How do managerial ties affect contractual governance in inter-firm cooperation?

How do managerial ties affect contractual governance in inter-firm cooperation?

ABSTRACT

Purpose – Based on social capital theory and the institutional theory, this paper aims to explain how a firm's business ties and political ties affect contractual governance in an inter-firm cooperation, and under which institutional conditions they can play a better role.

Design/methodology/approach – This study tests conceptual model using questionnaire survey data collected from 227 firms in China. Hierarchical regression analysis is used to test the hypotheses.

Findings – This study finds that business ties have significant effect on contract completeness, while political ties have significant effect on contract enforcement. Moreover, these effects are contingent on some institutional factors. Market information transparency strengthens the effect of business ties on contract completeness and weakens the effect of political ties on contract completeness. Legal system completeness weakens the effect of political ties on contract enforcement.

Originality/value – This study adds to current understanding of how an inter-firm cooperation is shaped by the firm's social capital derived from external network relationships, and extends the research on what social antecedents affect contractual governance. Moreover, this study sheds new light on when managerial ties can play a more beneficial role in emerging economies.

Practical implications – This study suggests that managers could actively and selectively utilize their managerial ties to enhance contractual governance in an inter-firm cooperation.

Keywords Business ties, Political ties, Contract completeness, Contract enforcement, Market information transparency, Legal system completeness

Paper type Research paper

Introduction

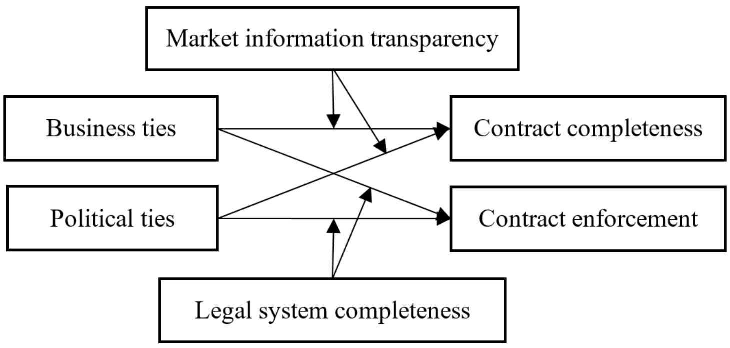
Contract completeness and contract enforcement, as two key elements of contractual governance, are crucial for managing inter-firm cooperation (Kashyap and Murtha, 2017). However, in emerging economies, firms face great challenges in developing relatively complete contracts and enforcing them due to the institutional voids (Li *et al.*, 2020; Shou *et al.*, 2016). Although scholars have highlighted the important role of managerial ties in overcoming institutional voids (Guo *et al.*, 2019; Kotabe *et al.*, 2011; Sheng *et al.*, 2011), we know little about whether and how managerial ties affect contractual governance in emerging economies.

Managerial ties include business ties and political ties. Business ties refers to a firm's informal social connections with other firms such as suppliers, buyers, and competitors, while political ties refers to a firm's informal social connections with government officials, such as officials in regulatory agencies and market administrative bureaus (Peng and Luo, 2000; Sheng *et al.*, 2011). Based on social capital theory, managerial ties not only provide the firm with access to valuable information and resources (Guo *et al.*, 2019; Li *et al.*, 2008; Yeniaras *et al.*, 2020), but also increase its legitimacy and social influence (Chen *et al.*, 2018; Dong *et al.*, 2019; Luk *et al.*, 2008). Thus, managerial ties could reduce inter-firm information asymmetry and increase firm's influence in inter-firm cooperation, which may affect contract completeness and contract enforcement (Brito and Miguel, 2017; Kashyap and Murtha, 2017). However, the literature has neglected how managerial ties affect contractual governance and shape inter-firm cooperation (Antia and Frazier, 2001; Dong *et al.*, 2019). Moreover, although its attention has shifted from transactional attributes (e.g. Reuer and Ariño, 2007) to social factors (e.g. Clauss and Bouncken, 2019), existing literature on the antecedents of contractual governance has failed to move beyond an "internal" perspective to explore the impact of firm's social capital derived from outside the partnership. Therefore, there is an emerging need to link managerial ties and contractual governance.

To explore the influence of managerial ties on contractual governance, this study chose China as the empirical context, as firms in China typically rely on informal personal relations due to the institutional voids (Li *et al.*, 2008; Zhou and Poppo, 2010; Gao *et al.*, 2017). As a representative developing economies, China is overall characterized by: (1) inadequate market-support institutions to enhance efficiency, such as low market information transparency (Luo, 2007; Ma *et al.*, 2021; Meyer and Peng, 2016); (2) institutional uncertainty due to the under-development of formal institutions, such as incomplete legal system (Luo, 2005; White *et al.*, 2015; Wei *et al.*, 2017). Moreover, due to uneven economic development and institutional transition, China also possess heterogeneous institutional environments across subnational regions and industries (Luo, 2007; Shi *et al.*, 2012; Yang *et al.*, 2018). The institutional theory argues institutional context determines the formation of transaction rules and the coordination of economic exchanges (North, 1990). Market information transparency and legal system completeness may affect the role of managerial ties in providing information and influence advantages, thereby moderating the relationship between managerial ties and contractual governance. However, it still lacks empirical investigating into the contingency role of these unique institutional factors.

To address these research gaps, this study developed the conceptual model (see Figure 1) to empirically investigate the impacts of business ties and political ties on contract completeness and contract enforcement, and the moderating effects of market information transparency and legal system completeness. By doing so, this study contributes to the literature in two ways. First, by further distinguishing the role of business ties and political ties on contractual governance, this study extends the research on how an inter-firm cooperation is shaped by firm's social capital derived from external network relationships (Antia and Frazier, 2001; Dong *et al.*, 2019), and complements the research on what social antecedents affect contractual governance (Brito and Miguel, 2017; Schepker *et al.*, 2014). Second, by exploring the moderating effects of market information transparency and legal system completeness, this study sheds new light on when a firm's managerial ties can play a more beneficial role (Bai *et al.*, 2021; Yeniaras *et al.*, 2020; Zhang *et al.*, 2019).

Figure 1 The conceptual model



Theoretical background and hypothesis development

Social capital theory and managerial ties

The firm's social capital is the sum of the "actual and potential resources embedded within, available through, and derived from the network of relationships" (Nahapiet and Ghoshal, 1998, p. 243) that a firm possesses. As the important social capital, managerial ties have the benefits of information, resources and social influence (Adler and Kwon, 2002; Guo *et al.*, 2019; Luk *et al.*, 2008). Particularly in emerging economies, managerial ties are argued to play an important role in accessing valuable information and resources (Li *et al.*, 2008; Sheng *et al.*, 2011). Specially, business ties can help firms access tacit market information, potential business partners and business resources; while political ties can help firms access regulatory and policy information, legality resources, and government-controlled resources (Sheng *et al.*, 2011; Yeniaras *et al.*, 2020; Zhang *et al.*, 2019).

The existing literature has substantially demonstrated the differential roles of business and political ties in affecting firm's unilateral strategic and performance outcomes, however, the understanding of how they affect inter-firm cooperation is still rather limited (see Table I). Based on social capital theory, managerial ties provide firms with not only information and resources, but also social influence (Adler and Kwon, 2002; Luk *et al.*, 2008), and thus could influence the interactions and governance in inter-firm cooperation. A few insightful studies have explored some impacts of managerial ties on cooperation-level outcomes, such as supplier opportunism (Zhu *et al.*, 2017), supply chain integration (Chen *et al.*, 2018), and relationship-specific investments (Dong *et al.*, 2019). However, it remains insufficiently explored that how business and political ties affect inter-firm cooperation and its governance.

Table I Selected studies on the effects of managerial ties in emerging economies

Literature	Main findings	The resulting outcomes	
Peng and Luo (2000)	**Business ties** and **political ties** help improve **firm performance**, and the results differs among firm and industry attributes.	Firm performance	
Li *et al.* (2008)	Firm ownership, competition, and structural uncertainty may condition the value of **managerial ties** on **firm performance**.	Firm performance	
Kotabe *et al.* (2011)	**Business ties** (**Political ties**) have a U-shaped (inverted U-shaped) relationship with **knowledge acquisition**.	Knowledge acquisition	A firm's unilateral strategic and performance outcomes.
Zhang *et al.* (2019)	**Business ties** (**political ties**) improve **product innovation performance** through cognitive capital (institutional support).	Product innovation performance	
Yeniaras *et al.* (2020)	**Business ties** and **political ties** have different relations with **new product performance** through exploratory and exploitative innovation.	New product performance	
Zhao *et al.* (2021)	The interactions between **industry ties** and entrepreneur's employment experience have positive or negative effects on **resource acquisition** in new ventures.	Resource acquisition	
Chen *et al.* (2018)	Top managers' **business ties** are positively related to **supply chain integration**, whereas their **political ties** are not.	Supply chain integration	
Dong *et al.* (2019)	A dependence-disadvantaged partner's **business ties** and **government ties** entices its partner to commit more **relationship-specific investments**.	Relationship-specific investments	The interactive outcomes in cooperation.
Our work	**Business ties** and **political ties** have impacts on **contract completeness** and **contract enforcement**. And the results are moderated by institutional factors.	Contract completeness and contract enforcement	

Contractual governance in the inter-firm cooperation

Contractual governance is essential in the inter-firm relationship due to limited rationality and opportunism (Crosno *et al.*, 2021). To develop relatively complete contracts ex ante and to effectively enforce contracts ex post are two key elements of contractual governance (Kashyap and Murtha, 2017).

Contract completeness refers to the extent to which the terms associated with the transaction and cooperation are complete, extensive and clearly designed in the contract (Kashyap and

Murtha, 2017; Wuyts and Geyskens, 2005). A sufficiently complete contract needs to specify the roles and obligations, monitoring routines, punishments and corresponding consequences clearly and carefully for a contract breach (Kashyap and Murtha, 2017; Schepker *et al.*, 2014). Moreover, a well-designed contract should also provide for contractual responses to future problems, conflicts, and contingencies (Luo, 2002; Shahzad *et al.*, 2018). Therefore, developing more complete contracts requires firms to prepare sufficient information related to the attributes and risks of the transaction.

Contract enforcement refers to the severity of a firm's disciplinary action in response to a partner's violation of contract provisions and obligations (Antia and Frazier, 2001; Kashyap and Murtha, 2017). The firm needs to have sufficient influence to guarantee effective contract enforcement (Brito and Miguel, 2017), as that contract enforcement may incur partner's adverse reactions such as non-compliance, conflicts, retaliation, or even active termination of the relationship (Antia and Frazier, 2001; Kashyap and Murtha, 2017; Mooi and Gilliland, 2013). The firm with weak influence may reduce the severity of contract enforcement or even fail to enforce contracts after the trade-off between benefits and costs (Mooi and Gilliland, 2013).

Managerial ties can help the firm to obtain transaction-related information and increase its network legitimacy and influence (Adler and Kwon, 2002; Chen *et al.*, 2018; Luk *et al.*, 2008), and therefore may affect contract completeness and contract enforcement. However, existing studies have failed to explore the relationship between managerial ties and contractual governance. In view of transaction cost economics, earlier studies have explored the impacts of transactional attributes such as transaction risk, firm capacities, transaction-specific investment, and cooperation duration on contractual governance (e.g. Mayer and Salomon, 2006; Reuer and Ariño, 2007). The literature has also explored how relational attributes shape contractual governance from the relational exchange perspective, such as relationalism and relational norms (Lado *et al.*, 2008; Paswan *et al.*, 1998, 2011), inter-firm trust (Cao and Lumineau, 2015), relational capabilities and relational contracts (Schepker *et al.*, 2014). Recent studies suggest that, in addition to focusing on factors internal to the dyadic relationship, scholars should also explore how social factors external to the dyadic relationship affect contractual governance, such as social power and social fitness (Clauss and Bouncken, 2019; Li *et al.*, 2020). Business ties and political ties are firm's informal social connections to external business network and political network. However, the potential impacts of business ties and political ties on contractual governance have not yet received enough attention.

The effects of business ties and political ties on contract completeness and contract enforcement

Based on social capital theory, we argue that business and political ties enhance contract completeness by providing access to information and knowledge. First, business ties with different companies make the focal firm to be perceived as an "insider" in the business network (Horak *et al.*, 2020), thus providing the firm with easy access to transaction-related information and knowledge that may not be available in the open market, such as product features and actual prices, technological advances and complex manufacturing and product technologies (Luk *et al.*, 2008; Sheng *et al.*, 2011; Zhang *et al.*, 2019). These information and knowledge can help the focal firm to better understand the current transaction and anticipate possible risks and problems, thus contributing to developing relatively complete contracts (Shahzad *et al.*, 2018). Second, business ties increase the experience of joint problem solving between the focal firm and other tied firms and the knowledge for cooperation management (McEvily and Marcus, 2005). These interactive experiences and knowledge help the firm to clarify which key issues and considerations need to be bound by contractual terms for the current cooperation and to anticipate solutions to possible future problems, which enhances contract completeness (Luo, 2002). Third, business ties can help the firm obtain reliable information about the current partner and its trustworthiness from other tied firms in the business network (Sheng *et al.*, 2011; Shou *et al.*, 2016). This helps focal firm assess the qualifications and capabilities of the partner firm and develop customized contractual terms to prevent risks.

Political ties could also increase contract completeness. Political ties promote information transfer between the focal firm and government officials, thus helping to access and understand current policies and regulations (Guo *et al.*, 2019; Yeniaras *et al.*, 2020). These information and knowledge can help the focal firm develop contractual terms that are consistent with formal regulations to avoid regulatory risk, thus increasing contract completeness (Li *et al.*, 2020). Moreover, political ties can also help the firm obtain inside information about the forthcoming and unpublished policies and regulations (El Nayal *et al.*, 2021; Gao *et al.*, 2017). This first-hand information helps the firm to anticipate and develop more complete contracts to hedge the possible policy risks and uncertainties (Shahzad *et al.*, 2018). Thus, by helping the firm obtain and understand information and knowledge on current and upcoming policies and regulations, political ties contribute to contract completeness. Therefore, we propose the following hypotheses.

H1a. A firm's business ties are positively related to contract completeness in an inter-firm cooperation.

H1b. A firm's political ties are positively related to contract completeness in an inter-firm cooperation.

Based on social capital theory, we argue that business and political ties enhance the firm's legitimacy and influence, thus improving contract enforcement. First, stronger business ties could provide the firm with more access to critical resources and cooperation opportunities (Luk *et al.*, 2008; Yeniaras *et al.*, 2020), so the firm could have, or pretend to have, more alternatives to replace the partner in current cooperation (Dong *et al.*, 2019). Thus, business ties reduce the firm's dependence on partner and in turn increases its influence in the cooperation (Dong *et al.*, 2019), which helps to enforce contracts (Brito and Miguel, 2017; Shahzad *et al.*, 2018). Second, business ties help the firm to gain trust and support from other firms in the business network, thus increasing its network legitimacy (Chen *et al.*, 2018; McEvily and Marcus, 2005; Yeniaras *et al.*, 2020). This leads to a tendency for network members to side with the firm and perceive its behaviors as desirable, proper, or appropriate (Chen *et al.*, 2018; Zhang *et al.*, 2019), thus strengthening the authority and influence of the firm in the cooperation (Brito and Miguel, 2017). To avoid the punishment in business network, the partner would be more submissive to contract enforcement (Wuyts and Geyskens, 2005; Zhu *et al.*, 2017).

Political ties could also enhance the firm's influence in cooperation and improve contract enforcement. In developing economies, government controls some critical resources, such as bank loans, governmental subsidies, and taxes, which are critical and difficult for all firms to acquire (Bai et al., 2021; Chen et al., 2018; El Nayal et al., 2021). Political ties provide the firm with convenient access to scarce government-controlled resources (Sun *et al.*, 2016; Yeniaras *et al.*, 2020; Zhou *et al.*, 2019), and thus increase its influence to enforce contracts (Brito and Miguel, 2017). Moreover, political ties can increase the firm's political legitimacy (Sun *et al.*, 2016), which helps the firm to gain more government support, such as interpreting regulations, enforcing contracts, and resolving negotiation issues (Zhou *et al.*, 2019). The empirical study has suggested that, political ties provide the firm with a political advantage in using the courts to resolve disputes (Ang and Jia, 2014). Thus, political ties would increase the firm's influence in cooperation and facilitate contract enforcement, as partner would avoid clashes with the firm tied to government. Therefore, we propose the following hypotheses.

H2a. A firm's business ties are positively related to contract enforcement in an inter-firm cooperation.

H2b. A firm's political ties are positively related to contract enforcement in an inter-firm cooperation.

The moderating role of market information transparency and legal system completeness

According to the institutional theory, neither inter-firm cooperation nor managerial ties can be separated from the constraints of the institutional environments (Gao *et al.*, 2017; North, 1990; Opper, 2021). Developing economies are usually characterized by inadequacy of market-support institutions and legal institutions (Luk *et al.*, 2008; Ma *et al.*, 2021; Zhou and Poppo, 2010), such as low market information transparency and legal system completeness (Luo, 2007; Wei *et al.*, 2017; White *et al.*, 2015).

Market information transparency refers to the extent to which firms can publicly obtain and verify market information (Luo, 2007; Shou *et al.*, 2016). Higher market information transparency indicates a fairer and more transparent institutional environment, which reduces information asymmetries in firms' business activities (Luo, 2007; Meyer and Peng, 2016). Legal system completeness refers to the extent to which a formal legal system is well structured to protect a firm's legal rights (Luo, 2005; White *et al.*, 2015; Wei *et al.*, 2017), determining the underlying power for guaranteeing effective contract enforcement (Zhou and Poppo, 2010). Legal system not only provide clear rules and legal codes to guide social entities, but also act as regulatory standards for social entities during the legitimacy judgment process (Wei *et al.*, 2017).

We argue that market information transparency enhances the positive effect of business ties on contract completeness. First, high market information transparency indicates that firms can easily access accurate and overt market information through public channels (Luo, 2007; Shou *et al.*, 2016). Business ties can help focal firm to access tacit market information through personal relationships, such as reliable and actual information on supply and demand, customer preferences, changes in market competition and technological updates (Sheng *et al.*, 2011; Shou *et al.*, 2016). Thus, the overt information obtained through market mechanisms can be used to complement and validate the tacit information obtained from business ties, further increasing the understanding of cooperation tasks and enhancing contract completeness. Second, when market information flows more smoothly and transparently, the firm can easily obtain public information about its current partner, such as transparent corporate disclosures and third-party reports (Luo, 2007; Shou *et al.*, 2016). Business ties, on the other hand, can help the firm to obtain subjective evaluations of the partner by other tied firms in business network (Shou *et al.*, 2016; Zhu *et al.*, 2017). Thus, publicly available information from market sources about the current partner can be used to validate the subjective evaluations gained from business ties, thus reducing information asymmetry about partner's qualifications and capabilities, and facilitating contract completeness. Therefore, we propose the following hypothesis.

H3. Market information transparency would enhance the effect of business ties on contract completeness.

We argue that market information transparency weakens the effect of political ties on contract completeness. First, when market information transparency is high, firms can easily and timely obtain and interpret market information, including industry policies and regulations, from public sources (Luo, 2007; Shou *et al.*, 2016). Thus, the role of political ties in accessing the similar information would be diminished or crowded out. Conversely, when market information transparency is low, policy and industrial information could be largely opaque to the public (Luo, 2007; Sheng *et al.*, 2011; Shou *et al.*, 2016). Political ties could play a more important role in accessing and interpreting industrial policies and regulations, thus enhancing firm's understanding of the task environment of current cooperation (Gao *et al.*, 2017). Second, high market information transparency leads to timely corporate disclosure and overtly explanation of government policies and regulations (Luo, 2007; Shou *et al.*, 2016). Thus, it increases public scrutiny and limits the role of political ties in providing inside information to the firms (Ang and Jia, 2014). Conversely, with low market information transparency, political ties could more easily help the firm to gain inside treatment from government officials (El Nayal *et al.*, 2021), increasing its information advantage to enhance contract completeness. Therefore, we propose the following hypothesis.

H4. Market information transparency would weaken the effect of political ties on contract completeness.

We argue that legal system completeness weakens the effect of business ties on contract enforcement. Legal system completeness promotes fair transactions and engenders consensus and expectations of appropriate actions among firms in cooperation (Wei *et al.*, 2017). A more complete legal system provides stronger formal supports for contract enforcement and induces firms to accept it as appropriate in cooperation (Shou *et al.*, 2016; Zhou and Poppo, 2010). Thus, when the legal system is more complete, partner firm would be more submissive to contract enforcement in cooperation, regardless of the focal firm's business ties. In contrast, when the legal system is incomplete, the laws related to inter-firm cooperation are ambiguous and underdeveloped (White *et al.*, 2015), and the legitimacy of contract enforcement would be relatively weak. As a result, firms would more rely on business ties to enforce contracts and protect their interests (Li *et al.*, 2008). Therefore, we propose the following hypothesis.

H5. Legal system completeness would weaken the effect of business ties on contract enforcement.

We argue that legal system completeness reduces the effect of political ties on contract enforcement. A well-developed legal system also constrains government behaviors, especially for allocating government-controlled resources (Sun *et al.*, 2016; Zhou and Poppo, 2010; Zhu *et al.*, 2017). When the legal system is more incomplete, government officials have less constrained power and have more room to manipulate for their own benefit (White *et al.*, 2015). Therefore, political ties could provide the firm with enhanced access to key resources and strengthen its influence in inter-firm cooperation to enforce contracts (Shou *et al.*, 2016).

Moreover, a well-developed legal system provides formal supports for contract enforcement and guarantees the impartiality and independence of the judiciary, reducing the role of political ties in providing a firm with personal institutional support and favoritism to enforce contracts (Ang and Jia, 2014; Sun *et al.*, 2016). Conversely, when the legal system is less developed, the implementation of the law has many loopholes and ambiguities and is vulnerable to personal interference by government officials (White *et al.*, 2015). Thus, political ties could play a more important role in providing the institutional support for contract enforcement (Zhou *et al.*, 2019). Therefore, we propose the following hypothesis.

H6. Legal system completeness would weaken the effect of political ties on contract enforcement.

Method

Sample and Data Collection

To test the hypotheses, the study used the data that were extracted from a large questionnaire data collection project covering a variety of topics related to cooperation among manufacturing firms in China. The two authors of this study are the members of this project team. Despite China's ongoing efforts to develop a unified legal system nationwide, due to the lack of consistency and transparency, local governments and courts differ in the interpretation and enforcement of laws and regulations (Yang *et al.*, 2018), and often initiate and change their regulatory policies in regulating business operations (Wang *et al.*, 2017). Moreover, China is as an emerging economy that grows rapidly with structurally changing industries. Emerging industries with unstable structures face industry-level regulatory transformation and opaque government industrial policies, leading to difficulties in accessing information pertaining to task and institutional environments for firms (Luo, 2007). In such context, managers of firms in different regions or industries may differ in their perception and understanding of market information transparency and legal system completeness, thus providing an ideal setting to test our conceptual model.

We first conducted 10 in-depth interviews with senior managers to help us explore the practices in inter-firm cooperation and develop the Chinese version questionnaire. Based on relevant literature and interviews, we developed an English version questionnaire, translated it into Chinese, and then back into English. Both the translation and back-translation were done by two independent scholars to ensure conceptual accuracy and equivalence. The questionnaire includes two parts, A and B. Part A includes the questions about the focal firm's own resources and capabilities, business strategies and environmental perceptions. Part B includes the questions about the focal firm's evaluation of the cooperation with a main partner firm, such as contractual governance and transaction-specific investments. A pilot test of 20 manufacturing firms was conducted to further validate and refine the questionnaire.

With the help of a market research company, we obtained a manufacturing firm directory and randomly selected 500 firms. The sample firms were in four representative economic zones that represent the overall situation in China. We contacted these firms by email and received confirmed responses from 317 firms. We collected questionnaire responses on-site and promised confidentiality and providing project report. Finally, we obtained 227 questionnaires with a valid response rate of 45.4% (227/500), after eliminating some invalid questionnaires, such as excessive missing data. A detailed description of the sample is provided in Table II.

The informants included CEO/general manager (30.9%), deputy general manager (33.2%), department managers (26.9%), and others (9%). On average, they had 8.8 years of industry experience, 5.9 years of company tenure, and 4.8 years of partnership management experience. This indicates that the respondents are very knowledgeable and familiar with their firms and inter-firm relationships.

We used MANOVA to assess the likelihood of non-response bias by splitting the total sample into respondents and non-respondents, early respondents and late respondents (Armstrong and Overton, 1977). Independent sample t-test results showed no significant differences ($p > 0.1$) in firm characteristics (i.e. firm size, industry type, firm ownership), indicating that non-response bias is not a serious concern in this study.

Table II Descriptive statistics of samples (N=227)

Classification	Item	Percentage (%)
Firm size	≤ 50	21.1%
(number of employees)	51-200	31.3%
	201-1000	26.9%
	> 1000	20.7%
Industry	Mechanical	34.4%
	Electronics	28.2%
	Metal and non-metal production	19.8%
	Others	17.6%
Location	Bo Hai Coastal Region	18.9%
	Yangtze River Delta	7.9%
	Pearl River Delta	33.5%
	Central and Western region	39.7%
Ownership	State-owned	27.3%
	Private	64.3%
	Foreign-owned/joint venture	8.4%

Measures

We used Part A of the questionnaire to measure the constructs associated with the firm's own characteristics and environmental perceptions, and Part B to measure the constructs associated with the specific cooperation with a main partner firm. All measurements of the constructs were developed based on prior literature and used a five-point Likert scale (see Table III). The measure of *business ties* is adapted from Kotabe *et al.* (2011) and Peng and Luo (2000), which assesses the strength of managers' ties with the managers of other firms, such as supplier, buyer and competitor firms. The measure of *political ties* is adapted from Li *et al.* (2008) and Peng and Luo (2000), which assesses the strength of managers' ties with government officials. The measure of *contract completeness*, adapted from Shahzad *et al.* (2018), assesses the extent to which contractual terms and future contingencies are specific and detailed. The measure of *contract enforcement*, adapted from Antia and Frazier (2001), assesses the severity of a firm's response to its partner's violation of a contractual obligation. The measure of *market information transparency*, adapted from Luo (2007) and Shou *et al.* (2016), assesses a firm's perception of the extent to which the institutional environment enables it to obtain market information from public channels. The measure of *legal system completeness* is adapted from Luo (2005) and White *et al.* (2015) and assesses the extent to which managers perceive the completeness of laws and regulations that influence the operations of and cooperation between firms.

Contractual governance may be influenced by the firm and cooperation characteristics (Cao and Lumineau, 2015). Therefore, we control for *firm size*, *firm age*, *cooperation duration* and *partner type*. We log-transformed the number of employees, the number of years since the firm's establishment, and the number of years of the cooperation to measure *firm size*, *firm age*, and *cooperation duration*, respectively. Dummy variables were used to measure *partner type*. This study also controls for *transaction-specific investment* (Zhou and Poppo, 2010) and *inter-*

firm communication (Shahzad *et al.*, 2018). *Transaction-specific investment* affects opportunistic risks and interdependence, and thus may influence cooperation governance (Zhou and Poppo, 2010). *Inter-firm communication* reduces information asymmetry and could also influence cooperation governance (Antia and Frazier, 2001; Shahzad *et al.*, 2018).

To verify the variability of *market information transparency* and *legal system completeness*, we used ANOVA to compare the mean values of these two variables across regions and industries. The results validate the variations. Specifically, both the mean value of market information transparency and the mean value of legal system completeness were significantly different across regions, respectively ($F = 3.923$, $p < 0.01$; $F = 7.720$, $p < 0.001$). While there was no significant industry difference in the mean value of market information transparency ($F = 0.530$, $p > 0.05$), there was a significant industry difference in the mean value of legal system completeness ($F = 6.679$, $p < 0.001$). Further multiple comparison results also show the variations.

Table III Measurement

	Variables	Items	Loadings
Part A The measurements associated with the firm's own characteristics and environmental perceptions	Market information transparency alpha=0.81 AVE=0.53 CR=0.82	We can timely and publicly obtain the information about:	
		(1) customers' preferences and demands;	0.75
		(2) suppliers' products and prices;	0.77
		(3) market competitive situation;	0.75
		(4) technology development and changes.	0.63
	Legal system completeness alpha=0.88 AVE=0.73 CR=0.89	Currently in our country,	
		(1) laws and regulations pertaining to company and contracts are complete and developed;	0.87
		(2) laws and regulations pertaining to intellectual property rights protection are complete and developed;	0.94
		(3) laws and regulations pertaining to business conflicts and disputes are complete and developed.	0.73
	Business ties alpha=0.91 AVE=0.78 CR=0.92	With other firms (such as buyer, supplier and competitor firms), our firm has:	
		(1) developed close connections;	0.87
		(2) maintained good personal relationships;	0.96
		(3) been capable of networking.	0.82
	Political ties alpha=0.78 AVE=0.57	Our firm has:	
		(1) invested heavily in building relationships with government officials;	0.64

	Variables	Items	Loadings
	CR=0.80	(2) ensured good relationships with influential government officials;	0.91
		(3) considered that improving relationships with government officials is important.	0.69
Part B The measurements associated with the specific cooperation with a main partner firm	Contract completeness alpha=0.88 AVE=0.54 CR=0.88	In this cooperation, the written contracts have formalized the detailed arrangements about:	
		(1) the rights and responsibilities of both parties;	0.70
		(2) the cooperation objectives and performance indicators;	0.69
		(3) the ways to coordinate and resolve conflicts;	0.81
		(4) the distribution of cooperation achievements;	0.74
		(5) the ways to handle the unanticipated contingencies;	0.76
		(6) the ways to terminate the relationship.	0.73
	Contract enforcement alpha=0.89 AVE=0.64 CR=0.87	In this cooperation, when contracts were violated by partner,	
		(1) we took tough measures;	0.94
		(2) we took strict disciplinary action;	0.91
		(3) we took punitive action uncompromisingly;	0.66
		(4) we would even terminate the cooperation.	0.64
	Transaction-specific investments alpha=0.90 AVE=0.70 CR=0.90	In order to cooperate with this partner,	
		(1) we invested heavily in the purchase of specialized equipment;	0.79
		(2) we have made great adjustments to the production process;	0.89
		(3) we have made major changes to our products;	0.86
		(4) we have adjusted the organizational structure and management system.	0.79
	Inter-firm communication alpha=0.80 AVE=0.57 CR=0.87	In this cooperation,	
		(1) we exchange information frequently and frankly;	0.72
		(2) we would provide any helpful information to the other party;	0.78
		(3) we keep both formally and informally information exchange;	0.79
		(4) we would share proprietary information if it can help the other party;	0.67
		(5) we always keep each other informed about events or changes that may affect the other party.	0.79

Reliability and Validity

To assess the reliability and validity of the constructs, we conducted a confirmatory factor analysis (CFA). The measurement model is a good fit to the sample, in which each item was only loaded on its respective construct and the covariance coefficients were freely estimated among constructs (χ^2/df = 1.524, RMSEA = 0.048, CFI = 0.961, IFI = 0.961, TLI = 0.953, SRMR = 0.0547). As shown in Table III, all factor loadings were significant ($p < 0.001$). The Cronbach-alpha (alpha), composite reliability (CR), and average variance extracted (AVE) of each construct are greater than 0.700, 0.700, and 0.500, respectively. Furthermore, the AVE of each construct is greater than the square of the construct's correlation coefficient with other constructs, indicating discriminant validity (Fornell and Larcker, 1981). Overall, these results collectively indicate the adequate reliability and validity of the measures (Anderson and Gerbing, 1988; Fornell and Larcker, 1981). Table IV presents the descriptive statistics and correlations of the variables.

Common Method Bias

This study took several procedures to minimize and assess the potential for common method bias (CMB) (Podsakoff *et al.*, 2003). First, a Harman's one-factor test was conducted. The largest factor explains only 22.117% of the variance, indicating a low threat of CMB. Second, we run the CFA approach in which the model forcing all items into a common method variable. The results indicate the model does not fit the data well (χ^2/df = 8.378, RMSEA = 0.181, CFI = 0.410, IFI = 0.415, TLI = 0.345, SRMR = 0.1457). Third, marker variable method was used to assess CMB. A marker variable (MV) should theoretically be unrelated to at least one focal variable. We used *government intervention* as the marker variable. The MV is not significantly related to *contact completeness* with the smallest non-negative correlation (r = 0.025). This correlation was used to adjust correlations between the variables. The results reported in Table IV indicate that none of the significant correlations becomes non-significant after the MV adjustment. In summary, the above methods indicate that CMB is not a serious concern in this study.

Table IV Descriptive statistics and correlations

	1	2	3	4	5	6	7	8	9	10	11	12	13
Firm age	**N/A**	0.50**	0.56**	-0.13	0.01	-0.10	0.03	0.05	0.07	-0.21**	0.10	0.03	0.04
Firm size	0.51**	**N/A**	0.36**	0.04	-0.17*	-0.07	-0.02	0.02	-0.01	-0.18**	0.17**	0.07	-0.08
Cooperation duration	0.57**	0.38**	**N/A**	-0.06	-0.01	0.04	0.11	-0.03	-0.04	-0.11	0.08	0.06	-0.03
Supplier partner	-0.10	0.07	-0.04	**N/A**	-0.76**	-0.26**	0.06	-0.08	0.03	-0.04	0.13	-0.00	0.00
Buyer partner	0.04	-0.14*	0.02	-0.72**	**N/A**	0.16*	-0.12	0.04	-0.08	0.03	-0.12	-0.03	-0.11
Transaction-specific investments	-0.07	-0.05	0.07	-0.23**	0.18**	**0.88**	0.21**	0.03	0.06	0.22**	-0.03	0.20**	0.15*
Inter-firm communication	0.06	0.01	0.13*	0.08	-0.09	0.23**	**0.75**	0.17**	0.03	0.32**	0.21**	0.33**	0.19**
Market information transparency	0.07	0.04	-0.00	-0.05	0.06	0.05	0.19**	**0.73**	0.29**	0.20**	0.26**	0.23**	0.27**
Legal system completeness	0.09	0.01	-0.01	0.05	-0.05	0.08	0.05	0.30**	**0.85**	0.18**	0.11	0.24**	0.17**
Business ties	-0.18**	-0.15*	-0.08	-0.01	0.05	0.24**	0.34**	0.22**	0.20**	**0.88**	0.15*	0.34**	0.17**
Political ties	0.13	0.19**	0.10	0.15*	-0.09	0.00	0.23**	0.28**	0.14*	0.17**	**0.89**	0.19**	0.20**
Contract completeness	0.05	0.09	0.08	0.02	-0.00	0.22**	0.35**	0.24**	0.26**	0.36**	0.21**	**0.74**	0.26**
Contract enforcement	0.06	-0.05	-0.01	0.03	-0.08	0.16*	0.21**	0.29**	0.19**	0.19**	0.22**	0.27**	**0.80**
Government intervention (MV)	0.04	0.02	0.01	0.05	-0.09	0.01	-0.00	0.09	-0.04	-0.03	0.26	0.03	0.15
Mean	2.76	5.52	1.72	0.37	0.47	3.22	3.78	3.45	3.12	4.00	3.33	4.10	3.18
S.D.	0.59	1.85	0.78	0.48	0.50	0.86	0.61	0.65	0.83	0.64	0.82	0.61	0.87

Notes: N = 227. Zero-order correlations are shown below the diagonal; adjusted correlations for potential common method bias are shown above the diagonal; the values of the diagonal (in bold) are the square roots of the AVE values. $^{*}p < 0.05$, $^{**}p < 0.01$.

Analysis and results

Hypothesis Testing

This study used hierarchical regression analysis to test the hypotheses. The regression results are shown in Table V and Table VI. We mean-centred the variables involved in the interaction terms to mitigate the potential multicollinearity (Aiken and West, 1991). The variance inflation factors in all the models are smaller than 10, indicating that multicollinearity is not a serious problem in the regressions.

In Table V, Model 2 reports that business ties ($\beta = 0.27$, $p < 0.001$) have a significant positive effect on contract completeness whereas the impact of political ties is not significant ($\beta = 0.09$, $p > 0.1$). Therefore, H1a is supported but H1b is not. In Table VI, Model 5 reports that political ties ($\beta = 0.19$, $p < 0.01$) have a significant positive effect on contract enforcement whereas the impact of business ties is not significant ($\beta = 0.10$, $p > 0.1$). Therefore, H2b is supported but H2a is not.

In Table V, Model 3 reports that the interaction effect between business ties and market information transparency is significant and positive ($\beta = 0.13$, $p < 0.05$), supporting H3. The interaction effect between political ties and market information transparency is significant and negative ($\beta = -0.20$, $p < 0.01$), supporting H4. In Table VI, Model 6 reports that the interaction effect between business ties and legal system completeness is non-significant ($\beta = 0.05$, $p > 0.1$), rejecting H5. The interaction effect between political ties and legal system completeness is significant and negative ($\beta = -0.13$, $p < 0.05$), supporting H6.

Table V Regression results for contract completeness

	Dependent variable: contract completeness							
	Model1		Model2		Model3		Model3#	
	β	t	β	t	β	t	β	t
Firm age	0.01	0.12	0.04	0.52	0.07	0.84	0.07	0.83
Firm size	0.10	1.32	0.10	1.34	0.06	0.90	0.07	0.93
Cooperation duration	-0.01	-0.17	-0.00	-0.05	-0.03	-0.41	-0.03	-0.42
Supplier partner	0.07	0.79	0.04	0.47	0.08	0.91	0.08	0.91
Buyer partner	0.06	0.70	0.03	0.37	0.07	0.85	0.08	0.86
Transaction-specific investment	0.15^{*}	2.28	0.11	1.75	0.13	1.96	0.12	1.91
Inter-firm communication	0.32^{***}	4.81	0.21^{**}	3.10	0.20^{**}	3.02	0.20^{**}	3.08
Business ties (BT)			0.27^{***}	3.97	0.27^{***}	4.02	0.26^{***}	3.94
Political ties (GT)			0.09	1.45	0.06	0.97	0.06	1.00
Market information transparency (IT)					0.06	0.86	0.14^{*}	2.22
BT*IT					0.13^{*}	2.07	0.15^{*}	2.44
GT*IT					-0.20^{**}	-3.12	-0.14^{*}	-2.33
R^2	0.15		0.23		0.29		0.27	
ΔR^2			0.08^{***}		0.06^{**}			
F	5.64^{***}		6.98^{***}		6.85^{***}		6.67^{***}	

Notes: Standardized coefficients are reported here; N = 227; *p < 0.05, **p < 0.01, ***p < 0.001. Models3# is the result of the 2SLS analysis.

Table VI Regression results for contract enforcement

	Dependent variable: contract enforcement							
	Model4		Model5		Model6		Model6#	
	β	t	β	t	β	t	β	t
Firm age	0.18^{*}	2.01	0.18^{*}	2.09	0.15	1.72	0.15	1.68
Firm size	-0.11	-1.47	-0.14	-1.88	-0.13	-1.77	-0.14	-1.78
Cooperation duration	-0.10	-1.21	-0.09	-1.16	-0.08	-1.03	-0.08	-0.98
Supplier partner	-0.02	-0.25	-0.06	-0.69	-0.05	-0.58	-0.05	-0.58
Buyer partner	-0.13	-1.41	-0.16	-1.72	-0.14	-1.51	-0.14	-1.51
Transaction-specific investments	0.15^{*}	2.13	0.14	1.96	0.13	1.92	0.13	1.90
Inter-firm communication	0.17^{*}	2.55	0.10	1.38	0.10	1.35	0.09	1.32
Business ties (BT)			0.10	1.46	0.10	1.33	0.09	1.33
Political ties (GT)			0.19^{**}	2.83	0.17^{**}	2.51	0.17^{*}	2.56
Legal system completeness (LC)					0.09	1.40	0.14^{*}	2.12
BT*LC					0.05	0.71	0.01	0.23
GT*LC					-0.13^{*}	-2.01	-0.14^{*}	-2.24
R^2	0.09		0.13		0.16		0.17	
ΔR^2			0.05^{**}		0.03^{*}			
F	2.99^{**}		3.73^{***}		3.46^{***}		3.53^{***}	

Notes: Standardized coefficients are reported here; N = 227; *p < 0.05, **p < 0.01, ***p < 0.001. Models6# is the result of 2SLS analysis.

We plotted the moderating effects to further illustrate our results (Aiken and West, 1991). As shown in Figure 2, Panel A, the effect of business ties on contract completeness is more positive when market information transparency is high ($\beta = 0.35$, $p < 0.001$) than when it is low ($\beta = 0.16$, $p < 0.05$), supporting H3. As shown in Figure 2, Panel B, as market information transparency changes from low to high, the slope between political ties and contract completeness change from significantly positive ($\beta = 0.16$, $p < 0.01$) to non-significant ($\beta = -0.07$, $p > 0.1$), supporting H4. Figure 3, Panel A shows that as legal system completeness changes from low to high, the slope between business ties and contract completeness is non-significant (from $\beta = 0.08$, $p > 0.1$, to $\beta = 0.18$, $p > 0.1$), rejecting H5. Figure 3, Panel B shows that as legal system completeness changes from low to high, the slope between political ties and contract completeness change from significantly positive ($\beta = 0.29$, $p < 0.001$) to non-significant ($\beta = 0.06$, $p > 0.1$), supporting H6.

Figure 2 Moderating effects of market information transparency

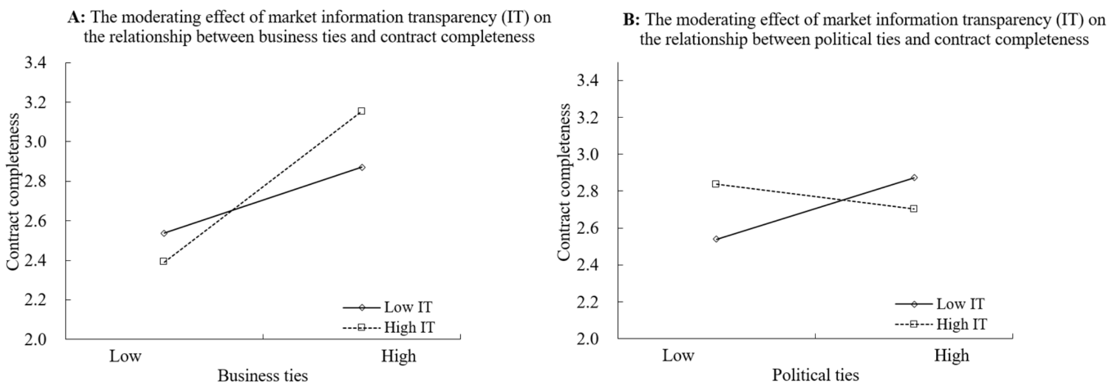
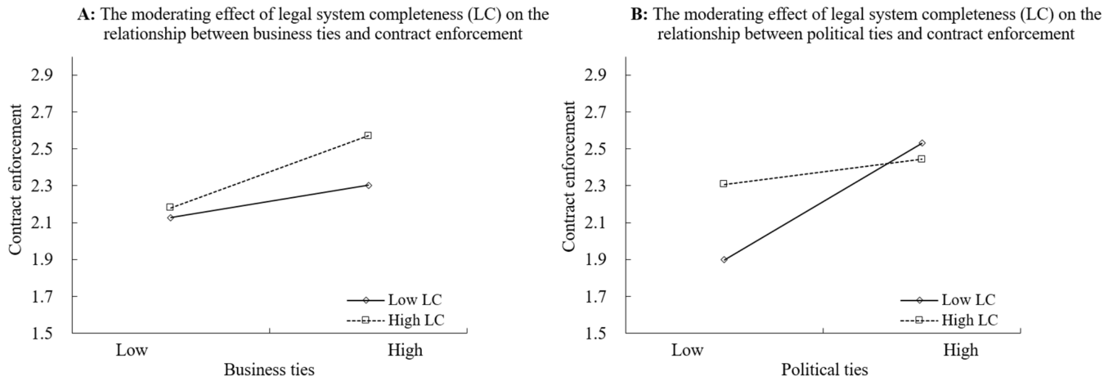


Figure 3 Moderating effects of legal system completeness



Additional analysis

The institutional environment may affect firms' incentives to develop managerial ties (Shou *et al.*, 2016). Therefore, market information transparency and legal system completeness may theoretically affect business ties and political ties. When discussing the moderating effects, regression models may encounter endogeneity concerns. We used two-step least squares (2SLS) analysis to correct for endogeneity (Hamilton and Nickerson, 2003). In Step 1, we regressed business ties and political ties on market information transparency and legal system completeness to obtain the residuals. In Step 2, we used the residuals as the indicator of business ties and political ties to test the conceptual model again. The regression results are consistent with previous analysis (see Table V and Table VI), indicating the robustness.

To avoid the potential concern of omitting control variables, we further controlled for some variables in the regression model. First, we additionally included the dummy variables of regions and industries to control the effects, and the regression results remain consistent with the previous analysis. Second, dyadic ties with the main partner firm may play a similar role when discussing the role of business ties on contractual governance. The questionnaire also measured *operational-level interpersonal ties* (α = 0.84), which could partially reflect the strength of dyadic ties. Therefore, we further included both *operational-level interpersonal ties* and *business ties* in the regression model for analysis. After controlling for the effect of *operational-level interpersonal ties*, the findings remain consistent with the previous analysis. It suggests that expanding the focal firm's business ties with different companies in its environment, rather than just enhancing the dyadic ties with the current partner firm, helps to promote contractual completeness.

Discussion

This study finds that business ties are positively associated with contract completeness, while political ties are positively associated with contract enforcement. Market information transparency strengthens the effect of business ties on contract completeness and weakens the effect of political ties on contract completeness. Legal system completeness only weakens the effect of political ties on contract enforcement.

The results reveal that business ties and political ties could provide the firm with different social capitals, and thus affect contract completeness and contract enforcement differently. For contract completeness, preparing more transaction-related information and reducing information asymmetries are the key (Kashyap and Murtha, 2017; Luo, 2002; Schepker *et al.*, 2014). Business ties can provide the firm with access to transaction-related information from the business network, such as heterogeneous market information on supply, distribution, and technology (Zhou *et al.*, 2019), information on current partner and its trustworthiness (Sheng *et al.*, 2011), and thus promote contract completeness. In contrast, political ties mainly provide industry-level information such as policies and regulations (Yeniaras *et al.*, 2020), rather than cooperation-level information, thus having limited impact on contract completeness. For contract enforcement, the fundamental guarantee of its effectiveness comes from strong "third-party enforcement", which is held by the corresponding governmental and regulatory authorities (Antia and Frazier, 2001; Cao and Lumineau, 2015). In contrast, the punishment in business network often lacks formal authority (Zhao et al., 2021). Thus, comparing to business ties, political ties could provide stronger influence to enhance contract enforcement. Furthermore, legal system completeness mainly enhances the third-party enforcement, rather than social punishment, and thus could hardly moderate the effect of business ties on contract enforcement.

Theoretical implications

This study contributes to the literature on managerial ties and contractual governance. First, this study enhances the understanding of the role of managerial ties in shaping inter-firm cooperation (Chen *et al.*, 2018; Dong *et al.*, 2019; Zhu *et al.*, 2017). Existing studies have focused on the role of business and political ties in providing firms with valuable information and resources, thus affecting unilateral strategic outcomes and firm performance (e.g. Sheng *et al.*, 2011; Yeniaras *et al.*, 2020; Zhang *et al.*, 2019). This study contributes to the literature by considering both the information advantage and influence advantage of business and political ties and investigating their effects on inter-firm interactive outcomes in cooperation. Based on social capital theory, we found the distinguishing roles of business ties and political ties in affecting contractual governance. Specifically, business ties with different companies have a better role in providing the firm with broad access to knowledge and information as well as accumulating cooperation experience, which helps the firm understand and identify the features of current transaction and develop formal contracts (Duplat *et al.*, 2020); political ties with government have a better role in strengthening firm's influence in inter-firm cooperation and enhance contract enforcement, highlighting the influence of networked power (Olsen *et al.*, 2014). Therefore, this study adds knowledge on how business ties and political ties shape inter-firm cooperation in different ways.

Second, this study also helps to extend the social antecedents on contractual governance (Brito and Miguel, 2017; Schepker *et al.*, 2014). Most studies have examined the impact of transactional attributes on contractual governance from the perspective of transaction cost economies (Mayer and Salomon, 2006; Reuer and Ariño, 2007). Recent studies call for exploring the impacts of social factors, such as social power and social fitness (e.g. Brito and Miguel, 2017; Clauss and Bouncken, 2019; Li *et al.*, 2020). This study extends these studies by further exploring the effects of managerial ties, as the critical social capital, on contractual governance. The findings suggest that business ties and political ties have differential impacts on ex ante contract completeness and ex post contract enforcement. It illustrates that different stages of contractual governance may require different resources and forces, and thus can be affected by different social factors (Kashyap and Murtha, 2017; Shen *et al.*, 2020). Moreover, while previous studies have focused on the interplay between firm's relational orientation and transactional orientation within an inter-firm relationship (Lado *et al.*, 2008; Paswan *et al.*, 1998, 2011), our study further expands the literature by exploring how firm's relational orientation beyond a particular inter-firm relationship could influence its transactional orientation within this relationship.

Third, this study adds knowledge to the existing literature on when managerial ties play a more positive role (Bai *et al.*, 2021; Yeniaras *et al.*, 2020; Zhang *et al.*, 2019). Existing literature has been exploring contingency factors that could diminish the dark side effects and keep the bright side effects of informal relations (Horak *et al.*, 2020). Focusing on the context of China, this study illustrates that market information transparency and legal system completeness are the key institutional boundaries that influence the role of managerial ties (Bai *et al.*, 2021; El Nayal *et al.*, 2021; Yeniaras *et al.*, 2020). More importantly, our study suggests that as formal institutions evolve (such as market information transparency), despite the declining role of political ties, business ties do not necessarily lose their value and may serve as a lubricant for inter-firm cooperation (Bai *et al.*, 2021; Gao *et al.*, 2017).

Managerial implications

This study suggests that actively utilizing managerial ties might be a useful strategy to strengthen contract governance in emerging economies. For develop relative contracts, firms can consider strengthening business ties with different companies to obtain adequate and heterogeneous information. For enforcing contracts, firms can consider strengthening political ties with government to put pressure on partners and guarantee effective contract enforcement. This study also suggests that firms in emerging economies should gradually reduce their reliance on political ties and foster more reciprocal and mutually beneficial business ties. Developing and maintaining managerial ties is not cost-free, especially for political ties. As the institutions evolve, the importance of political ties may gradually diminish, but the positive roles of business ties may instead become more prominent (Gao *et al.*, 2017; Yeniaras *et al.*, 2020).

Limitations and future research

This study has some limitations. First, the sample is drawn from a single country, China.

Despite the appropriate representativeness for developing economies, it could expose the findings to generalizability issues. Therefore, future research needs to discuss the findings in other emerging and developed economies. Second, the cross-sectional data may raise questions of causality, though the reverse logic is much less likely. We do not expect that contractual governance in a particular inter-firm relationship would influence the focal firm’s informal connections with other firms and government officials. However, further research should use longitudinal data to address these questions better. Third, our study focused more on the formal institutional factors. Future research also needs to consider the impacts of informal institutional contingencies. Fourth, our study has focused on ex ante contract completeness and ex post contract enforcement. However, firms can renegotiate and develop contracts during the cooperation (Duplat *et al.*, 2020). Future study could continue to explore the dynamic relationship between managerial ties and contractual governance. For this purpose, longitudinal data and experimental data could be appropriate and helpful.

References

Adler, P.S. and Kwon, S.-W. (2002), “Social capital: prospects for a new concept”, *Academy of Management Review*, Vol.27 No.1, pp. 17-40.

Aiken, L.S. and West, S.G. (1991), *Multiple regression: Testing and interpreting interactions*, Sage, Newbury Park, CA.

Anderson, J.C. and Gerbing, D.W. (1988), “Structural equation modeling in practice: a review and recommended two-step approach”, *Psychological Bulletin*, Vol. 103 No. 3, pp. 411-423.

Ang, Y.Y. and Jia, N. (2014), “Perverse complementarity: political connections and the use of courts among private firms in China”, *Journal of Politics*, Vol. 76 No. 2, pp. 318-332.

Antia, K.D. and Frazier, G.L. (2001), “The severity of contract enforcement in interfirm channel relationships”, *Journal of Marketing*, Vol. 65 No. 4, pp. 67-81.

Armstrong, J.S. and Overton, T.S. (1977), “Estimating nonresponse bias in mail surveys”, *Journal of Marketing Research*, Vol. 14 No.3, pp. 396-402.

Bai, W., Kao, P. and Wu, J. (2021), “Returnee entrepreneurs and the performance implications of political and business relationships under institutional uncertainty”, *Journal of Business Research*, Vol. 128, pp. 245-256.

Brito, R.P. and Miguel, P.L.S. (2017), “Power, governance, and value in collaboration: differences between buyer and supplier perspectives”, *Journal of Supply Chain Management*, Vol. 53 No. 2, pp. 61-87.

Cao, Z. and Lumineau, F. (2015), “Revisiting the interplay between contractual and relational governance: a qualitative and meta-analytic investigation”, *Journal of Operations Management*, Vol. 33-34 No. 1, pp. 15-42.

Chen, M., Liu, H., Wei, S. and Gu, J. (2018), “Top managers’ managerial ties, supply chain integration, and firm performance in China: a social capital perspective”, *Industrial Marketing Management*, Vol. 74, pp. 205-214.

Clauss, T. and Bouncken, R.B. (2019), “Social power as an antecedence of governance in buyer-supplier alliances”, *Industrial Marketing Management*, Vol. 77, pp. 75-89.

Crosno, J., Dahlstrom, R., Liu, Y. and Tong, P.Y. (2021), “Effectiveness of contracts in marketing exchange relationships: a meta-analytic review”, *Industrial Marketing Management*, Vol. 92, pp. 122-139.

Dong, M.C., Zeng, F. and Su, C. (2019), “Network embeddedness as a dependence-balancing mechanism in developing markets: differential effects for channel partners with asymmetric dependencies”, *Journal of the Academy of Marketing Science*, Vol 47 No. 6, pp. 1064-1084.

Duplat, V., Klijn, E., Reuer, J. and Dekker, H. (2020), “Renegotiation of joint venture contracts: the influence of boards of directors and prior ties as alternative governance mechanisms”, *Long Range Planning*, Vol. 53 No. 2, pp. 101856.

El Nayal, O., van Oosterhout, J. (Hans), and van Essen, M. (2021), “Ties that bind and grind? Investor reactions to politician appointments to corporate boards”, *Journal of Management*, Vol. 47 No. 2, pp. 456-487.

Fornell, C., and Larcker, D.F. (1981), “Evaluating structural equation models with unobservable variables and measurement error”, *Journal of marketing research*, Vol. 18 No. 1, pp. 39-50.

Gao, Y., Shu, C., Jiang, X., Gao, S. and Page, A.L. (2017), “Managerial ties and product innovation: the moderating roles of macro- and micro-institutional environments”, *Long Range Planning*, Vol. 50 No. 2, pp. 168-183.

Guo, H., Tang, J. and Wei, Z. (2019), “How managerial ties impact opportunity discovery in a transition economy? Evidence from China”, *Management Decision*, Vol. 58 No. 2, pp. 344–361.

Hamilton, B.H. and Nickerson, J.A. (2003), “Correcting for endogeneity in strategic management research”, *Strategic Organization*, Vol. 1 No. 1, pp. 51-78.

Horak, S., Afiouni, F., Bian, Y., Ledeneva, A., Muratbekova-Touron, M. and Fey, C.F. (2020), “Informal networks: dark Sides, bright sides, and unexplored dimensions”, *Management and Organization Review*, Vol. 16 No. 3, pp. 511-542.

Kashyap, V. and Murtha, B.R. (2017), “The joint effects of ex ante contractual completeness and ex post governance on compliance in franchised marketing channels”, *Journal of Marketing*, Vol. 81 No. 3, pp. 130-153.

Kotabe, M., Jiang, C.X. and Murray, J.Y. (2011), “Managerial ties, knowledge acquisition, realized absorptive capacity and new product market performance of emerging multinational companies: a case of China”, *Journal of World Business*, Vol. 46 No. 2, pp. 166-176.

Lado, A.A., Dant, R.R., and Tekleab, A.G. (2008), "Trust-opportunism paradox, relationalism, and performance in interfirm relationships: Evidence from the retail industry", *Strategic Management Journal*, Vol. 29 No. 4, pp. 401–423.

Li, J.J., Poppo, L. and Zhou, K.Z. (2008), "Do managerial ties in China always produce value? Competition, uncertainty, and domestic vs. foreign firms", *Strategic Management Journal*, Vol. 29 No. 4, pp. 383-400.

Li, X., Ren, X., Qian, L. and Su, C. (2020), "Toward a social fitness perspective on contract design: contract legitimacy and influence strategy", *Industrial Marketing Management*, Vol. 85, pp. 254-268.

Luk, C.L., Yau, O.H.M., Sin, L.Y.M., Tse, A.C.B., Chow, R.P.M. and Lee, J.S.Y. (2008), "The effects of social capital and organizational innovativeness in different institutional contexts", *Journal of International Business Studies*, Vol. 39 No. 4, pp. 589-612.

Luo, Y. (2002), "Contract, cooperation, and performance in international joint ventures", *Strategic Management Journal*, Vol. 23 No. 10, pp. 903-919.

Luo, Y. (2005), "Transactional characteristics, institutional environment and joint venture contracts", *Journal of International Business Studies*, Vol. 36 No. 2, pp. 209-230.

Luo, Y. (2007), "Are joint venture partners more opportunistic in a more volatile environment?", *Strategic Management Journal*, Vol. 28 No. 1, pp. 39-60.

Ma, J., Yang, J. and Song, Y. (2021), "The contingent effect of political ties on post-entry performance: a three-way interaction of political ties, entry mode, and industry restriction", *Management Decision*, Vol. 59 No. 1, pp. 104–117.

Mayer, K.J. and Salomon, R.M. (2006), “Capabilities, contractual hazards, and governance: integrating resource-based and transaction cost perspectives”, *Academy of Management Journal*, Vol. 49 No. 5, pp. 942-959.

McEvily, B. and Marcus, A. (2005), “Embedded ties and the acquisition of competitive capabilities”, *Strategic Management Journal*, Vol. 26 No. 11, pp. 1033-1055.

Meyer, K.E. and Peng, M.W. (2016), “Theoretical foundations of emerging economy business research”, *Journal of International Business Studies*, Vol. 47 No. 1, pp. 3-22.

Mooi, E.A. and Gilliland, D.I. (2013), “How contracts and enforcement explain transaction outcomes”, *International Journal of Research in Marketing*, Vol. 30 No. 4, pp. 395-405.

Nahapiet, J. and Ghoshal, S. (1998), “Social capital, intellectual capital, and the organizational advantage”, *Academy of Management Review*. Vol. 23 No. 2, pp. 242-266.

North, D.C. (1990), *Institutions, Institutional Change and Economic Performance*, Cambridge University, New York, NY.

Olsen, P.I., Prenkert, F., Hoholm, T. and Harrison, D. (2014), “The dynamics of networked power in a concentrated business network”, *Journal of Business Research*, Vol. 67 No. 12, pp. 2579-2589.

Opper, S. (2021), “Social network and institution-based strategy research”, *Asia Pacific Journal of Management*, in press.

Paswan, A.K., Blankson, C., and Guzman, F. (2011), “Relationalism in marketing channels and marketing strategy”, *European Journal of Marketing*, Vol. 45 No. 3, pp. 311-333.

Paswan, A.K., Dant, R.P., and Lumpkin, J.R. (1998), "An empirical investigation of the linkages among relationalism, environmental uncertainty, and bureaucratization", *Journal of Business Research*, Vol. 43 No. 3, pp. 125-140.

Peng, M.W. and Luo, Y.D. (2000), "Managerial ties and firm performance in a transition economy: The nature of a micro-macro link", *Academy of Management Journal*, Vol. 43 No. 3, pp. 486-501.

Podsakoff, P.M., Mackenzie, S.B., Lee, J.Y. and Podsakoff, N.P. (2003), "Common method biases in behavioral research: a critical review of the literature and recommended remedies", *Journal of Applied Psychology*. Vol. 88 No. 5, pp. 879-903.

Reuer, J.J. and Ariño, A. (2007), "Strategic alliance contracts: dimensions and determinants of contractual complexity", *Strategic Management Journal*, Vol. 28 No. 3, pp. 313-330.

Schepker, D.J., Oh, W.-Y., Martynov, A. and Poppo, L. (2014), "The many futures of contracts: moving beyond structure and safeguarding to coordination and adaptation", *Journal of Management*, Vol. 40 No. 1, pp. 193-225.

Shahzad, K., Ali, T., Takala, J., Helo, P. and Zaefarian, G. (2018), "The varying roles of governance mechanisms on ex-post transaction costs and relationship commitment in buyer-supplier relationships", *Industrial Marketing Management*, Vol. 71, pp. 135-146.

Shen, L., Su, C., Zheng, X. (Vivian), and Zhuang, G. (2020), "Between contracts and trust: disentangling the safeguarding and coordinating effects over the relationship life cycle", *Industrial Marketing Management*, Vol. 84, pp. 183-193.

Sheng, S., Zhou, K.Z. and Li, J.J. (2011), "The effects of business and political ties on firm performance: evidence from China", *Journal of Marketing*, Vol. 75 No. 1, pp. 1-15.

Shi, W., Sun, S.L. and Peng, M.W. (2012), "Sub-national institutional contingencies, network positions, and IJV partner selection". *Journal of Management Studies*, Vol. 49 No. 7, pp. 1221–1245.

Shou, Z., Zheng, X. (Vivian), and Zhu, W. (2016), "Contract ineffectiveness in emerging markets: an institutional theory perspective⋆", *Journal of Operations Management*, Vol. 46 No. 1, pp. 38-54.

Sun, P., Hu, H.W. and Hillman, A.J. (2016), "The dark side of board political capital: enabling blockholder rent appropriation", *Academy of Management Journal*, Vol. 59 No. 5, pp. 1801-1822.

Wang, L., Sheng, S., Wu, S. and Zhou, K.Z. (2017), "Government role, governance mechanisms, and foreign partner opportunism in IJVs". *Journal of Business Research*, Vol. 76, pp. 98-107.

Wei, Z., Shen, H., Zhou, K.Z. and Li, J.J. (2017), "How does environmental corporate social responsibility matter in a dysfunctional institutional environment? Evidence from China", *Journal of Business Ethics*, Vol. 140 No. 2, pp. 209-223.

White, G.O., Boddewyn, J.J. and Galang, R.M.N. (2015), "Legal system contingencies as determinants of political tie intensity by wholly owned foreign subsidiaries: insights from the Philippines", *Journal of World Business*, Vol. 50 No. 2, pp. 342-356.

Wuyts, S. and Geyskens, I. (2005), "The formation of buyer-supplier relationships: detailed contract drafting and close partner selection", *Journal of Marketing*, Vol. 69 No. 4, pp. 103-117.

Yang, D.F., Sheng, S.B., Wu, S.L. and Zhou, K.Z. (2018), "Suppressing partner opportunism in emerging markets: Contextualizing institutional forces in supply chain management", *Journal of Business Research*, Vol.90, pp. 1-13.

Yeniaras, V., Kaya, I. and Ashill, N. (2020), "The effects of social ties on innovation behavior and new product performance in emerging economies: evidence from Turkey", *Journal of Business & Industrial Marketing*, Vol. 35 No. 4, pp. 699-719.

Zhang, M., Qi, Y., Wang, Z., Zhao, X. and Pawar, K.S. (2019), "Effects of business and political ties on product innovation performance: evidence from China and India", *Technovation*, Vol. 80-81, pp. 30-39.

Zhao, D., Wang, L. and Gu, F.F. (2021), "Reconsidering network embeddedness: effects on different forms of opportunism", *Journal of Business Research*, Vol. 131, pp. 12-24.

Zhao, W., Zhang, W. and Shu, C. (2021), "Industry ties, entrepreneurs' employment experience and resource acquisition of new ventures in China", *Management Decision*, Vol. 59 No. 12, pp. 2907–2931.

Zhou, J., Wu, R. and Li, J. (2019), "More ties the merrier? Different social ties and firm innovation performance", *Asia Pacific Journal of Management*, Vol. 36 No. 2, pp. 445-471.

Zhou, K.Z. and Poppo, L. (2010), "Exchange hazards, relational reliability, and contracts in China: the contingent role of legal enforceability", *Journal of International Business Studies*, Vol. 41 No. 5, pp. 861-881.

Zhu, W., Su, S. and Shou, Z. (2017), "Social ties and firm performance: the mediating effect of adaptive capability and supplier opportunism", *Journal of Business Research*, Vol. 78, pp. 226-232.