier. Rank the statements to the extent on which you agree or disagree with them (1=completely disagree,2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
The parties expectations are beyond what was specified in our formal agreements	❑	❑	❑	❑	❑
The parties expected that conflicts would be resolved fairly, even if no guidelines were given by our formal agreements	❑	❑	❑	❑	❑

	1	2	3	4	5
When an unexpected situation arise, the parties had a mutual understanding that a win-win solution would be found, even if it contradicted our formal agreements	❏	❏	❏	❏	❏
Both parties share helpful information informally	❏	❏	❏	❏	❏
The parties held mutual expectations that each would be flexible and responsive to requests by the other, even if not obliged by our formal agreements	❏	❏	❏	❏	❏
Both parties understood each other when problems arise	❏	❏	❏	❏	❏
Both parties understood that each would adjust to changing circumstances, even if not bound to change by formal agreements	❏	❏	❏	❏	❏

30. Following statements relate to how you are satisfied with the contractual relation with the supplier. Please rank them to the extent on which you agree or disagree with them (1-completely disagree, 2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
We feel this contract satisfies all dimensions of the relationship	❏	❏	❏	❏	❏

	1	2	3	4	5
We feel this contract provides direction needed for this relationship	❏	❏	❏	❏	❏
We feel this contract can be enforced when problems arise	❏	❏	❏	❏	❏
We feel this contract do not provide room for cheating	❏	❏	❏	❏	❏
We feel this contract do not need to be changed	❏	❏	❏	❏	❏
We feel this contract is optimal for the best of our knowledge	❏	❏	❏	❏	❏

31. Statements below measure the environmental variations (uncertainty). Please rank these statements at the extent which you agree or disagree with them (1=completely disagree, 2=disagree, 3=uncertain, 4=agree, 5=completely agree)

	1	2	3	4	5
Demand for this product varies continually	❏	❏	❏	❏	❏
The demand conditions for our supplier's product (s) are irregular	❏	❏	❏	❏	❏
Our most important competitors are regularly carrying out product adjustment	❏	❏	❏	❏	❏
Technology used in this product change fast	❏	❏	❏	❏	❏

	1	2	3	4	5
It is difficult to predict where the technology used in this product will be in 2 to 3 years	❑	❑	❑	❑	❑
The technology used in manufacturing this product is complex	❑	❑	❑	❑	❑
There is much R&D involved in the development of this product	❑	❑	(❑	❑	❑
Business policies related to this product change fast	❑	❑	❑	❑	❑
Difficult to predict how economic crisis affect this product	❑	❑	❑	❑	❑
Difficult to predict how political changes will affect this product	❑	❑	❑	❑	❑
Difficult to predict how international policies will affect this product	❑	❑	❑	❑	❑
It is difficult for us to predict our volume requirement for this product (s) from this supplier in short term bases	❑	❑	❑	❑	❑

32. If you have anything to add that we did not mention above, please provide it here

_____

_____

_____

_____

_____

THANK YOU VERY MUCH FOR TAKING YOUR PRECIOUS TIME TO ANSWER OUR QUESTIONNAIRE!

N:B For information regarding this questionnaire, please contact:

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APPENDIX C

DEFINITION OF KEY CONSTRUCTS

Table below provides a brief overview of key terms that are used in this study. The table provides the meaning and the sources that they were extracted. The control variables are not covered in this table but they can be found in specific papers where they appear.

Table 21: Definition of key concepts

Concept	Meaning	Sources
Contractual completeness	Ratio between specific rights and residual rights where specific rights refer to detailed specification of decision action in the ex-ante period and residual rights refer to the planning of decision procedures which enable decision making about specific actions in the ex post period	Hendrikse and Windsperger (2010:4). Brown, Potoski, & Van Slyke, 2007; Saussier, 2000
Contractual satisfaction	Contractual satisfaction is a specific transaction-level post-evaluation of the experience with the partner in a contractual relationship.	Anderson, & Sullivan, 1993; Spreng et al., 1996
Institutions	''regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior''	Scott, 1995: 33
Ex-ante efforts (costs)	Efforts or costs incurred by partners in establishing	Hennart, 1993; North, 1990; Williamson, 1985

	contractual relationship. These include searching and contractual drafting which take the form of consultation in an attempt to resolve the information asymmetry problem	
Trust	Trust is defined as a state of mind, belief or perception of the other party's capability, goodwill and self-reference in future situations involving risk and vulnerability	Blomqvist, 2002, Morgan& Hunt, 1994; Rousseau, Sitkin, Burt, & Camerer, 1998; Zucker, 1986
Networks	Networks refer to relational connections that involve two or more organizations	Thorelli, 1986: 37
Relational norms	Relational norm are expectations about attitudes and behaviors of parties when working cooperatively together to achieve mutual and individual goals	Cannon, Achrol, & Gundlach, 2000, p. 183.
Reputation	''a perceptual representation of a company's past actions and future prospects that describe the firm's appeal to all of its key constituents'	Fombrun 1996: 165
Buyer/supplier asset specificity	These are durable investments that are undertaken in support of particular transactions, the	Williamson 1985:5

	opportunity cost of which investments is much lower in best alternative uses or by alternative users should the original transaction be prematurely terminated	
Ongoing/ex-ante/contractual term specificity*	Concerns with how specific and detailed the terms are specified in the contractual arrangement	Luo, 2002 (p. 905)
Contingency adaptability/specifications (ex post contractual specifications)*	Contingency adaptability deals with how to contractually respond to future problems, conflicts, and contingencies	Luo, 2002 (p. 905)
Foreigness of supply firm	Defined by whether they dyadic relation is composed of partner from similar or dissimilar countries.	
Environmental uncertainty	Unanticipated changes in circumstances surrounding an exchange	Noordewier, 1990 (p. 82).
Technological uncertainty	Technological uncertainty is the inability to predict with precision the technical requirements of a relationship	Walker & Weber, 1984
Volume uncertainty	Volume uncertainty is the inability to predict with precision the volume requirements in a relationship	Walker & Weber, 1984
Opportunism	Self-interest seeking	Williamson, 1975

	behavior (cheat, lie or do other similar activities) for the sake of serving ones' own interests at the expense of the other partner in the relationship	
Behavioral uncertainty	Can be viewed in terms of difficulties in monitoring the contractual performance of an exchange partner.	Williamson, 1991

some constructs have been used with their synonyms so as to be understood by readers from different disciplines/perspectives. Further the papers were sent to different journals and some terms appear to fit well for those outlets.

The definition for the control variables can be obtained from the texts where they appear.

APPENDIX D: SNAPSHOTS OF PUBLISHED PAPERS

Routledge
Taylor & Francis Group

Adaptability and Ongoing Contractual Term Specificity: Advancements and Theoretical Implications

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Studies on interfirm contractual relations have followed an incremental path. Recent developments have suggested a dichotomous property of contracts (i.e., contingent adaptability and ongoing contractual term specificity). Such a view is one step toward resolving most contradictory findings in studies related to contracting that have assumed a single dimension. This article takes a step toward minimizing the vacuum on contracting theory by adding a stronger theoretical base that takes into account the dichotomous property of contracts. Findings suggest some differences and similarities in these key contractual components.

KEYWORDS   contingent adaptability, cultural distance, environmental uncertainty, ongoing contractual term specificity, relational norms, supplier foreigness

INTRODUCTION

Discussion on contracting has followed an incremental path, in terms of not only content but also context. To a large extent, the discussion has revolved around two generations of theories on incomplete contracting. First-generation theories (Grossman & Hart, 1986; Hart & Moore, 1990) suggest that agents are rational but limited in specifying transactions because of exogenous verifiability constraints. Second-generation theories (Bolton & Faure-Grimaud, 2009; Hart & Moore, 2008; Tirole, 2009) argue that the incompleteness of contracts results primarily from adaptation and endogenous verifiability problems under the bounded rationality of contract partners.

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Contractual satisfaction: drivers and implication for theory

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Abstract: The aim of inter-firm relations is to achieve each firm's objectives. The achievement of these objectives is reflected in firms' satisfaction. Satisfaction as a concept can be studied at different levels and contractual relations is one such level. Most studies on inter-firm satisfaction have looked at the general level of satisfaction, whose drivers are complex to account for. This study aims to investigate contractual satisfaction from the perspective of some of its key drivers. The main finding suggests that, while ongoing term specificity, contingent adaptability, reputation and trust have a positive influence on contractual satisfaction, opportunism has a negative one.

Keywords: contractual satisfaction; reputation; trust; opportunism; ongoing term specificity; contingent adaptability.

Biographical notes: Emmanuel Chao is a PhD Research Fellow at the Agder University, as well as an Assistant Lecturer at the Mzumbe University. He is the author of book on buyer-perceived opportunism and has published several articles in journals such as *International Business Research*, *International Business and Management*, *Knowledge Management and Practice* and several papers in proceedings such as Academy of Marketing Science, European Academy of Marketing, Academy of Marketing, Info Marketing and many others.

1 Introduction

Assume a situation where two companies, B (buyer) and S (seller), are engaged in a contractual relationship. In this contractual relationship, company S supplies product X to company B. After a series of misunderstandings, later found to be related to the contract, company S comes under pressure to look for a new buyer, but its manager wants to find out why company B is not satisfied with the contractual dealings in the relationship. A practical example of such a case occurred in the London 2012 Olympics, when there was a contractual failure between G4S (formerly Group 4) Securicor and the British Government. The buying side in this case (the British Government) was dissatisfied with

Routledge
Taylor & Francis Group

Contractual Satisfaction: The Polish and Tanzanian Perspectives

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ABSTRACT　*Purpose:* Interfirm satisfaction has been studied at the aggregate level, which has limited use in terms of understanding specific dimensions. Contractual satisfaction relates to the specific level of analyzing interfirm satisfaction. This study contributes towards understanding contractual satisfaction and the contextual nature of the concept. To achieve the latter, two heterogeneous emerging markets were used (Poland and Tanzania).

Methodology: The study was conducted in Poland and Tanzania, focusing on manufacturing firms. The sample included 201 Polish firms and 240 Tanzanian firms.

Findings: The major findings suggest that ex ante costs and ex post specifications have a significant positive effect on contractual satisfaction, with a stronger effect in Poland. Behavioral uncertainty has a significant moderating effect on these two constructs in Tanzania but not in Poland, whereas the moderating effect of trust is found to be significantly positive in Poland but negative in Tanzania.

Research Implications: The nature of markets and institutions has an influence on business to business relations.

Practical Implications: Contractual satisfaction is not homogeneous across markets; managers should pay attention to specific contextual factors such as institutions and the stage they are at in their transformation.

Originality: The study looks specifically at contractual satisfaction and extends the contractual governance literature by considering heterogeneous emerging markets.

KEYWORDS　contractual satisfaction, ex ante costs, ex post contractual specifications, history, emerging markets, industrial marketing, business marketing

Most studies on satisfaction are based on consumers. Satisfaction can be studied at the aggregated level or by looking at a specific dimension. In business-to-business relations, there are a range of dimensions by which satisfaction can be evaluated. Evaluating satisfaction via specific dimensions provides deeper and more practical insights, which may be relevant to strategic decisions. Contractual satisfaction refers to an ex post evaluation of experiences of interfirm contractual relations.

Normative expectations are a characteristic feature of most contractual relations. Evaluating contractual satisfaction will provide us with important drivers of these expectations. It is important to study contractual satisfaction

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