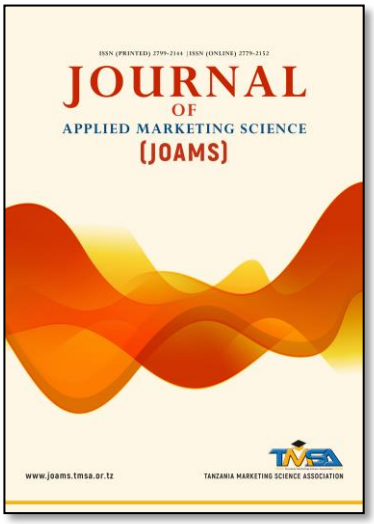


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Relational Adaptation and Institutions: Analysis from the perspectives of firms in emerging economies

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Relational Adaptation and Institutions: Analysis from the perspectives of firms in emerging economies

Emmanuel Chao

Abstract; Inter-firm relational adaptation is often an alternative channel and a most critical element when it comes to sustaining business relations. This paper intends to examine how institutions influence the relational adaptation of firms using the perspective of emerging markets.

The study used manufacturing firms in Poland and Tanzania, focusing on the buying side of the relationship. The samples of 201 and 240 respondents were used for Poland and Tanzania respectively. Findings indicated that that buyer asset, supplier asset specificity and volume uncertainty had a positive effect on relational adaptation in both structured and less structured emerging markets. Further, the buyer-perceive risk and technology uncertainty had differences in effects between the less structured compared to structured emerging markets. In structured emerging markets, both buyer's perceived risk and technology uncertainty had a strong impact on relational adaptability, but no significant effect for less structured emerging economies.

Keywords: *Inter-firm relational adaptation; asset specificity; volume uncertainty, technological uncertainty, emerging markets*

INTRODUCTION

Inter-firm relational adaptation is often an alternative channel when it comes to addressing business contingencies. From Covid pandemic to peace disruption among nations such as recent Russian and Ukraine crisis, which has created havoc in the global prices, transactions legitimacy and supply chain, interfirm relations adaptations remain to be a most critical element to sustain business relations. There is an increasing attention to exploring the relational view of a firm adaptation climate (Canevari, Berkhout and Pelling, 2020) as well as understanding cultural sensitivity when conducting interfirm relational studies (Voldnes and Kvalvik, 2017; Jansson et al, 2007). Yang and colleagues (2021) provided a perspective that both contractual and relational governance was essential for ensuring customer integration.

In interfirm relations, the formal relational governance mechanism such as a contract, clearly provides a layout the roles and responsibilities which parties have to play in the relationship (Vandaele *et al*, 2007), while informal governance has been limitations in terms of specifying the relational agrements.

Critical challenge with formal contractual governance is the bounded rationality. This problem is critical in particular when the exchange parties are bilateral dependent through investment of specific assets (Williamson, 1998). Kim eta al (2020) suggested that the presence of specific assets, especially the from the supplier side, calls for the need for informal contractual governance.

Capacity to adapt in inter-firm relations forms a most important part of a contract governance (Luo (2002). Often adaptability clause provides a space for adjusting the inter-firm relations when the formal part of the governance has bee limited. This adaptability clause is 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 *et al*. (2007:5). This arrangement can increase the willingness of the vulnerable party (having made specific investments) to commit the exchange. Williamson (1991, p 278) "submits that adaptability is the central problem of economic organization…", and notes further that "More attention to the choice of governance structures that have good adaptive properties (and less to concentrating all of the action in the *ex ante* incentive alignment stage) is one of the central lessons of viewing economic organization through the lens of incomplete contracting" (Williamson, 2003, p 925).

Adaptability has also been referred to as potential for partners to be flexible (Heide and John, 1990). This potential for partners to be flexible is essential for addressing the unforeseen contingencies, but it dependent on the willingness of both parties to adapt. A contract proscribing how the partners should deal with changes that might happen, could significantly reduce the enforceability problem (Argyres *et al*., 2007).

There are several empirical studies applying TCA to predict governance modes, but relatively few have focused on inter-firm relational adaptation within a context of institutional sensitivity. Institutional sensitivity can provide more insights in terms of some differences in the results which can be experienced when studying the inter-firm adaptation because of assumptions which are often taken for granted (Meyer and Peng, 2005; Voldnes and Kvalvik, 2017; Canevari, Berkhout and Pelling, 2020). Furthermore, Williamson (1993) and Henisz and Williamson (1999), suggested for the need for transaction-specific safeguards (including contract) to vary systematically, depending on the institutional environment within which transactions are located.

This paper aims at addressing the question of how the market (economies) differences influence the relational governance with specific focus on adaptation. We are using two countries from emerging markets i.e. Tanzania and Poland. We are using "more structured" and "less structured" emerging economies for respectively Poland and Tanzania. This is done solely to indicate differences in the two countries' development and level of institutional arrangements.

The two countries belong to different continents, which should ensure different environments.

Based on a global competitiveness index, the report from the World Economic Forum (2020) categorize Tanzania to belong to Stage 1 (Factor-driven economy) while Poland is classified as a transition from Stage 2 (Efficiency-driven economy) to Stage 3 (Innovation-driven economy). Concerning the formal/legal/regulatory framework, the property rights and protection and juridical independence were better in Poland than in Tanzania. The extent of irregular payments/bribes was highest in Tanzania. Concerning the other pillars of competitiveness elaborated by World Economic Forum, considerable differences (Poland more structured) were found concerning infrastructure, higher education and training, goods market efficiency, technological readiness and market size.

The paper is organized as follows: First, we present the theoretical frameworks, before outlining the research hypotheses. Then we present the research method used in this study, followed by the results. Finally, we have a discussion including research and managerial implications.

THEORETICAL PERSPECTIVES

Relational adaptation

Adaptability has been studied in various contexts such as within firms, in contracts and transactions, within human and cultural ecology (Hawley 1950, 1968; Steward 1968), in organization theory (Alderson, 1965; Lawrence and Lorsch 1967) and other fields. Barnard (1938: 6) viewed that the survival of an organization depends upon the maintenance of an equilibrium of complex character in a continuously fluctuating environment." Within the field of strategic management, the strategic management has been said to be the process of adapting to the changes in a firm's environment (Chakravarthy 1982). The behavioral theory emphasizes the dynamic or history-dependent aspects of adaptations and their role in organization change (March 1988). Adaptation is viewed as a central feature of working business relationships (Hallen, Johanson, Sayed-Mohamed, 1991). Heide & John, (1992) referred adaptability as flexibility and an assurance that modifications can be made should circumstances change. There are different terms which are used within the concept of adaptation such as interfirm relational adaptation or relational adaptation. These terms in this paper are used interchangeably to mean the adaptation which is carried out when there is business to business relations. The adaptation climate in this paper implies the environment which gives rise to the need to conduct the adaptation.

Adaptability is often necessary to address the unexpected events, but it has some limitations.

One major limitation is the enforceability problem because adaptability depends on the willingness of parties to agree with the unexpected changes. This is consistent with the perspective of Hakansson and Snehota (1995) who classified adaptation as a major relationship process. Brennan et al, (2003) also suggests that adaptation in the relationship between organizations means introducing changes at the individual, group or corporate level in order to meet the expectations of another organization, taking into account new circumstances. Poppo &

Zenger, (2002) suggested that due to such limitations (enforceability), cooperation is important for adaptability to be successful.

Relational governance can overcome adaptive limitations by fostering flexibility, which is relevant to sustaining long-lasting relationships and reduce performance measurement problems, facilitate safeguards against exchange hazards and enhances cooperative interaction among firms (Dwyer et al 1987; Jap & Anderson, 2003). A relational contract allows the parties to utilize their knowledge of the situation to adapt to new information as it becomes available (Baker, Gibbons, & Murphy, 2002). Often organizations seek a win-win situation when it comes to adaptation. For example, a research conducted by Hagberg-Anderson (2006) indicated that companies decide to adapt in order to increase sales and reduce costs. Walter et al, (2003) also suggested that the process of introducing changes to meet customer's expectations is regarded as a value.

Transaction cost analysis

Interfirm formal governance relations are often explored within the context of transaction cost analysis (TCA) (Rindfleisch *et al*., 2010) but when it comes to relational perspectives increasing attention has been on firm adaptation climate (Canevari, Berkhout and Pelling, 2020) as well as understanding cultural sensitivity (Voldnes and Kvalvik, 2017).

Bounded rationality, self-interest and foresight have been the major assumptions behind TCA (Williamson (2003). The assumption of feasible foresight "assumes that parties have the ability to foresee, detect hazards, establish the means through which they operate, and use these in the designing of governance" (Williamson, 2003, p 922). This third assumption means that the exchange partners have the capacity to specifically the unforeseen outcomes and establish the means for handling them.

TCA perspectives propose that a contract will be reflected by the key characteristics of the transaction. The most important characteristics are asset specificity, behavioral uncertainty, and environmental uncertainty. *Asset specificity* has been defined as the "durable investments that are undertaken in support of transactions, the opportunity cost of which investments is much lower in best alternative uses should the original transaction be prematurely terminated" (Williamson, 1985, p. 5). When specific assets are not involved, we anticipate a sport-market transaction for which classical contract law would be used. If a transaction is composed of specific investments, there is often a give and take (Jap, 1999). Asymmetrical investments made by one of the exchange partners may, however, lead into a lock-in position, and raise the possibility that the other party will behave opportunistically (Mesquita and Brush, 2008). Such asymmetrical specific investments lower the available legal protections (Argyres *et al*., 2007). To include adaptability dimension in a contract – proscribing how the exchange partners should deal with problematic contingencies that could occur, can represent one mechanism of safeguarding (Jap and Ganesdan, 2000).

Environmental uncertainty has been defined as "unanticipated changes in circumstances surrounding an exchange" (Noordewier *et al*., 1990, p 82).

Technological and volume uncertainty are the common ways of categorizing environmental uncertainty (Geyskens *et al*., 2006). Adaptation pressures arise from unpredictable environmental changes. Unexpected changes in the environment create a need to renegotiate the original contract, which involve increased transaction costs. Such renegotiations should be governed by a norm of flexibility, expecting that the parties will adapt to changing circumstances (Macneil, 1978), if the relationship shall continue in a fruitful manner (Gulati *et al*., 2005). If the exchange parties are anticipating high environmental uncertainty, it will be likely to include in the contract the procedures by which adaptations should be made, and shared expectations regarding future behavior. When there is no power imbalance, the volume uncertainty generates the need for relational governance (Yang et al, 2021). Relational norms could, however, be opportunistically violated, especially when one of the transacting parties is in a lock-in condition due to unilateral specific investments (Wathne and Heide, 2000).

Structure versus less structured emerging economies and context

What distinguishes emerging from advanced markets is the intensity and nature of institutional dynamics (Hafsi &Farashi, 2005) as well as the ”degree to which they have successfully adopted rule-based market governance systems’’ (Roth & Kostova, 2003:317).

In the recent years there has been an increased focus on emerging markets. These markets have been described as “low-income, rapid-growth countries using economic liberalization as their primary engine of growth” (Hoskisson *et al*,, 2000, p 249). The concept of emerging economies and transition economies have been used interchangeably, although transition economies often are used for the former communist countries in East Asia and the Central and Eastern Europe (Peng, 2003; Meyer and Peng, 2005) and as such represent emerging economies. Empirical studies have found that business transactions in emerging economies to a large extent are based on relational exchanges building on mutual trust and cooperative norms (Gezhi et al , 2020, Li *et al*., 2008), mainly due to “lack of formal legal and regulatory frameworks – known as institutional voids” (Zhou and Peng, 2010, p 357). It has been suggested that as the formal market-supporting institutions develop in these nations, there will be a shift from relational exchanges to arm’s length transactions (Peng, 2003; Zhou and Peng, 2010); Gao, Knight and Ballantyne, 2012). Arm’s length transaction as “rule-based, impersonal exchange with third-party enforcement” (Peng (2003, p 280). When it comes to relational perspectives, increasing attention has been on firm adaptation climate (Canning et al, 2002; Walter and Ritter 2003; Canevari, Berkhout and Pelling, 2020; Sraha et al, 2020) as well as understanding cultural sensitivity (Voldnes and Kvalvik, 2017). The institutional climate is likely to differ between nations. Williamson (1991) considers the institutional environment as a set of parameters – property rights, contract law, reputation effects, and uncertainty, and explored on how changes in these parameters can impact the costs of governance.

Institutional perspectives are often used to understand the differences between markets. According to Jackson and Deeg (2008), institutional theory, which describes how an organization adopts practices that are considered acceptable within its organizational field, is widely used to understand business differences across nations. From this perspective, institutions can be described as "social structures that have attained a high degree of resilience" and are "composed of cultural-cognitive, normative and regulative elements that (Scott, 1995, p. 33). New institutionalism provides a clear distinction between formal and informal institutions. According to Peng and Luo (2000) formal institutions are represented by political rules, legal decisions and economic issues. On the other hand Estrin *et al*., (2009, p 1175) viewed the informal institutions as "humanly devised constraints that are not formally codified but embedded in the shared norms, values and beliefs of a society.

RESEARCH HYPOTHESES

The impact of asset specificity on contingency adaptability

According to TCA literature, asset specificity is the critical driver when it comes to organizing a transaction (Williamson, 1998). When no specific investments are required by the parties, market governance is the most efficient way of organizing the transaction. Under such conditions, both parties will have the options to contract with alternative exchange partners if disagreements arise. The need to elaborate contingency adaptability will be low. When a buyer or a supplier has made specific investments in the relationship, the major concern will be how to safeguard these investments. One such safeguarding mechanism is to establish an adaptability plan to deal with unforeseen contingencies (Poppo and Zenger, 2002; Williamson, 2003). Specific investments influence the Inter-firm relational coverage due to the need for increasing safeguard (Vázquez-Casielles et al, 2017), thus we do not expect the effect of asset specificity to differ between the emerging markets. Accordingly, we suggest:

> *Hypothesis 1a: Buyer asset specificity will be positively related to inter-firm relational adaptation in both highly structured and less structured emerging economies.*
>
> *Hypothesis 1b: Supplier asset specificity will be positively related to inter-firm relational adaptation in both structured and less structured emerging economies*.

The impact of environmental uncertainty on contingency adaptability

Environmental uncertainty creates a need to renegotiate agreements to avoid maladaptation to changing external environments. The exchange partners are supposed to have knowledge *ex ante* about the level of environmental uncertainty. Even though they are unable to foresee all possible contingencies that could occur and how to handle these, they are supposed to have the foresight to include some procedures in the contract on how major changes should be handled. Most empirical studies categorize environmental

uncertainty into technology uncertainty and volume uncertainty (Geyskens *et al*., 2006).

Technological uncertainty refers to the inability to accurately forecast the technical requirements in a relationship (Walker and Weber, 1984). Technological uncertainty could for instance stem from changes in the standards or specification of components or end products, or from significant general technological developments, which in turn may create adaptation problem. The impact of technological uncertainty on governance decisions is ambiguous (Rindflesich and Heide, 1997). In order to limit the extent of potential opportunism, Williamson (1975) suggested that firms should organize the transaction into a hierarchy. Balakrishnan and Wernerfelt (1986) argued, however, that technological uncertainty is likely to discourage vertical integration, since new technology can be more rapidly developed and applied in markets (Sutcliffe and Zaheer, 1998).

Empirical studies of the impact of technological uncertainty on contractual design have been mixed. Although not hypothesized, Ghosh and John (2005) found that contracts (term specificity) are more incomplete, when the technological uncertainty increases. Luo (2005), measuring environmental uncertainty by volatility, found a positive relationship between contingency adaptability and volatility. Poppo and Zenger (2002) argued for a positive relationship technological uncertainty and how complex the contract would be outlined to deal with future contingencies, but the results indicated a negative relationship. It should, however, be noted that contractual complexity in this study was measured with only one item.

In order to avoid the threat of remaining with old technology, most firms will prefer to be flexible in adjusting to technological changes. When coordination is needed between the supplier and buyer to solve the adaptive problems, market governance is not an adequate solution (Poppo and Zenger, 2002). In such business-to-business relationships, the parties are likely to try to foresee technological changes and how these should be handled, including conditions of contractual breach. This is consistent with perspectives from Khan and Eilert (2021) on a strong influence of technological uncertainty on relational governance. Institutional structures have an impact on the inter-firm relational adaptation (Jukka et al 2017) thus we expect high technological uncertainty to increase the need for delineating procedures for handling various contingencies:

> *Hypothesis 2a: Technological uncertainty will be positively related to inter-firm relational adaptation in both structured and less structured emerging economies.*

There is likely to be differences in the technological uncertainty between structured and less structured emerging economies. The knowledge about new technology may differ, due to reasons like access to information sources (such as the internet). Furthermore, the availability and possibilities to implement new technology (technological readiness) may be better in more structured countries than in less structured. This may lead to a higher level of technological stability in the less structured countries than in the more structured, which may reduce the need for contingency planning. The in the presence of specific asset there is a strong influence of technological uncertainty on relational governance (Khan & Eilert, 2021). In less structured emerging economies, the institutional dynamics can still be able to

handle the challenges created by technological uncertainties (Gao, Knight & Ballantyne, 2012) compared to more structured economies. We propose:

From this we hypothesize:

> *Hypothesis 2b: Technological uncertainty will be stronger positively related to inter-firm relational adaptation in more structured emerging economies, than in less structured emerging economies.*

Volume uncertainty exists when the exchange parties are not able to forecast the exact volume of product that will be required. For the buyer, high volume uncertainty could lead to "stock-outs" or excess stock, while the supplier may experience increased production costs or excess production capacity. To deal with high volume uncertainty, foresighted exchange partners are expected to include procedures and policies to be followed *ex ante* in the contract in order to obtain greater flexibility. Examples of such procedures could be information sharing about future demand for the final product, use of alternative suppliers etc. Thus, we expect:

> *Hypothesis 3a: Volume uncertainty will be positively related to inter-firm relational adaptation in both structured and less structured emerging economies.*

Countries with efficient goods markets will be better positioned to ensure that the goods needed can be more effectively produced and traded in the economy. Data from the World Economic Forum (2013) indicates that the goods market efficiency is higher in more structured emerging countries, than in the less structured. From the buyer's point of view, there will be more alternative suppliers in a structured emerging economy than in a less structured economy. Accordingly, the risk of stock-outs or excess stocks can be less in a structured emerging economy than in a less structured economy. We hypothesize:

> *Hypothesis 3b: Volume uncertainty will be stronger positively related to inter-firm relational adaptation in less structured emerging economies, than in more structured emerging economies.*

The impact of relational risk on contingency adaptability

Relational risk was introduced into transaction cost theory by Chiles and McMackin (1996), and has been described as the probability and consequences of not having satisfactory cooperation (Das and Teng, 1996) or as the probability and consequence of opportunistic behavior by the exchange partner (Nootebom *et al*., 1997). In a buyer – seller relationship, relational risk concerns about the potential for one party's loss arising from its partner's opportunistic behavior (Liu *et al*, 2008).

While performance ambiguity is believed to increase the buyer's efforts to develop more complex contracts (Poppo and Zenger, 2002), relational risk may actually have the opposite effect. Performance ambiguity arises when for instance the buyer has difficulty in assessing the contractual compliance of the supplier, due to bounded rationality. The main problem with performance ambiguity is lack of information to detect noncompliance – for instance, the buyer cannot be certain if she/he has received high or low performance. Increased monitoring and control represents one strategy to reduce performance ambiguity. Such control mechanisms could be specified in the contract. As noted above, relational risk is

related to the exchange partner, and not to the transaction per se. The primary aspect of relational risk is not lack of information about performance, but a fear that the exchange partner may behave opportunistically. If the relational risk is perceived to be high, extensive clauses specifying acceptable behavior and commitment could be elaborated in the contract. This would, however, involve high cost associated with negotiating, drafting, and monitoring contracts. Even the most complex contract cannot preclude opportunism (Wathne and Heide, 2000) and thereby the potential for one party's loss. If the relational risk is perceived to be high, this could lead to a sentiment that extensive efforts and costs for outlining what should be done under different contingencies are not worthwhile. Accordingly, we suggest:

> *Hypothesis 4: Relational risk will be negatively related to relational adaptability*.

We do not hypothesize differences between structured and less structured emerging economies. Although the impact of relational risk may differ between countries having different perception of risk, we do not hypothesize differences between structured and less structured emerging economies.

RESEARCH METHODS

Research context

Comparative research is a research methodology that aims to make comparisons across different social entities, including nations or cultures. The underlying goal of comparative analysis is to explore the insights from institutional influences on the governance mechanism. We are using "more structured" and "less structured" emerging economies for respectively Poland and Tanzania. This is done solely to indicate differences in the two countries' development and level of institutional arrangements. We have followed the guidelines provided by Jowell (1998) concerning comparative research methodology. First, we selected nations which we had some knowledge about. In other words, we used a purposive sampling method concerning the choice of the nations. Secondly, we limited the number to two countries. The two countries belong to different continents, which should ensure different environments. Thirdly, we have explicitly included analyses of contextual variables.

Based on a global competitiveness index, the report from the World Economic Forum (2020) categorize Tanzania to belong to Stage 1 (Factor-driven economy) while Poland is classified as a transition from Stage 2 (Efficiency-driven economy) to Stage 3 (Innovation-driven economy). Concerning the formal/legal/regulatory framework, the property rights and protection and juridical independence were better in Poland than in Tanzania. The extent of irregular payments/bribes was highest in Tanzania. Concerning the other pillars of competitiveness elaborated by World Economic Forum, considerable differences (Poland more structured) were found concerning infrastructure, higher education and training, goods market efficiency, technological readiness and market size.

In terms of culture, the dataset from Hofstede (2014) showed similar power distance in Tanzania (score 70) and Poland (score 68). Individualism is different between Tanzania (score 25) and Poland

(score 60), indicating that Poland is more individualistic, while Tanzania is a relatively collectivists country. Masculinity indicated that Poland is a more masculine country (score 64) than Tanzania (score 40). Poland is considered to be a highly uncertainty avoidance country (score 93) compared to the low uncertainty avoidance of Tanzania (score 50). Long-term orientation was quite similar between the two countries, indicating that both were relatively short-term oriented.

Sample and data collection

We used a survey of buying manufacturing firms with two different data collection methods for the two countries. The reason for this was based on differences in the two countries' level of technological transformation: In Poland 65 percent (%) of the inhabitants are using the internet, while in Tanzania there are only 13 percent (%) (World Economic Forum, 2020). SurveyXact was used to collect the responses in Poland. The advantage of this software is low cost, and that it provides fast responses. The firms were contacted by email, and if they indicated a willingness to participate, an email containing the questionnaire was sent to them via SurveyXact. The informants who completed the questionnaires were the supply managers or purchase managers of large firms and, for smaller firms, the manager or someone with knowledge of the purchase function in the organization. Out of 1,800 firms initially contacted (taken from a 2011 directory of Polish companies), 400 completed the questionnaire partially and 201 fully, making the response rate (including the partially completed questionnaires), 33 percent (%). The partially completed questionnaires were not used because the amount of information missing was substantial. Thus, the final sample used for analysis was 201, for an effective response rate of about 11 percent (%).

We used direct personal contact in Tanzania based on belief of high preference for physical communication in this country (Molony, 2006). Firms were first contacted by phones before personal delivery of a paper based questionnaire. Follow-ups were also made in person to collect the questionnaires, in order to ensure a higher response rate. The number of companies targeted was 750 (from companies listed in the Tanzania Revenue Authority, 2011). The final number of completed questionnaires received was 240 making a response rate of around 31 percent (%).

For both nations, we instructed the informants to select either the first, second, or third largest supplier in answering the questionnaire**.** This was done to control for potential biases caused by only choosing the largest supplier, but also to ensure that the selected relationship consisted of a supplier that the informant had good knowledge about (Rokkan *et al*., 2003).

Response bias is a common problem in survey studies. We used the Armstrong and Overton's (1977) procedure to test the extent of response bias, with an ANOVA test for subsamples of early and late responses in both countries. No significant ($p<0.05$) were found, although we admit that this procedure does not preclude response bias.

Measures

Questionnaire items were measured using a seven-point Likert scale. A list of the measures employed in this study is presented in the appendix, which also provides 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. Most of the constructs used had been developed and tested previously in other studies, including the control variables. However, some of the measures had to be adjusted to fit the new context.

Inter-firm adaptability (ADAPT). The measurement items are based on Luo (2002), but we have added on arbitration procedures and renegotiation periods. These items were added because we believe they may play an important part in an Inter-firm relational plan. *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 for further analysis. *Supplier asset specificity* (SUASP) was measured using two items; based on Buvik and John (2000). *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, mainly adapted from Anderson (1985). *Volume uncertainty* (VOLUNC) reflects the degree to which volume requirements fluctuate or there is an inability to forecast (Geyskens *et al.*, 2006). The concept was measured using two items, based on Buvik and John (2000).

Control variables. The following controls that might impact the dependent and independent variables were included in the analysis. First, the large firms may follow different procedures in outlining contracts; therefore we included firm size as a control. The second is the length of the relationship may have an impact on the Inter-firm relational adaptability (Luo, 2002).

Table 1: Fit indices for invariance tests

Model	X2	Df	X2/df	RMSEA (90%CI)	TIL	CFI	Decision
Model 1: (Full configural)	621.2	298	2.08	0.052	0.89	0.913	Reject
Model 2: Partial Configural model	386.7	256	1.51	0.036	0.95	0.965	Accept
Model 3: Full Metric Model	455.7	269	1.69	0.042	0.93	0.95	Accept
Model 4: Full scalar model	774.9	271	2.85	0.068	0.809	0.864	Reject
Model 5: Partial scalar model	531.3	243	2.2	0.055	0.88	0.92	Accept
Model 6: Full Factor covariance	768.7	263	2.9	0.069	0.80	0.86	Reject
Model 7: Partial Factor covariance model	342.4	242	1.4	0.32	0.96	0.97	Accept
Model 8: Full Factor variance model	623.3	262	2.4	0.059	0.86	0.902	Reject
Model 9: Partial factor variance model	423.4	263	3.9	0.039	0.94	0.96	Accept
Model 10: Full error variance	623.3	262	2.4	0.059	0.86	0.902	Reject
Model 11: Partial error invariance model	350	251	1.4	0.039	0.96	0.97	Accept

Invariance test

Testing for equivalence of measures (or measurement invariance) has increasingly became important in cross-cultural research because it allows the researcher to assess

whether the participants different groups associate the same meanings to scale items (Fischer et al., 2009; Gouveia, Milfont, Fonseca, & Coelho, 2009). Measurement invariance needs to be tested for cross-group comparisons (especially for mean comparisons); structural invariance is optional and researchers need to decide whether the further restrictions are theoretically meaningful (Milfont & Fischer, 2010). Models that test relationships between measured variables and latent constructs are measurement invariance tests. There are four common

models that fall in this category: configural, metric, scalar and error variance invariance (Milfont & Fischer, 2010). We follow the general succession of tests proposed by Vandenberg and Lance (2000). There are several indices that are used to report results from structural equation modelling. We have followed the improved fit indices that are suggested by Hu & Bentler (1999). Results from table 1 is used to summarize the key results from the invariance test.

Table 2: Correlation-Poland Dataset

	1	2	3	4	5	6	7	8
1.ADAPTb	**.81**							
2.BUASPb	0.220**	**0.87**						
3.SUASPb	0.219**	0.379**	**0.92**					
4.TECHNUNCb	0.371**	0.233**	0.197**	**0.82**				
5.VOLUNCb	0.142*	0.006	-0.001	0.410**	**0.92**			
6.PRISKb	-0.388**	0.048	-0.042	-0.301**	-0.332**	**0.90**		
7.SIZE	0.057	-0.037	-0.034	0.095	-0.090	0.016	**na**	
8.LENGTH	0.036	0.054	-0.039	-0.012	-0.034	-0.062*	-0.086	**na**
MEAN	3.172	1.939	2.490	3.255	3.609	4.048	255.433	8.886
SD	1.060	1.006	1.238	0.837	0.810	0.695	1444.828	5.796

The first step we tested whether the proposed two-factor model fits the empirical data from each group (Poland and Tanzania). 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< 0.000), NFI= 0.89, TLI= 0.91, CFI= 0.93, RMSEA= 0.085, PCLOSE=0.000] and Tanzania [chi-square= 613 (df= 250, p< 0.000), NFI= 0.89, TLI= 0.91, CFI= 0.93, RMSEA= 0.06, PCLOSE= 0.003] performed poorly, while the constrained model for Poland [chi-square= 185(df= 122, p< 0.000), NFI= 0.93, TLI= 0.97, CFI= 0.98, RMSEA= 0.05, PCLOSE= 0.44] and Tanzania [chi-square= 371 (df= 244, p< .000), NFI= 0.93, TLI= 0.97, CFI= 0.98, RMSEA= 0.036, PCLOSE= 0.999] fitted well the data.

The second step is to move from single-group CFA (confirmatory factor analysis) to MGCFA (multigroup confirmatory factor analysis) in order to cross-validate the two-factor model across the two groups (Jöreskog's 1993; Cheung & Rensvold, 2002; Steenkamp & Baumgartner, 1998). The results for MGCFA are provided in table 1. Model 1 tested whether the proposed structure would be equal across the two groups. Configural invariance is tested by running individual CFAs in each group. However, even if the model fits well in each group, it is still necessary to run this step in MGCFA, since it serves as the

comparison standard for subsequent tests (Milfont & Fischer, 2010).

The full configural model 1 constrained the factorial structure to be equal. As one could expect the constrained model was not supported in CFA, the same case appeared for MGCFA in model 1. The next stage was to relax the equality of factor loadings starting the highest MI (modification index). The results indicated a significant improvement in model 2 ($\chi2 = 386.7$; df = 256; $\chi2/df = 1.51$; RMSEA = 0.036, TLI= 0.95; CF1 = 0.965) compared to the model 1. This indicates that the factorial structure of the construct is equal across the two countries. As the configural invariance was supported, the factor pattern coefficients were then constrained to be equal to test for metric invariance (Model 3). The results from model 3 indicated a good fitness ($\chi2 = 455.7$; df = 269; $\chi2/df = 1.69$; RMSEA = 0.042, TLI= 0.93; CF1 = 0.95). This suggests that two countries responded to the items in the same way; that is, the strengths of the relations between specific scale items and their respective underlying construct are the same across the two countries.

The scalar invariance test (equality of intercept across the two countries) was conducted. The constrained model 4 was not supported. The next step was to release the equality of intercept constraints by starting with those items with highest MI. There was goodness of fit in the results from model 5 ($\chi2 = 531.3$; df = 243; $\chi2/df = 2.2$; RMSEA = 0.055, TLI= 0.88; CF1 = 0.92), suggesting a significant improvement compared to the model 5. Support for scalar invariance indicates that the latent means can be meaningfully compared across the two countries. This scalar model is the last model necessary to compare scores across the two countries. All additional tests are optional (covariance, factor and error invariance tests) and may be theoretically meaningful in specific contexts (Milfont & Fischer, 2010), however in this study we decided to do further tests so to enhance the justification for comparing the two countries.

We continued by testing the full factor covariance in model 6 by constraining all the factor covariance to be equal. The results from model 6, showed a poor goodness fit. The next step we tested for partial factor covariance by relaxing equality of factor covariance constraint (in model 7). The results from model 7 had a good fit ($\chi2 = 342.2$; df = 242; $\chi2/df = 1.4$; RMSEA = 0.32, TLI= 0.96; CF1 = 0.97). This implies that all latent variables have the same relationship in the two countries. After establishing factor covariance, we constrained all the factor variance to be equal and tested the full factor variance in model 8. The results from model 8 did not show a good fit. The next stage we released the constrain on equal factor variance by starting with those factor variances with highest MI. The results from model 9 had good fit ($\chi2 = 423.4$; df = 263; $\chi2/df = 3.9$; RMSEA = 0.039, TLI= 0.94; CF1 = 0.96). The results indicate that the range of scores on a latent factor does not vary across the two countries. The next stage we constrained all the error variance to be equal and tested for error variance. The results from model 10 showed a poor fit. We then released the equality of error variance constraint and the results from model 11 had a good fit ($\chi2 = 350$; df = 251; $\chi2/df = 1.4$; RMSEA = 0.039, TLI= 0.96; CF1 = 0.97). This suggests that the same level of measurement error is present for each item between the two countries. The results from the invariance tests suggest that the two countries can be compared.

Measurement validation

We assessed the adequacy of the measurement model through an examination of individual item reliabilities, convergent validity, and discriminant validity using Fornell and Larcker's (1981) approach. We tested for reliability using two mechanisms (Hair et al., 2010): First we tested for the item-to-total correlation (should exceed 0.50 by rule of thumbs) and inter-item correlations (should exceed 0.30). As Holland (1999) recommends, we deleted items with factor loadings smaller than 0.70. For the remaining items we used Fornell and Larcker's (1981) internal consistency measure to check convergent validity. All factor loadings and construct reliability fulfilled the rule of thumb which requires construct validity and reliability to be greater than 0.50 and 0.70 respectively. In testing for discriminant validity, we used Fornell and Larcker's (1982) criterion comparing the average variance extracted with the correlations among constructs. An inspection of Table 2 and 3 reveals that the diagonal elements of the matrixes are significantly higher than the off-diagonal elements, indicating discriminant validity.

Descriptive Statistics

Table 3: Correlation –Tanzania Dataset

	1	2	3	4	5	6	7	8
1.ADAPT	**0.74**							
2.BUASP	0.386**	**0.78**						
3.SUASP	0.021	0.112	**0.94**					
4.TECHNUNC	0.183**	0.281**	-0.264**	**0.84**				
5.VOLUNC	0.312**	0.303**	-0.343**	0.346**	**0.81**			
6.PRISK	-0.420**	-0.539**	0.068	-0.435**	-0.549**	**0.74**		
7.SIZE	-0.031	0.024	0.058	-0.135*	0.037	0.028	**na**	
8.LENGTH	-0.152*	-0.135*	0.093	-0.149*	-0.009	0.068	0.066	**na**
MEAN	4.249	3.978	3.594	3.374	3.679	4.033	1965.400	7.938
SD	0.588	0.683	1.239	1.050	0.825	0.625	14906.711	4.456

Table 4: Regression Results

INDEPENDENT VARIABLES	POLAND				TANZANIA			
	MODEL1		MODEL2		MODEL1		MODEL2	
	β	t	β	t	β	t	β	t
Main effects								
BUASP (H1a)	0.14	2.11**	.23	3.06***	0.21	3.02***	0.17	2.37**
SUASP (H1b)	0.10	1.5*	0.12	1.70**	0.89	0.374	0.10	1.51**
TECHUNC (H2a,b)	0.31	3.39***	0.18	2.45**	-0.01	-0.20	0.05	0.61
VOLUNC (H3a,b)	-0.07	-0.98	-0.04	-0.54	0.14	1.90**	0.14	1.84***
PRISK (H4)	0.34	- 5.10***	-0.36	- 5.36***	-0.21	- 2.73***	0.18	2.38***
Controls								
SIZE			0.07	1.07			-0.06	-1.00
LENGH			-0.03	-0.45			-0.05	-0.82
BUDEP			0.08	1.22			0.06	0.92
FC			-0.14	-2.28**			0.16	2.56***
R^2	0.27		0.33		.022		0.35	
Adj.R^2	0.25		0.28		0.21		0.31	
F-value	13.9***		7.51***		13.5***		9.97***	
Incremental R^2	-		0.01		-		0.02**	
F1	-		0.91		-		0.92	
Maximum VIF	2.4		2.13		2.0		2.4	

**. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).

RESULTS

Three regression models were used (table 4). Model 1 (Poland: R^2Adj=0.26, F (195, 6) =12.3, p<0.001; Tanzania: R^2Adj=0.26, F (234, 6) =12.2, p<0.001) included the main effects.

Model 2 (Poland: R^2Adj=.28, F (191, 10) =8.8, p<0.001; Tanzania: R^2Adj=0.28, F (230, 10) =11.9, p<0.001) interactive effects were added. Model 3 (Poland: R^2Adj=0.28, F (188, 13) =7.0, p<0.001; Tanzania: R^2Adj= 0.28, F (227, 13) =9.4, p<0.001) added the control variables, the controls and the main effects. The incremental R^2Adj of M2-M1 (Poland: ΔR^2Adj=0.04, p<0.10; Tanzania: ΔR^2Adj=0.01, p<0.001) was significant, but that of M3-M2 (Poland: ΔR^2Adj=0.01, p>0.05; Tanzania: ΔR^2Adj=0.01, p>0.05) was not significant.

Model 3 is used to report the results of hypotheses. In addition to an independent sample t-test and z-test for regression coefficient to confirm whether there was a significant difference between the regression equations for the two countries.

To test for multicollinearity, VIF values were calculated and were in the range of 1.37-2.4, suggesting that the study does not suffer from multicollinearity problems. Generally the dependent variable is different for the two countries, but the conclusions will be based on the regressive model for z-test (table 5)

Table 5: Z-Scores and Comparison of Regression Weights

Predictor	Poland		Tanzania		$SE_{b\text{-difference}}$	Z	P-value
	b	SE_b	b	SE_b			
BUASP	0.23	0.08	0.16	0.06	0.10	0.47	p>0.05
SUASP	0.12	0.06	0.10	0.03	0.07	0.12	P>0.05
TECHUNC	0.18	0.10	0.04	0.06	0.12	1.12	p>0.05
VOLUNC	-0.03	0.80	0.04	0.12	0.81	-0.12	p>0.05
PRISK	0.38	0.12	0.24	0.08	0.14	1.00	p>0.05

The table below provides a comparative analysis of the regression weights observed between the two countries. We first provide the formula on how the Z-scores were computed. $Z=\frac{b_{G1}-b_{G2}}{SE_{b-difference}}$ $SE_{\text{b - difference}} = \sqrt{(SE_{bG1^2} + SE_{bG2^2}}$ Thus; $Z=\frac{b_{G1}-b_{G2}}{\sqrt{(SE_{bG1^2}+SE_{bG2^2}}}$

Where: $b_{G1\&G2}$ represents standardized regression weights (β) for group 1(Poland) and group 2 (Tanzania) respectively. SE_b= Standard error

Table 6: Size Effects Comparison

	COUNTRY	Mean	Std. Deviation	t	df	d*	F	r**	p
ADAPT	POLAND	3.2	1.07	-13.4	439	-1.25	58.91	-0.53	P<0.01
	TANZANIA	4.2	0.59						
BUASP	POLAND	1.94	1.01	-25.2	439	-2.37	37.69	-0.76	P<0.01
	TANZANIA	3.98	0.68						
SUASP	POLAND	2.49	1.24	-9.3	438	-0.89	0.006	-0.41	p>0.05
	TANZANIA	3.59	1.24						
TECHNUNC	POLAND	3.26	0.84	-1.29	439	-0.12	26.69	-0.06	p>0.05
	TANZANIA	3.37	1.05						
VOLUNC	POLAND	3.61	0.81	-0.89	439	0.09	0.00	-0.04	p>0.05
	TANZANIA	3.68	0.83						
PRISK	POLAND	-4.04	0.70	-0.25	438	0.03	0.056	-0.02	p>0.05
	TANZANIA	-4.03	0.62						

*is the cohen *d* distance ** is the effect size (range between 0 and 1)

Main effects

H1a suggested that buyer asset have a positive effect on adaptability in both structured and less structured emerging markets. This hypothesis was supported (table 4) in Poland (β=0.23, t=3.06, p<0.001) in Tanzania (β=0.17, t=2.37, p<0.001). Further inspection of table 5 indicates that the regression weights were not significantly different (Z=0.47, p>0.05) in spite of the difference in effect size [Poland (M=1.94, SD=1.01) and Tanzania (M=3.98, SD=0.68), t (439) =-25.2, p<0.01, d=-2.37]. H1b, which suggested that supplier asset specificity has a positive effect on adaptability in both structured and less structured emerging markets was supported (table 4) in Poland (β=0.12, t=1.70, p<0.05) and in Tanzania (β=0.10, t=1.51, p<0.05). Further inspection of table 5 and 6 indicates that both regression weights (Z=0.12, p>0.05) and the effect size [Poland (M=2.49, SD=1.24) and Tanzania (M=3.59, SD=1.24), t (438) =-9.3, p>0.05, d=-0.89] were not significantly different for the two countries.

H2a suggested that technological uncertainty has a positive effect on adaptability in both structured and less structured emerging markets. This hypothesis was partially supported. Table 4 indicated that the effect was strongly significant in Poland (β=0.18, t=2.45, p<0.01) but not in Tanzania (β=0.05, t= 0.61, p>0.05). H2b, which suggested that the technological effect on contingent adaptability was stronger in structured emerging markets, was not supported. Table 5 and 6 indicates that both regression weights (Z=1.12, p>0.05) and the effect size [Poland (M=3.26, SD= 0.84) and Tanzania (M=3.37, SD=1.05), t (439) =-1.29, p>0.05, d=-0.12] were not significantly different for the two countries. Table 6 provides the strength of effect sizes of variables across the two countries.

H3a, which suggested that volume uncertainty has a positive effect on adaptability in both structured and less

structured emerging markets, was supported (table 4) in Tanzania (β=0.07, t=1.64, p<0.05) but not in Poland (β=-0.04, t=-.49, p>0.05). H3b, which suggested that the impact of volume uncertainty would be stronger in less structured emerging markets, was not supported. The inspection of table 5 and 6 indicates that the regression weights (Z=-.12, p>0.05) and the effect size [Poland (M=3.61, SD= 0.81) and Tanzania (M=3.68, SD=0.83), t (439) =-0.89, p>0.05, d=0.09] were not significantly different in the two countries.

H4 suggested that buyer perceived risk has a negative effect on adaptability in both structured and less structured emerging markets. This hypothesis was partially supported. Table 4 indicated that the effect was strongly significant in Poland (β=-0.60, t=-5.17**, p<0.001) but not in Tanzania, where the effect was positive (β=0.23, t=2.91, p<0.01). In spite of differences in the effects, table 5 and 6 indicate that both regression weights (Z=1.0, p>0.05) and the effect size [Poland (M=4.05, SD= 0.70) and Tanzania (M=4.03, SD=0.62), t (438) =-.25, p>0.05, d=-0.03] were not significantly different in the two countries.

DISCUSSION

Both buyer and supplier asset specificity has a positive effect on adaptability in advanced and in less advanced emerging markets. Due to a hostage situation, and challenges with enforceability (Poppo & Zenger, 2002) the partner who has invested specific assets in relationship is by default forced to respond to adjustment due to risk of asset loss in case of failure to do so. In the less structured countries (with weak institutions), relationships are largely based on interpersonal relationships, which takes a lot of time to build, thereby it is not so easy to substitute a partner, maybe even harder than in more structured countries.

Technological uncertainty has positive effect only in advanced but not in the less advanced emerging market. Intensity of rivalries and technological changes are expected to be higher in relatively advanced emerging markets. Such pressure pushes partner's sensitivity to change. The failure to change does not necessarily infer to the loss of assets but market share and influence. Technological uncertainty has been found to influence the contractual governance (Ghosh and John, 2005). Poppo and Zenger (2002) found a positive relationship technological uncertainty and how complex the contract would be outlined. In advanced emerging economies, there is more organized parameters which can ensure that the contract is complete, which in turn will favour for adaptation as oppose to less structured economies. Further, the technological uncertainty positive influence on relationship adaptability is quite possible due to the structure of contractual governance. It was indicated that there is no significant influence of technological uncertainty on adaptability in less advanced emerging economies.

Perceived risk had a negative effect on adaptability only in advanced and not in the less advanced emerging market. How risk is perceived and managed, has strong implication on the degree to which firms respond to forces of adaptation. Relational

risk is likely to arise from the loss arising from opportunistic behavior (Liu *et al*, 2008). This makes it challenging to safeguard through contracts. Even the most complex contract cannot preclude opportunism (Wathne and Heide, 2000).

In countries with low trust towards formal institutions mangers and people in general rely more on building close interpersonal relationships and on informal institutions. Hence, they reduce the risks through relationship rather than reliance on formal institutions. Canevari, Berkhout and Pelling (2020) provided evidence for the need to viewing relational adaptation as a firm strategy in response to climate risk. In relatively less advanced emerging markets, the existence of relational mechanism reduces such levels of perceived risk and hence its influence on firms' response. When the only force of risk exists, there is a strong incentive not to adapt. What we have seen in the discussion for asset specificity is that partners are forced to adapt due to the anticipated lose if they fail to act. In other words, perceived risk has no enough incentives to influence adaptation unless other aspects that motivate such a risk are involved (such as assets).

Volume uncertainty had a significant positive effect on adaptability in a less advanced emerging economy but not in the advanced one. In a relatively advanced emerging economy, the highly organized production structure has less tolerance for fluctuations especially of volume. Rather than preparing to adjust to changes in volume, most of these firms establish a system in place that deals with such contingencies. The On the other hand, firms in less structured emerging markets have inefficient systems for dealing with volume changes. This will allow for adaptation in the case of volume uncertainty. These findings are consistent with Yang et al (2021) findings suggested that the volume and technology uncertainty has effect of relational adaptation. These findings provide the additional evidence from the observations made Voldnes and Kvalvik (2017) on the need for understanding cultural sensitivity when conducting inter-firm relational studies.

Theoretical implications

The study has contributed to both transactional and relational governance theories by adding the element of institutional structures and how such will influence the way we interpret the impact of these theories in business relations. The institutional role in these theories has often used culture as a proxy but in this study, we have further examined the convergence element of institutions based on the market structures using the level of advancement. From the findings we suggest that the theoretical interpretation of differences of results in previous studies in adaptation needs to be observed in the lenses of structural dimensions of the context applied.

Practical Implication

An important aspect that the study has provided is how the setup of the relational governance needs to take into account the specific structural aspects of economies. Designing of business relations should take into account how to resolve the adaptation challenges by taking into account the implication of specific relational dimensions. For example technology drive the need for adaptability significantly in more advanced economies and volume variations drives the adaptability in less advanced economies. These differences need to be carefully

examined when it comes to doing business across nations of different market structure.

Study limitations

The study used a limited set of variables from transaction cost theory. Other variables from relevant theories can possibly provide an alternative explanation for the studied phenomena. Our approach on context did not render the analysis of individual institutional factors like culture. To do this it will require a dataset that involves two levels (individual firms and countries) variables. Further, emerging markets are composed of a heterogeneous and complex set of firms and institutions. Our approach provides elementary levels of studying the concept.

Implication for future research

Future research can examine the role of other theories in explaining adaptability in emerging markets. The interactive nature of these theories can also provide a rich source of knowledge of the phenomena. Use of institutional level data in the analysis can also give depth knowledge of the role of specific institutional variables. Most contractual relations take time to evolve, future studies can use longitudinal based analysis. This will capture the process and historical aspect of the phenomena.

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Appendix

CONSTRUCTS	ITEMS	SOURCES	TZ LOADINGS	PL LOADINGS
BUYER ASSET SPECIFICITY α_{TZ}= 0.68, α_{PL}=0.84 CR_{TZ}=0.82, CR_{PL}=0.90 AVE_{TZ}=0.61, AVE_{PL}=0.76	We have made significant investments in equipment dedicated to our relationship with this supplier	Stumpt & Heide (1996)	0.793	0.869
	We have made adjustments in order to deal with this supplier		0.787	0.897
	Training our people to deal with this supplier has involved substantial commitments of time and money		0.764	0.845
SUPPLIER ASSET SPECIFICITY **α_{TZ}= 0.88 α_{PL}=0.83** **CR_{TZ}=0.94,** CR_{PL}=0.92 **AVE_{TZ}=0.89**, AVE_{PL}=0.85	Supplier production system has been tailored to produce for our firm		0.944	0.924
	Supplier has customized the product we purchase from him to meet our specific needs.		0.944	0.924
TECHNOLOGICAL UNCERTAINTY (TECHUNC) **α_{TZ}= .82, α_{PL}=.78** **CR_{TZ}=0.91,** CR_{PL}=0.89 **AVE_{TZ}=0.7,** AVE_{PL}=0.67	The technology used in this product changes fast	Buvik & John (2000), Anderson (1985)	0.802	0.734
	The technology used in manufacturing this product is complex		0.902	0.872
	There is much R&D involved in the development of this product		0.868	0.886
VOLUME UNCERTAINTY (VOLUNC) **α_{TZ}= .060, α_{PL}=0.82** **CR_{TZ}=0.79,** CR_{PL}=0.92 **AVE_{TZ}=0.66,** AVE_{PL}=0.85	Demand for this product varies continually	Buvik & John (2000), Anderson (1985)	0.866	0.916
	The demand conditions for our supplier's product(s) are irregular		0.814	0.922
PERCEIVED RISK (PRISK) α_{TZ}= 0.80, α_{PL}=0.94 CR_{TZ}=0.86, CR_{PL}=0.96 AVE_{TZ}=0.55, AVE_{PL}=0.81	We are confident that the supplier will deliver according to the agreements	Gellings & Wullenweber (2007)	0.729	0.908
	We are confident that the relationship will not break down		0.766	0.922
	We are confident that we will not lose our assets in this relationship		0.706	0.916
	We are confident that the supplier will adapt if circumstances change		0.732	0.870
	We have confidence that the supplier will meet the standards of our customers		0.785	0.889
ADAPTABILITY (ADAPT) α_{TZ}= 0.67, α_{PL}=.089 CR_{TZ}=0.79, CR_{PL}= 0.84 AVE_{TZ}= 0.55 AVE_{PL}= 0.65	Arbitration procedures are well specified in our contract	Luo (2002), Aubert al. (2006) Hendrikse & Windsperger (2010)	0.791	0.809
	Renegotiation periods were planned before the relationship began		0.705	0.885
	The contract specifies major principles or guidelines for handling unanticipated contingencies as they arise		0.830	0.884

$\alpha_{TZ,}$ 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/Polis)