



Do prior interactions breed cooperation in construction projects? The mediating role of contracts

Yu Wang^a, Yongqiang Chen^a, Yongcheng Fu^{b,*}, Wenjing Zhang^a

^a College of Management and Economics, Tianjin University, Tianjin 300072, PR China

^b Alliance Manchester Business School, The University of Manchester, Manchester M15 6PB, UK

Received 5 July 2016; received in revised form 15 February 2017; accepted 23 February 2017

Available online xxxx

Abstract

There has long been inconsistency on the relationship among prior interactions, contracts and cooperative behavior. This study aims to examine how prior interactions affect cooperative behavior, including the effects of prior interactions on cooperative behavior and the mediating role of the contract. We classify cooperative behavior as in-role and extra-role behavior, and contract as a three-dimensional construct, including control, coordination and adaptation. Collecting data from 200 contractors in Chinese construction industry, the empirical results demonstrate the significance of the effect of prior interactions, the relationship between contract and cooperative behavior, and the mediating role of contractual coordination. According to our result, increasing contractual coordination emerges from prior interactions, while contractual control and adaptation are not related to these repeated collaborations. The findings reflect the interconnectedness of real-life projects and provide a nuanced explanation to the complex relationships among prior interactions, contracts and cooperative behavior.

© 2017 Elsevier Ltd, APM and IPMA. All rights reserved.

Keywords: Construction project; Inter-organizational relationship; Prior interactions; Contract; Cooperative behavior

1. Introduction

In construction industry, repeated transactions often take place between the same pair of owner and contractor. The emergent process resulting from prior ties is likely to alter subsequent governance design as well as partners' behavior (Poppo et al., 2008; Gulati, 1995). Many believed that repeated exchanges generate trust and learning which make partners better able to deal with each other (Mayer and Argyres, 2004; Ryall and Sampson, 2009). Thereby, we consider that prior interactions may facilitate cooperative behavior. During the continuing interacting process there emerged alternative means to cope with cooperation risks. As mechanisms for achieving

cooperation in inter-organizational transactions, contracts have been long regarded as formal governance to limit potential opportunism (Williamson, 1985).

However, inconsistent evidence exists for the relationship among prior interactions, contracts and cooperative behavior. First, with respect to contracts and cooperative behavior, previous literature provides plenty of evidence on the positive relationship between the two. Some argue that contracts aim at clarifying partners' role and responsibilities (Luo, 2002a), developing trust and encouraging commitments (Poppo and Zenger, 2002; Lui and Ngo, 2004) such that idiosyncratic and deviant behavior will be alleviated and parties will perform in accordance with the mutual expectations (Salbu, 1997). Consequently, cooperation is enhanced. In contrast, some scholars hold the opposite view that the use of contractual control signals distrust which is detrimental to cooperative relationship and even gives rise to opportunistic behavior that cannot be specified by contracts (Ghoshal and Moran, 1996; Bernheim and Whinston, 1998).

* Corresponding author.

E-mail addresses: wangyu4869@126.com (Y. Wang),
symbolpmc@vip.sina.com (Y. Chen), yongcheng.fu@postgrad.mbs.ac.uk
(Y. Fu), zhangwenjing91@126.com (W. Zhang).

Second, there is also a growing debate on how contract design changes with repeated relationships (Ryall and Sampson, 2009). Quite a few of the studies indicate that contract may change with prior collaborative histories. Poppo and Zenger (2002) revealed that norms and social ties emerging from prior exchange would complement contractual governance. Ryall and Sampson (2003) focus on the effect of prior alliances on contract structure and find that contracts are more complete or detailed if firms have prior alliances with the same firm or other firms. Their subsequent study draws a further conclusion that a firm's contracts tend to be more detailed and more likely to include penalties when it engages in frequent deals, especially when the prior deals are between the same partners (Ryall and Sampson, 2009). On the contrary, evidence from Reuer and Arino (2007) shows that more prior alliances between the partners would lead to less contractual complexity. The major point of contention lies in that whether contract can be substituted by trust and inter-organizational routines fostered in prior relationships or it will be more detailed due to learning effects which lower ex ante contracting costs (Mayer and Argyres, 2004).

In our views, the conflicts among previous findings may be a consequence of insufficiency in dimension dividing of contract and cooperative behavior. Different contract provisions are designed for different purposes. However, the global indicators of contractual complexity rather than particular provisions are often adopted as measurement of contract (Poppo and Zenger, 2002). Similarly, cooperative behavior can also be viewed as a two-dimension construct, including in-role behavior and extra-role behavior (Katz, 1964). Extra-role behavior is mostly discussed as organizational citizenship behavior at the individual level but is rarely mentioned at the transaction level, in spite of the fact that the firms can make extra efforts to enhance project performance besides completing the tasks specified in the contract. Thus, the global measurement can't distinguish the effects of certain factors on particular contractual provisions (Reuer and Arino, 2007) as well as the effects of particular contractual provisions on certain type of cooperative behavior, which might result in confusion. We suggest that a better alternative is to investigate contract from a multi-functional perspective, namely contractual control, coordination and adaptation.

Based on observations and theories, we propose that prior interactions are likely to affect partners' cooperative behavior and contracts in construction projects. Moreover, from the Transaction Cost Economics perspective (Williamson, 1979), the contract fosters partners' cooperative behavior through reducing their opportunistic behavior. Relying on the effect, contracts may mediate prior interactions and contractors' cooperative behavior. Hence, this study develops a model to address the following research questions:

How do prior interactions affect cooperative behavior:

- 1) What effects do prior interactions have on cooperative behavior?
- 2) What effects do the contract have on cooperative behavior?
- 3) What effects do prior interactions have on the subsequent contract and does the contract mediate the effect of prior interactions on cooperative behavior?

The main contributions this study intended to offer are to explicate the nature of the linkage between the three functions of contract and the two types of cooperative behavior, and demonstrate the different paths through which prior interactions affect contract and cooperative behavior. Elaborating these more fine-grained effects can bring new explanation for previous controversy and offer some insight into the determinants of cooperative behavior.

The remainder of this study is organized as follows. First, we review previous relevant literature and develop hypotheses. Second, we present the description of methodology and statistical results. And then, we have discussions on the results. Finally, we make conclusions and give managerial implications.

2. Theoretical foundation and hypotheses

2.1. Cooperative behavior

Cooperation is a necessary ingredient for the success of construction projects. However, partners' cooperative behavior is not automatic or easily fostered (Malhotra and Lumineau, 2011). Many efforts have been made to identify determinants of cooperation, but most of them consider cooperation as a general concept (Das and Teng, 1998; Luo, 2002a, 2002b), or measure it as performance (Luo, 2008). Few studies distinguish different types of cooperative behavior. The seminal work of Katz (1964) proposes a two-dimensional construct of cooperative behavior, including in-role behavior and extra-role behavior. The in-role behavior refers to following mandatory rules or role descriptions. Obviously, the in-role behavior is the minimal level of standards for work. But if only relying on the minimal level behavior, organizations are difficult to operate effectively. Hence, it requires another type of behavior that is referred to as extra-role behavior. The extra-role behavior is the voluntary and spontaneous behavior, usually beyond the specified role descriptions. For example, the contractor may propose constructive suggestions for the project design document, or improve project value by a more appropriate project schedule.

The concepts of in-role and extra-role behavior derived from organization behavior field (Ziegler and Schlett, 2016; Anvuur and Kumaraswamy, 2012). Since the behavior of an organization is substantially done by its members, this classification can be reasonably extended to organizational level (Fu et al., 2015; Wuyts, 2007). The applicability of the concept borrowing has been verified in the field of inter-organizational relationships including construction projects, such as behavior of suppliers and buyers in the supply chain (Kashyap and Sivadas, 2012), or behavior of owners and contractors in construction projects (Gil, 2009). Due to the complexity of construction projects, only depending on the blueprints of prescribed behavior would make projects very fragile and likely to breakdown. Actually, partners' behavior usually tends to be composed of prescribed behavior and spontaneous behavior. Thus, the concepts of in-role and extra-role behavior could better capture the reality of behavior in construction projects.

Download English Version:

<https://daneshyari.com/en/article/4922086>

Download Persian Version:

<https://daneshyari.com/article/4922086>

[Daneshyari.com](https://daneshyari.com)