



How to foster contractors' cooperative behavior in the Chinese construction industry: Direct and interaction effects of power and contract

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Abstract

To ensure and improve contractors' cooperative behavior is a critical issue facing project owners in the construction industry. On the Chinese construction projects, it is common for project owners to exercise power to indicate their position and ensure contractors' behavior. Meanwhile, a contract plays a crucial role in reducing opportunism and fostering contractors' cooperative behavior. Based on the power and contract literature, this paper aims to explore the direct and interaction roles of owner power and contract mechanisms – particularly owner expert and coercive power as well as contract control and coordination functions – in improving contractors' cooperative behavior. We also adopted two dimensions of cooperative behavior, namely in-role and extra-role behavior. A questionnaire survey was employed and data were collected from employees in the Chinese construction industry. We analyzed the data and compared the results between project owners and contractors. Data analyses show that 1) project contractors and owners perceive different levels of owners' expert power, contractors' in-role and extra-role behavior; 2) from the contractors' view, owners' expert power and contract coordination have positive influences on contractors' in-role behavior; owners' coercive power, expert power, and contract coordination positively affect contractors' extra-role behavior, while contract control plays a negative role; 3) contract control and coordination do play moderating roles on the relationship between expert power and contractors' cooperative behavior. These findings are interpreted in light of the Chinese culture and suggestions are provided regarding how project owners could exercise power and contract to foster cooperation with their contractors.

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Keywords: Contractors' cooperative behavior; Owner expert power; Owner coercive power; Contract coordination; Contract control

1. Introduction

Cooperation among various project participants, especially between project owners and contractors, forms the foundation of effective construction project outcomes (e.g. Meng, 2012; Quanji et al., 2017; Wang et al., 2017). Usually, project owners are initiators and sponsors of construction projects, and they

rely on eligible contractors who have the resources and capabilities to complete projects. However, characterized by one-off, high complexity, diverse interests and information asymmetry between project parties, as well as asset specificity, the construction projects are surrounded by project parties' opportunistic behavior (Lu et al., 2016). Contractors are trying to exploit owners to achieve their own goals, indicating opportunistic behavior such as information distortion and breaching implicit commitment (e.g. Lu et al., 2016; Ning, 2018). As a result, owners and contractors are frequently caught

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in adversarial inter-organizational relationships or destructive conflicts, which are regarded as major reasons causing poor project performance (Bresnen and Marshall, 2000; Phua, 2010). Regarding the critical and fundamental role of contractors in project implementation, a key issue facing project owners in delivering construction projects effectively and efficiently is to curtail contractors' opportunism and foster their cooperative behavior.

To foster and promote cooperation is not an automatic process (Malhotra and Lumineau, 2011). In the Chinese construction industry, an interesting phenomenon is observed that project owners often use their position – power – to indicate their advantages and influence contractors' behavior. There is a high level of power asymmetry in owner-contractor relationships for Chinese construction projects (Zhang and Qian, 2017). Power, referring to the ability of one party to control or influence the behavior of another (Hunt and Nevin, 1974), is a major driver of cooperative behavior (Kadefors, 2004). Power is also considered as a necessary mechanism for promoting cooperation between construction project partners (Lu and Hao, 2013). For example, contractors may obey extra requests from owners which are not in line with the contracts as they are afraid of owners' coercive power to reduce their benefits. Reflected in various dimensions such as coercive power, expert power, power is widely recognized to have a significant and expansive influence on inter-organizational relationships (Maloni and Benton, 2000). Power is thus considered as an important element when fostering contractors' cooperation. This research takes the importance of power as a point of departure and aims to explore the role of power in breeding contractors' behavior.

According to the transaction cost theory, a contract is considered to be an effective governance mechanism to reduce opportunistic behavior and minimize unnecessary transaction cost (Williamson, 1975). Contracts are of great importance especially in transactions characterized by complex and uncertainty, as in the case of construction projects. An effective contract entails clauses to clearly prescribe different aspects of complex transactions, such as working scope, conflict resolution procedures, contingencies, critical milestones. Researchers are coming to realize that these clauses serve different roles in specifying complex transactions (e.g., Lumineau and Henderson, 2012; Schepker et al., 2014). Some clauses are designed to control exchange partners' behaviors and avoid exploitation (Lumineau and Henderson, 2012). Other clauses are designed to coordinate contracting relationship formally, such as those defining roles and responsibilities (e.g., Woolthuis et al., 2005), defining procedures and processes (e.g., Mayer and Argyres, 2004). Several empirical studies suggest that the functional view of contracts provide a nuanced understanding of organizational behavior (Lumineau and Malhotra, 2011; Cao and Lumineau, 2015).

Although contract management is an indispensable part in the project management area, detailed contracts alone are ineffective in constraining partners' opportunism, especially where legal institutions are weak, such as the situations in China (Zhou and Xu, 2012). Thus, the use of coercive power to

gain cooperative behavior appears to be a reasonable and convenient option for the powerful organization (Pretty and Ward, 2001). Regarding the roles of both power and contract in cooperative behavior, the question arises as to what the combinative and integrative role of power and contract mechanisms in fostering contractors' cooperation is. To fill in this research gap, this research aims to explore the joint impacts of owners' power and contract mechanisms on the contractors' behavior in the Chinese construction industry. More specifically, the research is attempting to answer the following question: what are the direct and interaction effects of power and contract in fostering contractors' in-role and extra-role cooperative behavior in the construction industry?

2. Theoretical foundation and hypotheses development

2.1. Contractors' cooperative behavior

Cooperation refers to the behavior that promotes the shared project goals between parties (Anvuur and Kumaraswamy, 2012). It is similar to the term cooperative behavior. Although some previous literature addresses cooperation as a one-dimensional construct (Phua and Rowlinson, 2004), it fails to provide a complete picture and more research work tends to consider it as a multi-dimensional construct. The seminar work by Katz (1964) classified cooperation into in-role and extra-role behavior: in-role behavior refers to mandatory rules or role descriptions, while extra-role behavior is usually the voluntary and spontaneous behavior that is beyond the specified role descriptions. Lewin and Gold (1999) also identified two types of motivation for cooperation, one is extrinsic motivation from contractual obligations and control, and the other is internal motivation from the individuals. Similarly, Tyler and Blader (2000) differentiated between discretionary and mandatory cooperative behavior: mandated cooperation is generally required by group rules and policies while discretionary behavior happens when people engage in behavior that is beyond rules and norms. Further research based on the function and source of behavior classified cooperation into four different aspects, in-role, compliance, extra-role and deference cooperation (Tyler and Blader, 2000; Anvuur and Kumaraswamy, 2012).

Although previous scholars use various terms to categorize cooperative behavior, the essence of categorizations is similar. In line with the multi-dimensional view of behavior (Katz, 1964), this research attempts to provide a nuanced picture of contractors' cooperative behavior and considers two dimensions: in-role and extra-role behavior, which is responsive to the construction practice. In-role behavior is normally considered as the minimal level of standards for work (Katz, 1964). It refers to the formal and obligatory production-function focused behavior specified in a job (Anvuur and Kumaraswamy, 2012). Extra-role behavior refers to the informal and voluntary behavior where a party is willing to carry out extra task activities and help the other party with task-related problems which are not within the formal part of the job (Anvuur and Kumaraswamy, 2012). In inter-organizational transactions such as the construction industry context, both formal relationships

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