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**Does Contract-Based Governance Lead to or Curtail
Opportunism?**

The relationship between contract completeness and partner opportunism is widely discussed in interfirm governance literature. However, consensus is lacking regarding whether contract completeness increases ex post opportunism, or such opportunism can be curtailed by contractual or social governance. Some state that a more detailed contract can provide safeguarding and coordinating functions, thereby preventing partner opportunism. Others argue that a complete contract signals a focal firm's distrust towards its partner, and hence, increases its partner's resentment or even opportunism. We believe such an inconclusive state is due to insufficient demarcation between different forms of opportunism, and a lack of temporal consideration of contract-based governance. In this study, we argue that ex ante contract completeness reduces ex post strong form opportunism while increasing weak form opportunism. Moreover, when opportunism occurs, we suggest that contractual punishment alleviates the negative impact of strong form opportunism on cooperation performance but worsens that of weak form opportunism, which is manageable through social punishment. Data collected from 227 firms confirm most of the hypotheses. This study makes three contributions. First, we distinguish between contract completeness and contractual punishment, and examine their roles in causing (or preventing) and alleviating (or worsening) opportunism at different time of an ongoing relationship, respectively. This differential treatment of contract completeness vs. contractual punishment advances our knowledge about contract-based governance. Second, by differentiating strong vs. weak form opportunism, our results reveal that contract completeness reduces strong form opportunism, yet, increases weak form opportunism, partly reconciling the mixed findings in prior research. Third, we specify what form of opportunism can be controlled by contractual or social punishment during the process of interfirm cooperation,

suggesting a match between forms of opportunism and types of punishment.