

## Contract completeness as a foundation to relationship building among stakeholders in public private partnership projects

Rogers Mwesigwa, Vincent Bagire, Joseph Ntayi & John Munene

To cite this article: Rogers Mwesigwa, Vincent Bagire, Joseph Ntayi & John Munene (2019): Contract completeness as a foundation to relationship building among stakeholders in public private partnership projects, International Journal of Public Administration, DOI: 10.1080/01900692.2019.1660993

To link to this article: <https://doi.org/10.1080/01900692.2019.1660993>



Published online: 09 Sep 2019.



Submit your article to this journal [↗](#)



Article views: 8



View related articles [↗](#)



View Crossmark data [↗](#)



## Contract completeness as a foundation to relationship building among stakeholders in public private partnership projects

Rogers Mwesigwa<sup>a</sup>, Vincent Bagire<sup>a</sup>, Joseph Ntayi<sup>b</sup>, and John Munene<sup>b</sup>

<sup>a</sup>Business Administration, Makerere University Business School, Kampala, Uganda; <sup>b</sup>Procurement and Supply chain management, Human Resource Management, Makerere University Business School, Kampala, Uganda

### ABSTRACT

The purpose of this paper study is to provide evidence on whether contract completeness is a foundation to relationship building among stakeholders in public–private partnership projects in Uganda. Data were collected by means of a questionnaire survey from a sample of 135 public–private partnership projects in Uganda. Partial Least squares structural equation modeling was used to analyze the data. All the Contract completeness dimensions were found to be positively and significantly associated with relationship building among stakeholders in PPP projects in Uganda. This implies that contract completeness is a cornerstone to relationship building. Results imply that when all the relevant issues are included in the contract, contract terms are explicitly stipulated, unanticipated changes are described and when all the parties involved are restrained by a binding force of a contract, relationship building will be boosted among stakeholders in PPP projects. Since little is known on how to build lasting relationships among stakeholders in public–private partnership projects, this study thus extends a debate on how a complete contract can build lasting relationships among stakeholders.

### KEYWORDS

Contract completeness; relationship building; public–private partnership projects; Uganda

### Introduction

Building strong relationships with stakeholders is vital for the successful delivery of public–private partnership (PPP) projects. The importance of organizational–stakeholder relationships has and continues to be of interest in the organizational studies literature (Chinyio & Olomolaiye, 2010; Freeman, 1984). Stakeholder relationships can only be built if the parties involved reap rewards exceeding the costs incurred by those relationships (Camén, Gottfridsson, & Rundh, 2011). Hartman (2002) earlier noted that successful project relationships are vital for successful delivery of projects and meeting stakeholder expectations. Cheung and Yiu (2006) added that building stakeholder relationships is inevitable due to the uncertainty caused by the increasing scale and complexity of PPP projects. The uncertainty and project risks can be minimized by designing a complete contract (Lu, Zhang, & Zhang, 2016; Luo, 2002a). Designing complete contracts not only reduces the uncertainty, conflicts among the stakeholders but also restrains the intentions of opportunistic behavior and thus improves relationship building (Williamson, 1985). As PPP projects become more complex, a contract among the

stakeholders needs to be stipulated in detail to cover all possible circumstances (Cheung & Yiu, 2006). A complete contract provides a lawful and institutional framework for the rights, duties, and responsibilities of the stakeholders. It also offers guidance and act as a basis for both parties to cooperate, manage conflicts, and adapt to contingency (Lu et al., 2016; Lusch & Brown, 1996; Poppo & Zenger, 2002). A relatively complete contract means not only the explicit specification of terms, but also the extensive inclusion of various issues, appropriate coverage of contingencies, and clear codification of contractual obligations for each party (Luo, 2002a).

But, even with the afore-mentioned benefits of having complete contracts in building relationships with stakeholders, Arranz and Fdez de Arroyabe (2011) earlier indicated that an emphasis on having complete contracts may be seen as contrary to efforts to build trust and long-term relationships. Williamson (1985) had also initially noted that some stakeholders have self-seeking behaviors and such behaviors are believed to decrease reliability and integrity; in turn reduce trust and affect the project from building strong relationships with stakeholders (Morgan & Hunt, 1994).

In Uganda, there is a challenge of contracting. There has been an issue of under-pricing for private providers to win contracts. This has later resulted in cost runs and inability to complete projects on schedule. This has had an impact on building long-lasting relationships among the stakeholders. As a result, over 72% of projects fail to meet stakeholders expectations and Uganda loses over \$300m (sh1.1 trillion) per year meaning that the financing gap on infrastructure projects cannot be filled (Odyek, 2017).

Even though studies elsewhere have shown that a more elaborate and complete contracts limit opportunism, reduces conflicts among stakeholders and boosts relationship building (Luo, 2002b, 2005; Macher & Richman, 2008; Shelanski & Klein, 1995), little attention has been paid to the theoretical and practical implications of the dimensions of complete contracts as a cornerstone to relationship building among stakeholders in public–private partnership projects. Furthermore, the undimensionality of contract completeness in previous studies could not help in responding to environmental changes and simultaneously promoting adaptation while mitigating opportunism (Luo, 2005). This study will therefore apply multidimensionality of contract completeness (inclusiveness, term specificity, contingency adaptability, and contractual obligatoriness) in order to establish whether contract completeness is a foundation to relationship building among stakeholders in PPP projects in Uganda. The contribution of this study indicate that; relationship building among the stakeholders would be easier if; the parties to an agreement could specify their respective rights and duties for every possible future state of the world, all the relevant issues are included in the contract, all the relevant terms are explicitly stipulated and the unanticipated changes are accounted for and relevant guidelines for handling these changes are delineated in a contract.

To achieve the aforementioned objective, the paper gives overview of Public–Private Partnership Projects in Uganda, reviews literature on the dimensions of contract completeness and relationship building, presents methodology and results of the study. Finally, the paper presents discussion of findings, conclusions, managerial implications, and future research directions.

## Overview of public–private partnership projects in Uganda

In July 2015, Uganda joined the list of African countries that have implemented Public–Private Partnerships laws. On 1<sup>st</sup> July 2015, the parliament of the Republic of Uganda passed the highly anticipated

Public–Private Partnerships (hereinafter referred to as PPPs) Bill, it was later assented to by the President of Uganda on 12<sup>th</sup> August 2015. The new law filled the gaping void for a legal framework to regulate the development and implementation of PPPs in the country. Before the passing of the new PPP's law, Uganda lacked a formative regulatory framework tailored to Public–Private Partnership's arrangements. Stakeholders would refer to the 2010 National PPP Framework policy in conducting their operations. The new law's objective is to regulate the procurement, implementation, maintenance, operation, management and monitoring of PPPs from project conception to conclusion. PPP arrangement involves partnership between the government and the private sector to finance and manage infrastructure assets, to facilitate the provision of services over the long term with some transfer of risks. Uganda adopted PPP projects of the move geared at fast-tracking the construction of infrastructure projects, continued budgetary constraints faced and huge demand for infrastructure investment as well as frequently low project management efficiencies in the public sector. These constraints forced Government of Uganda to explore more subtle alternatives for accessing private sector resources in the delivery and operation of public facilities. The involvement of the private sector in the provision of public infrastructure is expected to reduce government financial burdens, attracting foreign and private investments, improving management and operation efficiencies, facilitating technology transfer and promoting infrastructure development. Furthermore, it was hoped that this arrangement not only reduces the strain on the government expenditure but also facilitates more innovations by harnessing the skills, technologies, and operational efficiency. Since then several projects have been undergoing implementation such as Vegetable Oil Development Project, Entebbe express highway, Bujagali hydro power project among others. However, contracts issues such as resettlement, compensation, and socio-cultural impacts remain unresolved which has had negative impacts on relationship building. Thus, in order to achieve successful PPP's in Uganda, relationship building among stakeholders has remained a gap to be filled.

## Literature review

### *Theoretical review*

This study adopts the contracts theory which underpins the importance of complete contracts as a means for controlling the risk of opportunistic behavior among stakeholders. According to Poppo and Zenger (2002),

the more complete the contract, the greater the specification of promises, obligations, and actions for dispute resolution, which in turn limits the scope for opportunistic behavior and thus facilitates relationship building. Mellewigt, Madhok, and Weibel (2007) further noted that a more complete contract serves the following two functions: control and coordination. Control serves the contractual means of reducing idiosyncratic and deviant behavior, as well as holding parties to articulated policy through exercising authority or power mechanisms. Coordination, in contrast, serves the contractual means to provide linkages between two interdependent task units as an enabling process to attain the desired outcome.

According to the contract theory by Hart (1995), a contract is complete if parties to an agreement could specify their rights and duties for every possible future state of the world and there would be no gaps in the terms of the contract. A complete contract helps to maintain relationships between parties (Frankel, Whipple, & Frayer, 1996), reducing the uncertainty of decision-making and thus inhibit the intentions of opportunistic behavior (Williamson, 1975). However, studies have also shown that a complete contract provisions may indicate distrust (Ghoshal & Moran, 1996; Jap & Ganesan, 2000; Wuyts & Geyskens, 2005) and jeopardize relationship building among the parties. This paper, however, advances the understanding of contract completeness as a necessary cornerstone to relationship building among stakeholders in PPP projects.

### **Hypothesis development**

Contract completeness in this study refers a contract that not only the explicit specification of terms, but also the extensive inclusion of various issues, appropriate coverage of contingencies, and clear codification of contractual obligations for each party (Luo, 2002a; White, Joplin, & Salama, 2007). Contract completeness has been divided into four dimensions: issue inclusiveness, term specificity, contingency adaptability, and contractual obligatoriness. Issue inclusiveness refers to the degree to which relevant issues are included in the contract (Argyres & Mayer, 2004). High inclusiveness of the contract issues reduces the likelihood that the stakeholders will deviate from its desired course (Luo, 2002a). Greater coverage of contractual terms guides the partnership formation and avoids the creation of weaknesses that could obstruct the partnership performance (Yang, Qian, & Zheng, 2017). Issue inclusiveness lessens stakeholder disagreements that would otherwise endanger cooperation.

Explicit coverage of contract terms provides a clear framework that defines each stakeholder's rights as well as the principles and procedures of partnership cooperation and conflict resolution. High inclusiveness of contract terms further helps stakeholders obtain more accurate information regarding duties, needs, and benefits, which then allow each party to make decisions that benefit them (Yang et al., 2017). Luo (2006) noted that opportunities for partnership failure are reduced when more relevant issues are included in the formal contract. However, Ghoshal and Moran (1996); Jap and Ganesan (2000) noted that trying to put many terms in a contract will lead to stakeholders feeling untrusted which can affect long-term relationships. From this discussion, we can note that when all the issues are included in a contract, there are high chances of relationship building since disagreements among stakeholders will lessen. We therefore hypothesize that;

#### ***H1. Issue inclusiveness positively relates to relationship building in PPP projects***

Yang et al. (2017) define contractual obligatoriness as the extent to which legal obligatoriness can be codified in the contracts. It also refers to the extent to which stakeholders involved in a partnership contract is restrained by the binding force of the contract (Luo, 2005). Without such obligatoriness, the contract is incomplete no matter how inclusive the terms are. A contract may include a large number of terms, but if these terms' ability to bind the stakeholders is rather limited, then the contract is weak (Luo, 2006). A contract cannot be viewed as complete unless it codifies each party's legal obligatoriness (Luo, 2002b). Contractual obligatoriness is revealed in the strength of legal binding for the overall contract, the seriousness of penalization against the breaching party, and the extent of compensation to the aggrieved party. Contractual obligatoriness helps mitigate future stakeholder opportunism because it increases the level of legal obligation that constrains each party during subsequent stages of alliance formation and operations (Luo, 2005). Having more obligations in a contract increases each stakeholder's sensitivity to its duties and responsibilities, which in turn reduces conflicts, improves the collaboration and commitment to relationship building (Lu et al., 2016). Contractual obligatoriness promotes an atmosphere of mutual trust and collaboration in view of the confidence in the contract safeguard which mitigates stakeholders' intentions to violate the contract and this promotes relationship building. From the above discussion, we hypothesize that;

## ***H2. Contractual obligatoriness positively relates to relationship building in PPP projects***

Term specificity is the degree to which all relevant terms are explicitly stipulated (Luo, 2002b). Term specificity serves to reduce managerial complexity by coordinating activities for collective goals. Term specificity clarifies the rules and responsibilities and as a result reduces the occurrence of uncertainty to which both parties are exposed and promote future cooperation (Poppo & Zenger, 2002). Specifying contract terms facilitates partnership formation in accordance with the contract and it reduces disputes among the stakeholders. Term specificity also helps each party get more accurate information regarding duties, needs, and benefits, which then allows each party to make better decisions. Transparent and accurate information flow between parties elevates the effectiveness of cooperation and project processes (Lu et al., 2016). On the other hand, stipulating all the terms in a contract may be a sign of distrust among the stakeholders (Jap & Ganesan, 2000) and this can make stakeholders bargain over every term during negotiations which can affect future relationships (Heide, Wathne, & Rokkan, 2007) and can affect stakeholder cooperation (Hawkins, Wittmann, & Beyerlein, 2008; Wuyts & Geyskens, 2005). More so detailed terms leave modest space for breaching the contract, which may make stakeholders act opportunistically in areas not included in the agreement (Ghoshal & Moran, 1996). From the above discussion, we hypothesize that;

## ***H3. Term specificity positively relates to relationship building***

According to Luo (2002b), contingency adaptability is devised to cope with changes in environmental contingencies by providing guidelines, principles, or alternatives which are legally binding to both parties in the event of external changes. Describing the unanticipated incidents in a contract enhances both parties confidence in the long-term cooperation and helps to avoid rigidity and boosts flexibility which in turn promotes stakeholder commitment to the relationship and reduces conflicts between stakeholders (Wu, Zhao, Zuo, & Zillante, 2017). Contingency adaptability reduces conflicts among stakeholders by providing guidelines, principles, or alternatives which are legally binding to both parties in the event of external changes (Luo, 2002b). PPP contracts are always executed under conditions of uncertainty, thus complete presentation of contractual terms is always costly if not impossible. Under these conditions, obligatory contractual terms containing governance flexibility assist in

preventing breakdowns in the classical contract for long-term relationship building (Wu et al., 2017). Contingency adaptability is both necessary and possible in partnership contracts. As a form of long-term partnership, the public-private partnership projects inevitably confront a large array of unanticipated contingencies and a vast amount of uncertainty during operations. Such unanticipated hazards will endanger partnership cooperation and hinder relationship building. Incorporating potential contingencies in a partnership contract is therefore critical since it provides alternative solutions or procedures in a contract that stakeholders have to follow, thereby limiting the scope that they can easily utilize for their benefit (Lu et al., 2016). On the other hand, however, it is impossible to explicitly specify every contingency that might arise in a contract. Thus, contingency adaptability in a contract by including principles or guidelines pre-specifying appropriate ways, procedures, or alternatives to deal with various unpredicted situations becomes crucial. Partnership partners have more leeway in stipulating relevant terms in order to align with their specific needs and interests which in turn lessen stakeholder conflicts. Thus, we hypothesize that;

## ***H4: There is a positive relationship between contractual completeness and relationship building***

## **Methodology**

The study was cross-sectional and quantitative in nature. A cross-sectional design enabled us obtain facts and answers from PPP projects at one specific point in time which increases the validity and generalizability of findings. Quantitative approach was preferred because of the need to quantify data and generalize results from the sample of Public-private partnership projects (Creswell & Plano Clark, 2011).

The population consisted of 141 PPP projects in the different sectors in Uganda (Ministry of Finance, Planning and Economic Development report, 2014). A sample size of 135 public-private partnership projects was selected based on the table for determining sample size (Krejcie & Morgan, 1970) and a response rate of 115 projects was attained – a percentage of 85%. A minimum of three stakeholders were targeted per project and data was aggregated to the project level as a unit of analysis. Before aggregating, PPP's from different sectors were given different codes for easy identification purposes and for stratified random sampling. PPP projects were divided into small strata basing on their features. Simple random sampling was then taken from each stratum. This was preferred each project in a stratum had the same probability of being selected for

the sample and it ensured proportionate representation in the sample. Stratification also took into account the differences in population across the different public–private partnership projects in the different sectors of the country (Hoxha & Capelleras, 2010). Data was collected using questionnaires which were distributed to project stakeholders with the independent variables first and dependent variables later. The questionnaire was anchored on six likert scale to provide adequate options for respondents (Chomeya, 2010).

Common methods bias was addressed in order to reduce the measurement error (random and systematic errors) which normally threatens the validity and conclusions about the relationships between measures (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). To overcome common methods bias resulting from common rater effects, a number of precautionary procedures were undertaken (Podsakoff et al., 2003). These included among others; distributed most of the questionnaires to different stakeholders personally, elimination of questionnaire ambiguity in the information inductance scale and the use of different scale anchors. We avoided vague, ambiguous, double-barreled questions. Construct items were separated, staggered and mixed them throughout the survey instrument to prevent respondents from easily guessing the relationships under study. Independent variable was collected differently from dependent variable. This approach is supported by Podsakoff et al. (2003) who contend that one way of controlling common methods variance is to collect the measures of both predictor and criterion variables from differently. We also incorporated negatively worded or reversed-coded items in the questionnaires (Hinkin, 1998) to act as cognitive “speed bumps” that require respondents to engage in a more controlled, as opposed to automatically cognitive processing.

### **Background characteristics of respondents**

Majority of the respondents were born between 1981–2000 representing 45.8%. This group was named as millennials. Since one of their characteristics is to collaborate and cooperate with each other, it means they would be very much interested in this study since it involves promotes collaborating and cooperating among the stakeholders to achieve the common goal. On gender, majority of the respondents were male representing 55.4%. This implies a male dominance in PPP projects in Uganda. On level of education, majority of the respondents were degree holders representing 46%. This implies that majority of our respondents could easily understand items of the questionnaire. On experience with the project, majority of the respondents had an experience of 6–10 years with

projects representing 47.83%. This implies that they understood how interests and expectations of stakeholders are handled. On stakeholder group, majority of our respondents were beneficiaries representing 42.61%. This group was followed by project staff representing 39.09%. This implies that most of majority of our respondents were at the center of addressing and having interests and expectations in PPP projects.

The characteristics of the PPP projects were categorized according to project type, age of the project as seen below; on age of the project, majority of the PPP projects have been in existence for a period of 6–10 years representing a percentage of 47.83%. This is followed by projects that have existed for a period of 1–5 years. This implies that PPP arrangement in Uganda is in its infancy stage. PPPs in Uganda are a new kind of PPP experiment of global policies in the Ugandan environment. On project type, majority of the projects studied are energy projects representing 23.48%. They were followed by education projects with a percentage of 17.39%. Agricultural and transport projects follow with a joint percentage of 13.04%. This implies that PPP arrangement is well embraced in six sectors in Uganda. On project capital, majority of the PPP projects in Uganda representing 68.7% have less than \$ 100m invested in them, followed by projects with more than \$ 500 million (9.57) as project capital. This explains the fact that PPP arrangement in Uganda is still in the infancy stage and not a lot of money has been invested in them.

### **Measurement of variables**

Relationship building was measured using three indicators that is communication, engagement, commitment, and trust according to Anderson, Lodish, and Weitz (1987), Morgan and Hunt (1994) and Schaufeli, Bakker, and Salanova (2006). Contract completeness was measured as issue inclusiveness, term specificity, contingency adaptability and contractual obligatoriness (Luo, 2002).

### **Data cleaning**

Before data was analyzed, data from the field were entered in SPSS for data cleaning. Data cleaning was carried out following the recommendations of Field (2009). Missing data were determined in terms of cases, variables, and values. Missing values may reduce the statistical power and since missing values were less than 5%, they replaced them using Linear interpolation (Field, 2009). Also, few outliers were identified in the data-set by running descriptive statistics and were assigned the next lower or higher values so as not to bias the mean and inflate the standard deviation (Field, 2009).

## Data analysis strategy

Cleaned data were finally analyzed using Structured Equation Modelling with the aid of partial least squares specifically Smartpls 3 software (Hair, Hult, Ringle, & Sarstedt, 2017). According to Hair et al. (2017), Smart PLS works well with small samples (less than 200). PLS path modeling involves no assumptions about the population or scale of measurement (Fornell & Bookstein, 1982). PLS path modeling can thus be used when distributions are highly skewed (Bagozzi & Yi, 1992). From our study valid responses were 115 public–private partnership projects, thus making PLS SEM suitable. According to Henseler et al. (2014), the measurement (outer) and structural (inner) models are used to evaluate and interpret the PLS–SEM results. The outer model assesses the relationship between the correspondent indicators and the latent variable while focusing on reliability and validity, whereas the inner model assesses the relationship between independent and dependent latent variables (Hair et al., 2017).

## Findings

### The measurement model

Two types of construct validity were examined that is; Convergent validity and discriminant validity (Neuman, 2007). Convergent validity is the extent to which a measure correlates positively with alternative measures of the same construct. To establish convergent validity, Average Variance Expected (AVE) was used. The result indicated that all the AVE values are greater than the acceptable than the threshold of 0.5, indicating convergent validity is confirmed (Henseler et al., 2014) as indicated in Table 1. For discriminant validity to be confirmed, an indicator's outer loadings on a construct should be higher than all its cross loadings with other constructs. That is the square root of the AVE of each construct should be higher than its highest correlation with any other construct (Fornell & Larcker, 1981). According to our results in Table 2; this condition was met indicating that there is discriminant validity.

Furthermore, Using Smartpls 3.2.4, reliability of the instruments was ascertained using the Cronbach's coefficient alpha and composite reliability to test for the internal consistence of the scales used to measure the

**Table 1.** Cronbach and composite reliability, AVE, CIF.

Variables	Cronbach Alpha	Composite Reliability	Average Variance Expected (AVE)	CIF
Relationship building	0.946	0.954	0.673	
Contingency adaptability	0.908	0.932	0.732	1.951
Contractual obligatoriness	0.875	0.923	0.800	2.276
Issue inclusiveness	0.911	0.929	0.653	1.847
Term specificity	0.919	0.937	0.713	2.386

variables (Cronbach, 1951). All the alpha coefficients and composite reliability values for individual test variables were above 0.7 meaning the instrument was acceptable (Fornell & Larcker, 1981; Nunnally, 1978) as indicated in Table 1. However, composite reliability was preferred than cronbach alpha because it takes into account the different outer loadings of the indicator variables (Hair et al., 2017).

## Structural model

### Test of hypothesis

Relationships between constructs were tested by examining their path coefficients and related t statistics via the bootstrapping procedure (Wong, 2013). The bootstrapping procedure was used to test the significance of the path coefficients and loadings.

Four hypotheses were tested and findings are shown in Figure 1.

Findings reveal that issue inclusiveness is positively and significantly associated with relationship building ( $\beta = 0.254$ , t statistic 3.075,  $p$  values < .05). Thus, hypothesis 1 was supported. This means that when all the relevant issues regarding how to form and operate a partnership are included in the contract, conflict among the stakeholders will be lessened and relationship building among stakeholders will be enhanced. Results also imply that having all issues like stakeholders' duties, rights, needs, and benefits are included in a contract improves a mutual understanding among the stakeholders in PPP projects.

Results further shows that contractual obligatoriness has a positive and significant association on relationship building ( $\beta = 0.250$ , t statistic 3.016,  $p$  values < .05). This implies that H2 was supported. This means that when all

**Table 2.** Fornell-Larcker criterion analysis for checking discriminant validity.

Variables	Relationship building	Contingency adaptability	Contractual obligatorines	Issue inclusiveness	Term specificity
Relationship building	0.820				
Contingency adaptability	0.707	0.855			
Contractual obligatoriness	0.778	0.590	0.814		
Issue inclusiveness	0.718	0.569	0.603	0.808	
Term specificity	0.794	0.678	0.740	0.645	0.844

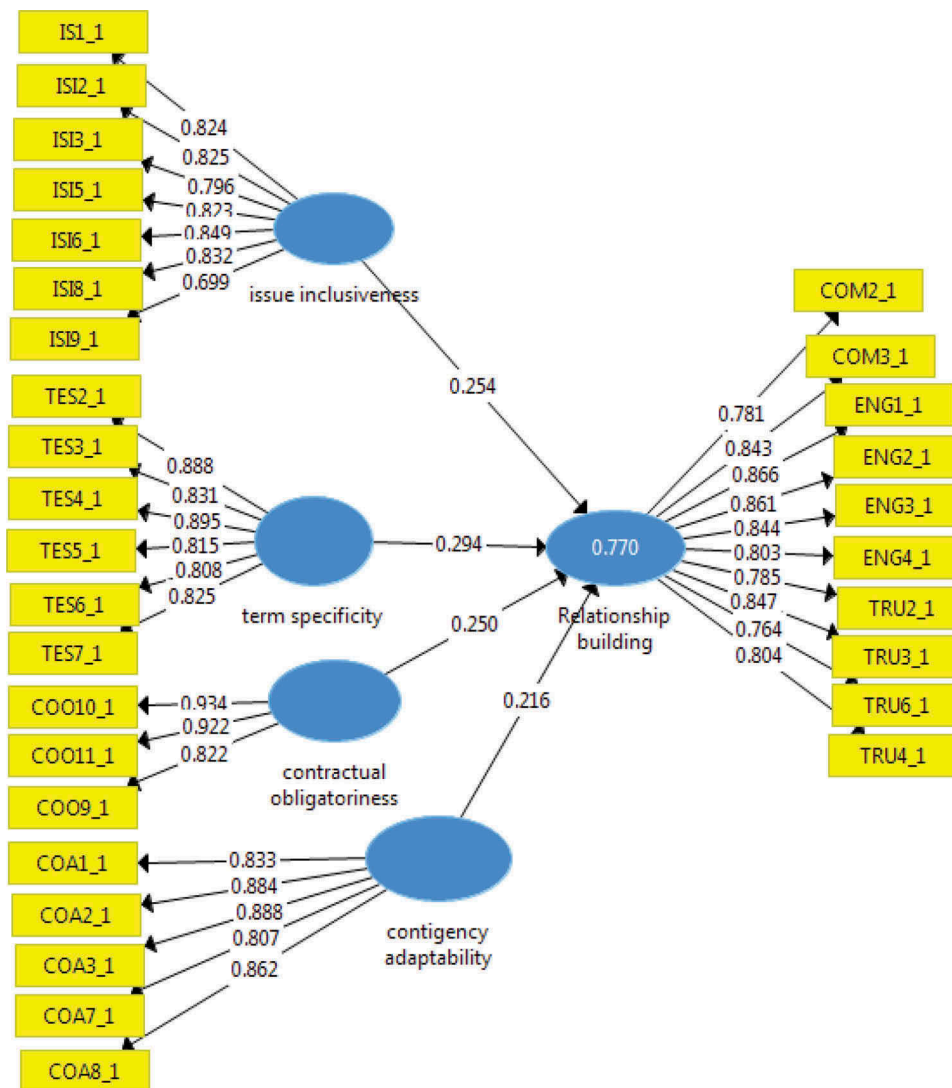


Figure 1. Hypothesis testing.

the stakeholders involved in a contract can be restrained by a binding force of a contract, then it becomes easier to build lasting relationships. This is so because it promotes the atmosphere of mutual trust and promotes collaboration among the stakeholders.

In addition, results show that there is a positive and significant relationship between term specificity and relationship building ( $\beta = 0.294$  t statistic 3.097,  $p$  values  $< .05$ ). Thus, hypothesis 3 was supported. This implies that when contract terms are explicitly stipulated, stakeholders will be able to understand the terms and disagreements among stakeholders will reduce and this enhances relationship building. When terms regarding information exchange, conflict resolution, operation and termination of partnership are clearly stated in the agreement, conflicts will be minimal and this boosts relationship building among the stakeholders.

Results further show that contingency adaptability is positively and significantly associated with relationship building ( $\beta = 0.216$ , t statistic 2.695,  $p$  values  $< .05$ ). This implies that H4 is supported. This means that when all the unanticipated changes are described in a contract, stakeholders will be able to handle the emerging problems and conflicts reduce among stakeholders and this enhances relationship among stakeholders. In addition, when all the guidelines on how to handle unanticipated emergencies are included in a contract, disagreements will be minimal and this promotes relationship building among stakeholders.

Finally, findings in Figure 1 also show that the coefficient of determination  $r^2$  is 77% and adjusted r square is 75.9% for the relationship building endogenous latent variable. This means that the four dimensions of contract completeness (contingency adaptability, contractual obligatoriness, issue inclusiveness, and term specificity)

explain 75.9% of the variance in relationship building among stakeholders in PPP projects in Uganda.

## Discussion of findings

Results show that contractual obligatoriness is significantly and positively associated with relationship building among stakeholders in PPP projects. This implies that when all the stakeholders involved in a contract are restrained by a binding force of a contract, stakeholder opportunistic behavior will reduce, conflicts will reduce and bondage among stakeholders will be built. Furthermore, having more obligations increases each stakeholder's sensitivity to their duties and responsibilities and thus conflict reduction. This finding is in agreement with Yang et al. (2017) who noted that contractual obligatoriness helps mitigate future stakeholder opportunism because it increases the level of legal obligation that constrains each party during subsequent stages of partnership formation and operations. Luo (2002) also noted that contractual obligatoriness fosters enforcement of the agreement and eventual payoff of both parties and this makes relationship building easier.

Findings further show that contingency adaptability is positively and significantly associated with relationship building among stakeholders in PPP projects. This means that when all the unanticipated changes are described in a contract, PPP projects will be able to respond to the potential problems and conflicts. This boosts relationship building since any issues arising will be easily sorted out. This finding consistent with Luo (2002) who noted that contingency adaptability helps the stakeholders respond to future changes, problems, and conflicts. With contingency adaptability, stakeholders can measure the extent to which a contract provides directions on how to respond to unanticipated contingencies. This is also consistent with Wu et al. (2017) who noted that contingency adaptability describes how stakeholders will respond to potential problems and conflicts and provides guidelines on how to handle certain contingencies. Brockmann, Brezinski, and Erbe (2016) further noted contractual adaptability can reduce opportunistic behavior and establish trust between the stakeholders. They further noted that the changing and complex environment of megaprojects requires contractual flexibility to address foreseeable uncertainty and stakeholder conflicts.

Findings show that term specificity is positively and significantly associated with relationship building among stakeholders in PPP projects. This means that when all relevant terms are explicitly stipulated in the contract, stakeholders will be able to understand their task, rights, and obligations and this reduces conflicts. Term specificity reduces stakeholder opportunism and alleviates

contractual hazards in public–private partnership projects. Term specificity also helps each stakeholder get more accurate information regarding duties, needs, and benefits, which then allows them to make better decisions. This finding is consistent with White et al. (2007) and Luo (2002a) who noted that a contract should include detailed and specific terms so that stakeholders clearly understand their tasks, rights, and obligations. However, this finding is inconsistent with Jap and Ganesan (2000) who noted that stipulating all the terms in a contract is a sign of distrust among the stakeholders and this can make stakeholders bargain over every term during negotiations which can affect future relationships (Heide et al., 2007) and can affect stakeholder cooperation (Hawkins et al., 2008). More so detailed terms leave modest space for breaching the contract, which may make stakeholders act opportunistically in areas not included in the agreement (Ghoshal & Moran, 1996).

Lastly, findings show that issue inclusiveness is positively and significantly associated with relationship building among stakeholders in PPP projects. This implies that when all relevant issues are included in a contract, any loopholes in the contract will be avoided which could impede public–private partnership project operation. Having all relevant issues included in the contract may also help in lessening inter stakeholder conflicts which would otherwise endanger the partnership. This is in line with Luo (2002a) who noted that a contract should stipulate terms concerning formation, operation, cooperation and termination of the project so as to reduce any disagreement among stakeholders. Luo further noted that the contract should also include terms regarding the duties and responsibilities of the parties to avoid interparty conflicts. This finding, however, disagrees with the findings of Ghoshal and Moran (1996); Jap and Ganesan (2000) who noted that trying to put many terms in a contract will lead to stakeholders feeling untrusted which can affect long-term relationships and cause more conflicts.

## Conclusion, implications, and limitations of the study

The purpose of the study was to assess whether contract completeness as a foundation for relationship building among stakeholders in public–private partnership projects in Uganda. Results indicate that all the four dimensions of contract completeness were found to positively and significantly associate with relationship building among stakeholders in PPP projects in Uganda. This is an indication that contract completeness is a foundation for relationship building among stakeholders in public–private partnership projects in Uganda. There is thus need

to have a complete contract if public–private partnership projects are to manage conflicts and foster relationships among stakeholders. The study also recommends that contract designers should always include and specify all the relevant issues in the contract if stakeholder relations are to be built. Furthermore, contingency adaptabilities should be described in the contract if a public–private partnership project is to be able to cope up with flexibility with in the dynamics of the business environment in Uganda. More so, including and describing procedures and guidelines in a contract for handling unexpected contingencies builds a strong foundation for solving various problems. Finally, making a contract susceptible to the dynamic environmental changes and keeping relevant terms flexible to complex situations is important in public–private partnership projects in Uganda since it solves future conflicts among stakeholders.

## Limitations

The study has concentrated on contract completeness and relationship building in public–private partnership projects in Uganda. Future studies should concentrate on other sectors where contracting is eminent in order to have complete contracts.

The study adopted a cross-sectional design. Future studies should take a longitudinal approach since PPP projects are long term in nature and thus the need to capture stakeholders' opinions over a long period of time.

The study adopted quantitative approach which has a challenge of obtaining many kinds of information. Therefore, subjectivism approach should be adopted to in future to get a deeper understanding and interpreting the meanings in stakeholder behavior rather than to generalizing and predicting causes and effects of contractual completeness dimensions and relationship building.

## References

- Anderson, E., Lodish, L. M., & Weitz, B. A. (1987). Resource allocation behavior in conventional channels. *Journal of Marketing Research*, 24(1), 85–97. doi:10.1177/002224378702400108
- Argyres, N., & Mayer, K. (2004). Learning to contract: Evidence from the personal computer industry. *Organization Science*, 15, 394–410. doi:10.1287/orsc.1040.0074
- Arranz, N., & Fdez de Arroyabe, J. C. (2011). Effect of formal contracts, relational norms and trust on performance of joint research and development projects. *British Journal of Management*, 23(4), 575–588. doi:10.1111/j.1467-8551.2011.00791.x
- Bagozzi, R. P., & Yi, Y. (1992). Testing hypotheses about methods, traits, and communalities in the direct product model. *Applied Psychological Measurement*, 16, 373–380.
- Brockmann, C., Brezinski, H., & Erbe, A. (2016). Innovation in construction megaprojects. *Journal of Construction Engineering and Management*, 142(11), 1–9. doi:10.1061/(ASCE)CO.1943-7862.0001168
- Camén, C., Gottfridsson, P., & Rundh, B. (2011). To trust or not to trust?: Formal contracts and the building of long-term relationships. *Management Decision*, 49(3), 365–383. doi:10.1108/00251741111120752
- Cheung, S. O., & Yiu, T. W. (2006). Are construction disputes inevitable? *IEEE Transactions on Engineering Management*, 53(3), 456–470. doi:10.1109/TEM.2006.877445
- Chinyio, E. A., & Olomolaiye, P. (2010). *Construction relationship building*. Oxford, England: Wiley-Blackwell.
- Chomeya, R. (2010). Quality of psychology test between likert scale 5 and 6 points. *Journal of Social Sciences*, 6, 399–403. doi:10.3844/jssp.2010.399.403
- Creswell, J. W., & Plano Clark, V. L. (2011). *Designing and conducting mixed methods research* (2nd ed.). Thousand Oaks, CA: Sage.
- Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *Psychometrika*, 16(3), 297–334. doi:10.1007/BF02310555
- Field, A. (2009). *Discovering Statistics using SPSS* (3rd ed.). London, UK: Sage Publications Ltd.
- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39–50. doi:10.1177/002224378101800104
- Fornell, C. G., & Bookstein, F. L. (1982). Two structural equation models: LISREL and PLS applied to consumer exit-voice theory. *Journal of Marketing Research*, 19, 440–452. doi:10.1177/002224378201900406
- Frankel, R., Whipple, J. M., & Frayer, D. W. J. (1996). Formal versus informal contracts: Achieving alliance success. *International Journal of Physical Distribution and Logistics Management*, 26(3), 47–63. doi:10.1108/09600039610114992
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston, MA: Pitman.
- Ghoshal, S., & Moran, P. (1996). Bad for practice: A critique of the transaction cost theory. *Academy of Management Review*, 2(1), 13–47. doi:10.5465/amr.1996.9602161563
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). *A primer on partial least squares structural equation modeling (PLS-SEM)* (2nd ed.). Thousand Oaks, CA: Sage.
- Hart, O. (1995). *Firms, contracts, and financial structure*. Oxford University Press.
- Hartman, F. T. (2002). The role of trust in project management. In D. P. Slevin, D. I. Cleland, & J. K. Pinto (Eds.), *The frontiers of project management research* (pp. 225–235). Newtown Square, PA: Project Management Institute.
- Hawkins, T. G., Wittmann, C. M., & Beyerlein, M. M. (2008). Antecedents and consequences of opportunism in buyer-supplier relations: Research synthesis and new frontiers. *Industrial Marketing Management*, 37(8), 895–909. doi:10.1016/j.indmarman.2007.05.005
- Heide, J. B., Wathne, K. H., & Rokkan, A. I. (2007). Interfirm monitoring, social contracts, and relationship outcomes. *Journal of Marketing Research*, 44(3), 425–433. doi:10.1509/jmkr.44.3.425
- Henseler, J., Dijkstra, T. K., Sarstedt, M., Ringle, C. M., Diamantopoulos, A., Straub, D. W., ... Calantone, R. J.

- (2014). Common beliefs and reality about partial least squares: Comments on Rönkkö and Evermann (2013). *Organizational Research Methods*, 17(2), 182–209. doi:10.1177/1094428114526928
- Hinkin, T. R. (1998). A brief tutorial on the development of measures for use in survey questionnaires. *Organizational Research Methods*, 2(1), 104–121. doi:10.1177/109442819800100106
- Hoxha, D., & Capelleras, J. (2010). Fast growing firms in a transitional and extreme environment: Are they different? *Journal of Small Business and Enterprise Development*, 17(3), 350–370. doi:10.1108/14626001011068671
- Jap, S. D., & Ganesan, S. (2000). Control mechanisms and the relationship life cycle: Implications for safeguarding specific investments and developing commitment. *Journal of Marketing Research*, Vol.37(2), 227–245. doi:10.1509/jmkr.37.2.227.18735
- Krejcie, P., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, 30(3), 607–610. doi:10.1177/001316447003000308
- Lu, W., Zhang, L., & Zhang, L. (2016). Effect of contract completeness on contractors' opportunistic behavior and the moderating role of interdependence. *Journal of Construction Engineering Management*, 142, 6. doi:10.1061/(ASCE)CO.1943-7862.0001110
- Luo, Y. (2002a). Contract, cooperation, and performance in international joint ventures. *Strategic Management Journal*, 23(10), 903–919. doi:10.1002/(ISSN)1097-0266
- Luo, Y. (2002b). Partnering with foreign firms: How do Chinese managers view the governance and importance of contracts? *Asian Pacific Journal of Management*, 19(1), 127–151. doi:10.1023/A:1014895724927
- Luo, Y. (2005). Transactional characteristics, institutional environment, and joint venture contracts. *Journal of International Business Studies*, 36(2), 209–230. doi:10.1057/palgrave.jibs.8400125
- Luo, Y. (2006). Opportunism in inter-firm exchanges in emerging markets. *Management Organizational Review*, 2(1), 121–147. doi:10.1111/j.1740-8784.2006.00032.x
- Lusch, R. F., & Brown, J. R. (1996). Interdependency, contracting, and relational behavior in marketing channels. *Journal of Marketing*, 60, 19–38. doi:10.2307/1251899
- Macher, J., & Richman, B. (2008). Transaction cost economics: An assessment of empirical research in the social sciences. *Business and Politics*, 10(1), 1–63. doi:10.2202/1469-3569.1210
- Mellewigt, T., Madhok, A., & Weibel, A. (2007). Trust and formal contracts in interorganizational relationships – substitutes and complements. *Managerial and Decision Economics*, 28(8), 833–847. doi:10.1002/mde.1321
- Ministry of Finance, Planning and Economic Development report. (2014) Public private partnership projects in Uganda
- Morgan, R. M., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *The Journal of Marketing*, 58, 20–38. doi:10.1177/002224299405800302
- Neuman, L. (2007). *Social Research Methods: Qualitative and quantitative approaches* (6th ed.). Pearson International London.
- Nunnally, J. C. (1978). *Psychometric Theory* (2nd ed.). New York, NY: McGraw Hill.
- Odyek, J. (2017). Uganda loses \$300m annually to poor execution of projects. New vision 27th July 2017.
- Podsakoff, P. M., MacKenzie, S. B., Lee, J. Y., & Podsakoff, N. P. (2003). Common methods biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88(5), 879–903. doi:10.1037/0021-9010.88.5.879
- Poppo, L., & Zenger, T. (2002). Do formal contracts and relational governance function as substitutes or complements? *Strategic Management Journal*, 23(8), 707–725. doi:10.1002/(ISSN)1097-0266
- Schaufeli, W. B., Bakker, A. B., & Salanova, M. (2006). The measurement of work engagement with a short questionnaire: A cross-national study. *Educational and Psychological Measurement*, 66, 701–716. doi:10.1177/0013164405282471
- Shelanski, H. A., & Klein, P. G. (1995). Empirical research in transaction cost economics: A review and assessment. *The Journal of Law, Economics and Organization*, 11(2), 335–361.
- White, G. O., Joplin, J. R. W., & Salama, M. F. (2007). Contracts and conflict resolution strategies in foreign ventures: A transaction cost perspective. *International Journal of Conflict Management*, 18(4), 376–390.
- Williamson, O. E. (1975). *Markets and hierarchies: Analysis and antitrust implications*. New York, NY: The Free Press.
- Williamson, O. E. (1985). *The economic institutions of capitalism*. New York, NY: Free Press.
- Wong, K. (2013). Partial least squares structural equation modeling (PLS-SEM) techniques using SmartPLS. *Marketing Bulletin*, 24, 1–32.
- Wu, G., Zhao, X., Zuo, J., & Zillante, G. (2017). Effects of contractual flexibility on conflict and project success in megaprojects. *International Journal of Conflict Management*. doi:10.1108/IJCM-06-2017-0051
- Wuyts, S., & Geyskens, I. (2005). The formation of buyer-supplier relationships: Detailed contract drafting and close partner selection. *Journal of Marketing*, 69, 103–117. doi:10.1509/jmkg.2005.69.4.103
- Yang, P., Qian, L., & Zheng, S. (2017). Improving performance and curtailing opportunism: The role of contractual issue inclusiveness and obligatoriness in channel relationships. *Journal of Business and Industrial Marketing*, 32(3), 371–384. doi:10.1108/JBIM-09-2014-0185