Article:
Mukherjee, S, Musarra, G orcid.org/0000-0002-7963-5919 and Banerjee, S orcid.org/0000-0001-5171-2612 (2023) Contract length and Buyer Satisfaction with the Supplier in B2B Partnerships: Evidence from an Experiment. Industrial Marketing Management, 112. pp. 40-50. ISSN 0019-8501

https://doi.org/10.1016/j.indmarman.2023.04.014

Contract length and Buyer Satisfaction with the Supplier in B2B Partnerships:

Evidence from an Experiment

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Contract length and buyer satisfaction with the supplier in B2B partnerships: Evidence from an experiment

Abstract

Prior research has largely ignored the relationship between contract length and buyer satisfaction with the supplier when the supplier cooperates, competes, and coopetes (i.e., cooperates and competes at the same time). To address this gap, we propose one main hypothesis and three moderating hypotheses for cooperation, competition, and coopetition. The main hypothesis investigates whether short-term (vs. long-term) contracts negatively influence buyer satisfaction with the supplier. The cooperation and competition hypotheses separately argue that supplier cooperation and competition positively moderate the relationship between contract length and buyer satisfaction with the supplier, whereas the coopetition hypothesis argues that supplier coopetition negatively moderates the relationship between contract length and buyer satisfaction with the supplier. We test these hypotheses in an experiment with 215 managers with substantial experience in serving as partner or alliance managers in their respective organizations. The findings indicate that short-term (vs. long-term) contracts have a negative effect on buyer satisfaction with the supplier, thereby supporting the main effect. Furthermore, the negative effect of short-term contracts becomes weaker in cases of high levels of supplier cooperation or high levels of supplier competition. Yet, when the level of supplier coopetition increases, the adverse effect of short-term contracts on buyer satisfaction becomes stronger.

Keywords: Contract length, Buyer satisfaction, Cooperation, Competition, Coopetition, Experiment

1. Introduction

Consider the case of a buyer–supplier partnership between the Italian coffee beans manufacturer Lavazza (supplier) and the UK-based retailer Waitrose (buyer). In this partnership, Waitrose stores across the United Kingdom sell Lavazza coffee beans. Yet, the same Waitrose stores also sell Italian coffee beans of the private-label Waitrose. So, in Waitrose stores, the two brands compete and cooperate simultaneously. Waitrose cooperates with Lavazza to increase the sales of Lavazza coffee beans by selling them in its stores, while Waitrose competes with Lavazza because it provides consumers the choice between Lavazza and its own-brand coffee beans.

Buyer–supplier partnerships in which parties compete and cooperate are not isolated cases; rather, most partnerships are often characterized by a certain degree of cooperation, competition, and coopetition (i.e., simultaneous cooperation and competition). In practice, the internal tension that competition, cooperation, and coopetition generate is problematic because it increases managerial complexity and creates dissatisfaction between partners, unless it is successfully managed by those responsible (Bengtsson, Raza-Ullah, & Vanyushyn, 2016; Das & Teng, 2000; Fang, Chang, & Peng, 2011; Obadia & Robson, 2021). In addition, the length or duration (i.e., long-term vs. short-term) of the contract can add managerial complexity, because it can create ambiguities in terms of expectations of the continuity of the partnership, which subsequently influence partners' actions and satisfaction (Macneil, 1980; Schilke & Lumineau, 2018).

While prior research has examined the influence of different forms of governance (e.g., relational, unilateral) and, in particular, various contract features (e.g., contract complexity, contract incompleteness) on performance and satisfaction between partners, a review of the governance literature (see Table 1) shows that studies have largely ignored the impact of contract length of the partnership (i.e., long-term vs. short-term). In particular, to

the best of our knowledge, no study has assessed the linkage between contract length and buyer satisfaction with the supplier when the supplier cooperates for developing new know-how, competes for scarce resources, or coopetes. This research gap leads us to ask the following questions: What is the relationship between contract length and the satisfaction of the buyer with the supplier? and How do supplier competition, cooperation, and coopetition moderate this relationship?

We answer these questions through an experiment with 215 managers who have experience in serving as partner or alliance managers for their respective firms. In doing so, we add to the literature in four ways. First, prior research has mainly focused on governance types, such as contract complexity, contract recurrence, contract completeness, and trust, and their impact on outcomes, but with mixed results (see Table 1). Such mixed results indicate a lack of knowledge on how and when partner exchanges can be effectively governed. To provide more conclusive insights, we examine an overlooked governance type, contract length. As Table 1 shows, research on the impact of contract length (i.e., short- vs. long-term) on buyer satisfaction is scant, despite partner exchanges often being regulated by a short- or long-term contract in the real world. We address this research gap by shining the spotlight on contract length of buyer–supplier partnerships, a hitherto understudied aspect of inter-organizational governance, which plays a vital role in business-to-business (B2B) contractual settings. In doing so, we offer novel insights into the effects of short- and long-term contractual agreement on buyer satisfaction with the performance of the supplier and show when such effects are stronger or weaker. Such findings update the current mixed findings with more conclusive insights into the impact of governance types on various outcomes.

[Insert Table 1 here]

Second, we extend the tension-based view of buyer–supplier partnerships (Das & Teng, 2000; Fang et al., 2011) by examining the impact of contract length on buyer

satisfaction when the supplier cooperates, competes, or coopetes. Despite practical evidence of the strategic use of coopetition, research has so far ignored coopetition as a "force" or "tension" that shapes partner actions and performance. We report several nuanced and novel results in terms of the main effect of contract length on buyer satisfaction and the moderating effect of supplier cooperation, competition, and coopetition. We find that short-term (vs. long-term) contracts have a negative effect on buyer satisfaction with the supplier. Long-term contracts are better suited to foster higher levels of buyer satisfaction. We find that the negative effect of short-term contracts weakens under high levels of supplier cooperation or supplier competition. Yet, when the level of supplier coopetition increases, the adverse effect of short-term contracts on buyer satisfaction becomes stronger.

Third, we offer partnership managers a pathway or a "sweet spot" for dealing with the internal tension caused by cooperation, competition, or coopetition. Specifically, we suggest that partners should take a clear stand and be either cooperative or competitive rather than both. This is because being transparent in cooperative or competitive actions allows partners to achieve set performance goals in the relationship. By contrast, the ambiguities and complexities of the internal tensions created by coopetition decrease performance goals in partnerships. In other words, as supplier cooperation or competition increases, the negative effect of short-term contracts becomes weaker, whereas as supplier coopetition increases, the negative effect of short-term contracts becomes stronger.

Fourth, drawing from the work of Viglia, Zaefarian, and Ulqinaku (2021), we introduce a novel methodological approach (i.e., experimental design) to the B2B context. Experiments in B2B research provide three advantages. They allow B2B managers to be divided into a control condition scenario and a treatment condition scenario, which allows researchers to observe the impact of the treatment condition against a baseline control condition (Viglia et al., 2021). Application of experimental research is scant in B2B settings,

with relative observations, in turn, rare in B2B literature (Viglia et al., 2021). In addition, B2B research is often criticized for not offering causal findings, which stem from the inability of researchers to have large enough samples to make experimental research possible and their inability to randomly assign firms or senior executives to treatment or control groups (Viglia et al., 2021). Thus, greater use of experimental research can increase more causal findings in B2B research (Viglia et al., 2021). Finally, experiments in B2B research allow replication of research findings in different B2B contexts, thereby also improving the generalizability of the findings.

The rest of this paper proceeds as follows: we first discuss the pertinent literature and theoretical background. We then introduce the hypotheses, followed by an explanation of our methodology. Next, we present our results. We conclude with a summary and discussion.

2. Literature review and theoretical background

2.1. Contractual governance

Governance is a critical function of inter-organizational management executed by partnership managers. The key role of partnership managers is to design contracts to govern and align actions toward the fulfillment of mutual goals of the organizations involved in the partnership. In doing so, managers design detailed and binding contracts that specify the initiation and termination of the partnership, as well as the obligations, expectations, and roles of both partners (Macneil, 1980; Schilke & Lumineau, 2018). Contracts are formal governance mechanisms characterized by a proximal and/or predetermined (short-term) termination point or a distant and/or ongoing (long-term) end point. This form of governance provides several advantages for partners. First, contracts can be considered a substitute for or a complement to the informal (e.g., trust) working relationship that exists between partners. Second, contracts are also a substitute for or a complement to the unilateral monitoring

mechanisms that exist between partners (Ferguson, Paulin, & Bergeron, 2005; Heide, 1994). Third, contracts help minimize investment risks due to possible opportunist actions of a partner. Fourth, contracts maximize work efficiency (Macneil, 1980) between partners. Finally, contracts can lead to superior performance by enhancing cooperative actions and aligning partners' interests for mutual benefit (e.g., Lumineau & Malhotra, 2011; Poppo & Zhou, 2014; Xie, Liang, & Zhou, 2016; Weber & Mayer, 2011).

Despite these benefits, contracts are not an elixir for governance and have their share of disadvantages. First, when contracts serve to regulate partnerships, partners' motivations and actions can be hampered (Ferguson et al., 2005). Second, governance scholars report that contracts can be a source of tension between partners that, by prompting dysfunctional behaviors (e.g., aggressive bargaining), can cause ultimately harm to their performance and satisfaction (e.g., Cannon, Achrol, & Gundlach, 2000; Huang, Cheng, & Tseng, 2014; Jap & Ganesan, 2000; Schilke & Lumineau, 2018). Finally, contracts can also have no impact on the performance of partners, thus making them irrelevant for governance (Abdi & Aulakh, 2017; Hoetker & Mellewigt, 2009; Lui & Ngo, 2004; Skarmeas, Zeriti, & Argouslidis, 2019).

The literature is replete with studies on contracts that govern partnerships (e.g., Ferguson et al., 2005; Jap & Ganesan, 2000; Krishnan, Geyskens, & Steenkamp, 2016; Li, Xie, Teo, & Peng, 2010). Table 1 shows that prior research has mostly examined the effects of contracts (e.g., explicit contract, contract complexity, contract incompleteness, contract recurrence) on partner performance and satisfaction. Yet these studies provide inconclusive findings, lending to the belief that some crucial aspects of contracts are being ignored. From our review of the literature, we posit that contract length is one of the crucial neglected contractual aspects that can constrain and regulate partners' actions and exchanges and thus influence their performance and satisfaction. The length of a contract (i.e., short- vs. long-term) is managerially relevant because a predetermined termination point of the partnership

can increase tension between partners, leading to competition or cooperation between them, which can be detrimental or beneficial to exchange performance and partner satisfaction. Supplier cooperation refers to situations in which the supplier works together with the buyer to achieve mutual goals (Anderson & Narus, 1990). Supplier competition refers to situations in which the supplier seeks the same scarce resources to gain private goals (Gimeno, 2004).

2.2. Contractual and tension-based view of partnerships

According to classic contract theory, alliance partners must design and deploy contracts as a safeguard mechanism to curtail selfish behavior, align partners' interests and efforts, and make the partnership productive (Macneil, 1980). Yet, because contracts are unable to foresee future contingencies and predict partners' behavior (Cannon et al., 2000; Krishnan et al., 2016), tensions may emerge and ultimately impede the satisfactory execution of contractual agreements (Poppo & Zhou, 2014). To this point, the tension-based view of partnerships stresses the notion of internal tension in terms of internal contradictions or competing forces that explain when the partnership produces disappointing results for one or both parties (Das & Teng, 2000; Fang et al., 2011). Two competing behavioral forces that create the conditions under which the partnership can produce satisfactory or disappointing outcomes are cooperation and competition (Das & Teng, 2000; Fang et al., 2011).

Cooperation and competition are behavioral forces that reflect the way partners deal with the operation of the partnership (Das & Teng, 2000). Research emphasizes not only the importance of working together to produce mutual benefits but also the uncertainty and vulnerability that cooperative actions generate (Bengtsson et al., 2016; Obadia & Robson, 2021). Studies on partnership also acknowledge that the presence of cooperation does not mean that partnerships are unaffected by competitive actions but that competition can be a problem for developing the partnership from partners' unique resources and for expanding the size of the pie (Fang et al., 2011; Jap, 1999). If transparent, however, competition can

lead to superior performance by making partners more attentive to each other's needs (Chen & Miller, 2011, 2015; Mathias, Huyghe, Frid, & Galloway, 2018).

Studies have tried to reconcile the ambiguities resulting from cooperation and competition by examining the effects of coopetition (i.e., simultaneous cooperation and competition) on partnerships' success, but they report inconclusive findings explained by the notion of a coopetition paradox (Albert-Cromarias, Asselineau, & Blanchard, 2022; Bengtsson & Kock, 2000; Bengtsson et al., 2016; Kim & Parkhe, 2009; Le Roy & Czakon, 2016). Fig. 1 depicts the conceptual framework that outlines our arguments and captures the tension and ambiguity generated by contractual agreements, cooperation, competition, and coopetition. Specifically, we argue that (1) contract length (i.e., short- vs. long-term) exerts an impact on buyer satisfaction and (2) supplier cooperation, competition, and coopetition moderate the relationship between contract length and buyer satisfaction.

[Insert Figure 1 here]

3. Hypotheses development

3.1. Contract length and buyer satisfaction with the supplier

Buyer satisfaction refers to "an affective state that results from appraisals concerning all aspects of a relationship" (Leuthesser & Kohli, 1995, p. 222). We focus on buyer satisfaction because the buyer level of gratification with the supplier is an important indicator of partnership quality and a strong predictor of relationship continuity (Crosby, Evans, & Cowles, 1990). Drawing from the "shadow of the future" perspective (Das & Teng, 2000; Lumineau & Malhotra, 2011), we predict that short-term (vs. long-term) contracts lead to a lower level of buyer satisfaction with the supplier. Legal contracts are a type of governance mechanism that provides two primary benefits to partners. First, they regulate partners' actions by specifying the tasks, obligations, and performance expectations in the partnership

(Cannon & Perreault, 1999; Lusch & Brown, 1996). Second, they explicitly specify the contract length and provide a strict time frame for the achievement of desired outcomes and a plan for the future (Macneil, 1980; Poppo & Zhou, 2014). The contract length (i.e., short- vs. long-term) can give rise to different expectations for the future and prompt (un)orthodox behaviors in the partnership (Lumineau & Malhotra, 2011; Poppo, Zhou, & Ryu, 2008).

Specifically, compared with long-term contracts, short-term contracts can create constraints on the supplier's willingness to sacrifice valuable resources, beyond what is specified in the contract, due to increasing concerns about sunk costs and the future of the partnership. A supplier may also be reluctant to invest more resources in a business contract with a proximate termination date because of increasing concerns about the buyer's intentions and potential vulnerability to its actions (Heide, 1994). This lack of willingness to sacrifice valuable resources can undermine the optimal achievement of set performance objectives and, consequently, the buyer's satisfaction with the supplier. Doing just enough to adhere to contractual agreements may be insufficient to achieve satisfactory outcomes (Crawford, 1988). Furthermore, short-term contracts are likely to breed anxiety, stress, and concerns about not being able to satisfy or meet the buyer's expectations (Musarra, Bowen, Robson, & Spyropoulou, 2021). This is because short-term contracts can generate a form of performance myopia that forces a partner to focus on proximate short-term gains while ignoring the long run and future opportunities/threats in the marketplace (Heide, 1994; Macneil, 1980; Poppo & Zhou, 2014). Such a short-term view and inflexibility can prevent a supplier from modifying its operations to respond to changes in the buyer's needs and consequently satisfy its expectations. Thus:

H1. Short-term (vs. long-term) contracts negatively influence buyer satisfaction with the supplier.

3.2. Moderating role of supplier cooperation

We predict that the impact of contract length on buyer satisfaction is conditional on the level of supplier cooperation in the partnership. Specifically, we expect that when the supplier works together with the buyer to develop and learn new knowledge that can be used in the partnership to achieve mutual goals and satisfy the buyer's needs, the detrimental effect of short-term contracts on buyer satisfaction is neutralized. A precondition for cooperation is that partners partake in collaborative actions (sharing valuable information and resources) that create the conditions under which common goals are achieved (Le Roy & Czakon, 2016). The premise is that partners will naturally cooperate, because gaining mutual benefits is more important for the success and future of the partnership than one partner's private gains.

When the supplier fully collaborates (i.e., cooperation is high) by sharing specialized resources and increasing its effort to meet the buyer's needs, it implicitly demonstrates its competences, integrity, and reliability. As such, the buyer will develop clear understanding of the supplier's contribution to the total value co-created in the partnership. Realizing that the supplier's contribution and cooperation are crucial for the smooth operation and success of the partnership can condition the buyer's level of satisfaction with the supplier. Indeed, collaborative actions can enhance partners' satisfaction because of the investments in bonds that improve the flow of information exchange, quality of interactions, and understanding of what the counterpart is capable of and does to make the partnership productive and enduring (Bengtsson & Kock, 2000; Cannon & Perreault, 1999).

Managerial practices indicate that legal contracts can serve to ensure that partners adhere to set collaborative procedures (e.g., who does what and when) (Bengtsson & Kock, 2000; Macneil, 1980). Despite the existence of formal governance, tension between the buyer and the supplier may develop if one of the partners has an agenda that infringes on contractual agreements (Das & Teng, 2000; Fang et al., 2011). That is, contracts may be

unable to always regulate/align partners' interests and actions for the benefit of the partnership (Heide, 1994; Macneil, 1980).

The inevitable tension between increasing investments to create common value and recovering the funds/capital invested to breakeven is stronger in buyer–supplier partnerships governed by short-term contracts. Short-term contracts are problematic because a proximate termination date can breed fear of permanent loss of capital, which subsequently diverts partners' attention away from collaborative actions while augmenting the desire to reach full capital recovery as soon as possible (Das & Teng, 2000; Fang et al., 2011). When a supplier's cooperation is low, it may procrastinate on the implementation of tasks and reduce its overall effort to achieve mutual benefits. This insufficient collaborative orientation can condition the buyer level of satisfaction with the supplier. Thus:

H2. Supplier cooperation positively moderates the relationship between contract length and buyer satisfaction with the supplier, such that the negative relationship is weaker when supplier cooperation is high (vs. low).

3.3. Moderating role of supplier competition

We predict that the impact of contract length on buyer satisfaction is conditional on the level of supplier competition in the partnership. Specifically, we expect that when the supplier transparently competes to access and learn new expertise to be used outside the domain of the partnership, the detrimental effect of short-term contracts on buyer satisfaction will be neutralized. Competing for scarce resources is the rule of the market, with no exception for buyer–supplier partnerships (Das & Teng, 2000). Such competing behavior results because any type of partnership is a vehicle for developing, accessing, and internalizing new skills that can be deployed within and outside the domain of the partnership. Thus, a competitive race between partners occurs naturally, but at times, it can be tacit/invisible instead of transparent (Bengtsson & Kock, 2000; Inkpen, 2000). The premise is

that a tacit competitive race can create unfavorable conditions for the evolution of the partnership. By contrast, a transparent competitive race could be perceived as friendly, open, fair, and beneficial for the success of the partnership and partners' satisfaction (Chen & Miller, 2011, 2015; Mathias et al., 2018).

Therefore, a supplier that transparently competes (i.e., competition is high) to develop and learn new knowledge can condition the satisfaction of the buyer, which views the competitive behavior as unavoidable, friendly, fair, and beneficial for the success of the partnership. A friendly competitive race can also make a partner more attentive to the needs of the counterpart and, at the same time, more protective of the unique skills and resources shared (Chen & Miller, 2011, 2015; Mathias et al., 2018). Indeed, the relational or friendly view of competition prompts a partner to "walk in the shoes" of its counterpart to protect self-interest and advance common pursuits (Chen & Miller, 2011; Mathias et al., 2018).

Consistent with these premises, the supplier may be attentive by agreeing to increase its investments and/or modify its operations to satisfy the buyer's needs and/or respond to exogenous shocks (e.g., supply chain disruption). Such a behavior is more pronounced when the contract is short-term (vs. long-term). This is because in the short-term contract, a "walk in the shoes" seems like a short stroll, whereas in the long-term contract, it seems like a marathon. Simply put, the possibility of tensions arising between the partners in a short-term contract when the supplier is paying attention to the buyer's needs are less likely. By contrast, if the supplier is protective by constraining the buyer from accessing its specialized resources to maintain a competitive advantage and reduce investment risk, the possibility of tensions arising between the partners is higher in a short-term than a long-term contract. In other words, when a supplier's competitive behavior is tacit/invisible (i.e., competition is low), the buyer may remain skeptical of the supplier's agenda and expect that the supplier's intention is to get ahead in and win the competitive race unfairly (Das & Teng, 2000; Fang et al., 2011).

Such a situation leads to increased unavoidable tension, and this tension is more pronounced during a short-term contract, having a detrimental effect on the buyer's satisfaction and the future of the partnership. Given these presumptions, we thus predict the following:

H3. Supplier competition positively moderates the relationship between contract length and buyer satisfaction with the supplier, such that the negative relationship is weaker when supplier competition is high (vs. low).

3.4. Moderating role of supplier coopetition

We predict that the impact of contract length on buyer satisfaction is conditional on the level of supplier coopetition in the partnership. Specifically, we expect that when the supplier cooperates to create and learn new skills to be deployed in the partnership to satisfy the buyer's needs and achieve mutual objectives and competes to access and acquire unique competences to be used outside the partnership to satisfy self-interests and achieve private gains, the detrimental effect of short-term contracts on buyer satisfaction is stronger. Coopetition theory posits that the simultaneous pursuit of mutual value (through cooperation) and private value (through competition) can be not only a source of superior performance but also a source of tension that damages partnerships and creates dissatisfaction between partners (Brandenburger & Nalebuff, 1996; Le Roy & Czakon, 2016).

Coopetition requires partners to engage with two opposing forces: cooperation and competition. Partners may cooperate on one of the upstream functions of the value chain (e.g., research and development) and compete on one of the downstream functions of the value chain (e.g., sales and marketing activities). The paradox of coopetition is that a partner's cooperative actions implicitly increase its competitiveness vis-à-vis the counterpart (Bengtsson & Kock, 2000; Brandenburger & Nalebuff, 1996). The more closely the supplier works with the buyer to benefit from collaboration, the more it accesses and learns the

buyer's unique expertise. If the supplier internalizes these skills and uses them outside the partnership, it may become a dangerous competitor of the buyer (Gnyawali & Park, 2009).

For example, Kraft (the buyer) and Starbucks (the supplier) formed a partnership in 1998 to distribute Starbucks coffee in grocery stores in addition to Starbucks coffeehouses. In 2011, Starbucks ended the partnership and decided to handle the distribution of its coffee directly (Baertlein, 2013). After years of close collaboration and mutual benefits, Starbucks's ability to access and internalize Kraft's distribution competences increased its competitiveness outside the partnership at the expense of Kraft's satisfaction/interests. Thus, when supplier coopetition is high (i.e., high cooperation and high competition), the supplier will work hard to satisfy the buyer's needs and reach mutual benefits. At the same time, the supplier may have difficulty in restraining its desire to access and learn new skills that can enhance its competitiveness in and outside the partnership.

The tension stemming from the simultaneously pursuit of two opposing forces with conflicting goals can breed inertia, distrust, and indecisiveness between partners (Lewicki, McAllister, & Bies, 1998) and lead to conditions under which the partnership underperforms and fails (Das & Teng, 2000). Such tensions are more pronounced in short- than long-term contracts, making the buyer's satisfaction with the supplier even more negative. For example, in a short-term contract when supplier coopetition is low (i.e., low cooperation and low competition), the supplier is not actively engaged in the creation or appropriation of value. In this case, the supplier shows no dedication or devotion to satisfying the buyer's needs. Thus, in a short-term contract the supplier's lack of painstaking work and negligence can make the buyer highly concerned about its investments and dissatisfied with the supplier. Hence:

H4. Supplier coopetition negatively moderates the relationship between contract length and buyer satisfaction with the supplier, such that the negative relationship is stronger when supplier coopetition is high (vs. low).

4. Methodology

4.1. Study design and procedure

We ran an experimental study to test our hypotheses. The study followed a two-group between-subject design in which we manipulated the contract length (short-term vs. long-term) and randomly allocated respondents to one of the two conditions. After obtaining respondents' informed consent, we told them that they would first need to read a business scenario and then answer some questions about it. The scenario involved "The Coffee Centre," a retailer of coffee beans, coffee powder, and associated equipment, that had entered into a non-exclusive purchasing contract with "Good Beans," a supplier of specialty coffee beans from across the world. Good Beans also sells its product to other retailers in direct competition with The Coffee Centre and directly to customers through its e-commerce website. Thus, in the given scenario, the relationship between the two parties had both a cooperative and a competitive dimension (as the supplier sells directly to customers and also to the buyer's competitors), making it a potentially coopetitive relationship. The perceived level of cooperation, competition, and coopetition, measured during the study, served as our moderating variables (to test H2, H3, and H4, respectively).

To manipulate our key independent variable contract length, in one condition, the scenario mentioned that it was short-term, whereas, in the other condition, the scenario indicated a long-term contract. The Appendix provides the scenario used in the study. After the respondents read the scenario, we asked them to put themselves in the shoes of The Coffee Centre's partner relationship manager, David, who has to provide his assessment of the different aspects of this partnership. The respondents then replied to several questions, such as the buyer's level of satisfaction with the supplier, the perceived level of supplier cooperation, supplier competition, and the likelihood of supplier opportunism. Table 2 lists

the items used to measure these constructs, adapted from the literature. Finally, the respondents provided information about their past work experience, their current organization, and their job positions.

[Insert Table 2 here]

Toward the end of the study, we asked respondents to indicate the nature of the contract between the buyer and the supplier as per the business scenario they reviewed at the beginning of the study. All our respondents correctly answered whether they read the short-term or long-term contract scenario. This served as confirmation that our experimental manipulation worked as intended. Furthermore, we also included an attention check in line with Oppenheimer, Meyvis, and Davidenko (2009) to confirm that respondents read the scale item descriptions carefully before responding to them. We randomly included one statement (i.e., "To show that you are reading this, please select 'strongly disagree' in response to this statement") in a scale along with other items. Again, all respondents correctly responded to this statement, confirming they were indeed paying attention. These two checks indicated the high quality of the responses obtained in our survey. Thus, we kept all completed responses for analysis.

4.2. Respondents

We conducted the study online and administered it via Qualtrics. To ensure that the respondents had the necessary knowledge to take part in the survey and provide meaningful responses, we used the services of a reputed market research agency to recruit only people with substantial experience with working as partner or alliance managers for their respective organization (e.g., responsible for managing partnerships between Delta and Virgin Atlantic or between Tesco and Sainsbury). Moreover, we used a pre-screening question at the beginning of the survey that asked respondents to select their current job role from a long list

that contained 20 different options. Only those who indicated working as partner or alliance managers were allowed to proceed.

The survey was successfully completed by 215 US-based managers (55.3% male; M_{age} = 39.49 years). The respondents had an average of 8.08 years of experience in their role as partner or alliance managers. At the end of the study, we asked two questions to determine whether the respondents had sufficient knowledge about the different aspects of the business scenario presented to them during the study ("How knowledgeable are you about the different aspects covered in this survey?" 1 = not knowledgeable at all, 7 = very knowledgeable) and if they were confident about their responses ("How confident are you about your responses to the questions in this survey?" 1 = not confident at all, 7 = very confident). Respondents confirmed they were highly knowledgeable about the topic (M = 6.14, SD = .70) and confident about their responses to the questions (M = 6.13, SD = .80), with no respondent scoring below the scale mid-point. We took these steps to ensure high informant quality, in line with prior partnership studies (Katsikeas, Skarmeas, & Bello, 2009; Lavie, Haunschild, & Khanna, 2012; Musarra, Robson, & Katsikeas, 2023). Thus, we are confident that all our respondents had the capacity to provide an accurate appraisal of the different dimensions covered in the survey, such that their answers gave us a close approximation of a real-world scenario. According to Viglia et al. (2021), such an approach helps increase the experimental realism by ensuring that only people with real-world experience with such business issues provide evaluations of the scenario presented in the study.

4.3. Measurements

Tables 2 and 3 list the items used to tap the different constructs and their corresponding summary statistics and correlations. As Table 2 shows, the scales for measuring supplier cooperation, supplier competition, buyer satisfaction with the supplier,

and supplier opportunism were all highly reliable. Following Kim, Kim, Pae, and Yip (2013), we measured supplier coopetition as the product of supplier cooperation and competition.

In this study, we experimentally manipulated our focal independent variable – contract length (short-term vs. long-term) – whereas we measured our mediators – perceived cooperation and competition. Therefore, we first conducted independent sample t-tests to show that the experimental manipulation of contract length did not have any effect on the moderator measures (cooperation: $M_{Short\text{-}term} = 5.32$ vs. $M_{Long\text{-}term} = 5.44$, $p = .51$; competition: $M_{Short\text{-}term} = 5.73$ vs. $M_{Long\text{-}term} = 5.65$, $p = .58$). In other words, the two experimental conditions did not differ in the level of perceived cooperation and competition between the buyer and the supplier. This confirms that the moderators are not endogenous variables in our study and thus helps us make stronger causal claims about the relationships we test. According to Viglia et al. (2021), one of the main arguments behind using experiments over surveys is that experiments help minimize endogeneity concerns and allow researchers to test cause–effect relationships. Thus, the reported test is a necessary check to validate that claim.

[Insert Table 3 here]

We minimized any potential common method bias (CMB) in the measured variable data by following established procedures (MacKenzie & Podsakoff, 2012). Specifically, we confirmed that the respondents had a good understanding of the study content, as explained previously, and guaranteed their anonymity. We ensured that the item wordings were simple and comprehensible. Moreover, we followed the correlation-based marker-variable technique to check for CMB (Lindell & Whitney, 2001). We included a marker variable (i.e., product quality perception) that was not associated with at least one of the study constructs (i.e., partner cooperation). To identify CMB, we checked the correlation between the marker variable and the theoretically unrelated construct. We found (see Table 3) low shared variance between the marker variable and the unrelated construct ($r = –.01$). Thus, we used

this value to estimate a CMB-corrected matrix and a marker measurement model using the corrected matrix. Next, we ran a chi-square difference test between the marker measurement model and our initial measurement model. As we did not observe any decrease in fit ($p <$ .05), we conclude that CMB is not a major concern in this study.

We ran all data analyses using SPSS. We mean-centered the independent variables before analyses for ease of interpretation and dummy-coded the contract length variable, with the long-term contract equal to 0 (i.e., the baseline) and the short-term contract equal to 1.

5. Results

To test our conceptual model (see Fig. 1), we ran an interaction model (model 3) using the PROCESS module, with buyer satisfaction with the supplier as the dependent variable, contract length as the independent variable, and supplier cooperation and supplier competition as the moderators (Hayes, 2007). As noted previously, the product of supplier cooperation and supplier competition, calculated by the model, served as our measure of supplier coopetition. Furthermore, we included several control variables in the analysis, including the perceived level of supplier opportunism, the size of the respondent's organization, the number of years the respondent had worked in their role as partner or alliance manager, the maximum duration for which the respondent had managed a partner, the size of the partner company, the partnership age, and the partner contribution. Table 4 depicts the summary of the results.

[Insert Table 4 here]

We found that contract length has a negative effect on buyer satisfaction with the supplier ($\beta = –0.13$, SE = .06, $t = –2.25$, $p = .03$, 95% confidence interval [CI]: [–0.25, –0.02]), providing support for H1. That is, in the case of short-term (vs. long-term) contracts, the respondents expected buyer satisfaction with the supplier to be lower. We also found that supplier cooperation positively moderates the link between contract length and buyer

satisfaction, such that as supplier cooperation increases, the negative effect of short-term contracts becomes weaker (β = 0.12, SE = .05, t = 2.31, p = .02, 95% CI: [0.02, 0.23]). Thus, H2 is supported. We further observed that supplier competition positively moderates the relationship between contract length and buyer satisfaction (β = 0.18, SE = .07, t = 2.50, p = .01, 95% CI: [0.04, 0.32]), such that when supplier competition is high, the adverse effect of short-term contracts on buyer satisfaction weakens. This result provides support for H3. Finally, supplier coopetition negatively moderates the relationship between contract length and buyer satisfaction (β = –0.34, SE = .11, t = –3.18, p < .01, 95% CI: [–0.55, –0.13]), such that when supplier coopetition is higher, the negative effect of short-term contracts becomes stronger. This result provides support for H4.

[Insert Figure 2 here]

Johnson–Neyman analysis shows that the interaction between contract length and cooperation becomes non-significant when the value of the (mean-centered) competition variable is between 0.08 and 0.72. To better understand the nature of the interaction effects, we plotted them in Fig. 2. Panels A and B show that, under a high level of supplier cooperation and a high level of supplier competition, the difference in buyer satisfaction between short-term contracts and long-term contracts decreases. By contrast, panel C shows that under high supplier coopetition, the difference in buyer satisfaction between short-term contracts and long-term contracts increases further, with short-term contracts leading to even lower levels of buyer satisfaction. Consequently, when compared with conditions that involve either pure competition or pure cooperation, coopetition behavior is less suitable in partnerships governed by short-term contracts.

6. Summary and Discussion

Prior research has largely ignored the effect of contract length on buyer satisfaction and whether competition, cooperation, and coopetition between buyers and suppliers moderate this impact. This study addresses this gap in the literature by examining the buyer–supplier relationship in a novel B2B experimental setting. We show that, in general, short-term (vs. long-term) contract length has a negative impact on buyer satisfaction with suppliers. We also show that, when the supplier is cooperative, this negative effect on buyer satisfaction with suppliers is weakened. Similarly, when the supplier is competitive, this negative effect on buyer satisfaction with suppliers is neutralized. Finally, when the supplier is coopetitive, this negative effect on buyer satisfaction with suppliers becomes stronger.

6.1. Research contributions

The contributions of this study are threefold. First, we highlight an understudied aspect of inter-organizational governance – namely, contract length of buyer–supplier partnerships. In doing so, our study offers novel insights into the effects of short- and long-term contractual agreements on buyer satisfaction with the performance of the supplier. As such, we move beyond previous studies' mixed findings on the impact of governance types on outcomes by offering more conclusive evidence on the relationship between governance types and outcomes.

Second, we extend the tension-based view of buyer–supplier partnerships (Das & Teng, 2000; Fang et al., 2011) by examining not only cooperation or competition but also coopetition. In doing so, we bring to the fore several nuanced insights related to coopetition. We show that the negative effect of short-term contracts becomes weaker under high levels of supplier cooperation or competition; however, when the level of supplier coopetition increases, the adverse effect of short-term contracts on buyer satisfaction becomes stronger.

Third, to the best of our knowledge, our study is the first in marketing to follow the steps Viglia et al. (2021) suggest to conduct experimental studies in B2B contexts. Our

experimental approach allowed us to create a setting in which an "apples to apples" comparison was possible. Such an approach is missing in B2B contexts. By taking an experimental design approach, our work can serve as an initial basis for further research.

6.2. Managerial implications

Our study offers recommendations for managers responsible for buyer–supplier partnerships. First, in contrast with previous B2B research, this study shows that managers can use surveys with their clients, showing the treatment scenario (i.e., a specific need of their clients) to one set of clients and the control scenario to another set of clients. Decisions based on such experimental settings are likely to be more accurate and effective, thereby also improving the accountability and transparency in the managerial decision-making process.

Second, our study suggests that managers need to fully understand the relationship with their partners, in terms of whether it is cooperative, competitive, or coopetitive. Having a better understanding of the relationship would allow the partners to have a more accurate expectation of the outcomes of the partnership. Our findings show that cooperative or competitive actions allow partners to achieve set performance goals in the partnership. That is, the pathway to better performance is either a cooperative or competitive relationship, not both. This is because the ambiguities and complexities of the internal tensions created by coopetition lower the performance goals in partnerships. In other words, the "sweet spot" of better performance lies in keeping cooperation or competition high, thereby reducing the negative effect of short-term contracts; conversely, when buyer–supplier coopetition increases, the negative effect of short-term contracts becomes stronger. Furthermore, we show that in practice, partners largely prefer long-term to short-term contracts. However, if partners desire short-term contracts, they should take steps to monitor the cooperative, competitive, or coopetitive nature of the relationship.

6.3. Limitations

Our work has several limitations, some of which might offer avenues for further research. First, although our findings are general in scope for a variety of markets, our empirical context is limited to a single country market: the United States. The United States was particularly well suited for our investigation because it is the world's largest economy in terms of gross domestic product (World Bank, 2022). Yet there is scope to investigate different empirical contexts, specifically economies with varying institutional frameworks. Second, we focused on the buyer–supplier partnership at the firm level and took the partnership managers' viewpoint; however, partnerships need not be restricted to the firm level. Thus, future research could investigate the partnership or other levels, such as department, team/division, individual, and intra-partnership. Such studies would improve the generalizability of our findings.Third, we followed an experimental methodology to establish a clear cause–effect link between our focal independent variable, contract length, which has been experimentally manipulated, and our dependent variable, buyer satisfaction with the supplier. To avoid any potential confounds and keep the two experimental combinations comparable, we did not include any information about opportunistic behavior, legitimacy, reputation, and so forth, in the scenarios. However, such factors are indeed relevant variables in the context of buyer–supplier partnerships and might influence a buyer's satisfaction with a supplier. We urge researchers to pay attention to these variables in their investigations.

Fourth, the focus of this study was on "how" the direct and moderating hypotheses influence the relationship between short-term contracts (i.e., contract length) and buyer satisfaction with the supplier. Thus, we limited our efforts to answering this important question rather than "why" this happens. Answering "why" the direct and moderating hypotheses influence the relationship between contract length and buyer satisfaction with the supplier is beyond the scope of this study because our model does not include a mediator. We urge future research to extend our study by addressing the "why" question using a mediator

variable. Finally, our study uses only a cross-sectional dataset, thereby ignoring the time-variant effects that might influence the findings. Future studies could examine our findings using a longitudinal dataset to account for time-variant effects in the study.

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Table 1: Empirical research on inter-organizational governance and their effects on exchange performance.

Research themes	Thematic aspects	Key findings (direct effect)	Underlying mechanisms		Illustrative articles
			Moderators	Mediators	
Formal governance	Legal contract Contract complexity Contract recurrence Contract incompleteness Explicit contract Normative contract	Positive performance effect	Partner selection (–) Relational control (ns) Uncertainty (+/–)	NA	Burkert, Ivens, & Shan, 2012; Ferguson, Paulin, & Bergeron, 2005; Krishnan et al., 2017 ; Liu, Luo, & Liu, 2009; Lumineau & Malhotra, 2011; Poppo & Zenger, 2002; Xie, Liang, & Zhou, 2016; Weber & Mayer, 2011 ; Zhou & Poppo, 2010
		Negative performance effect	Specific investments (ns)	NA	Cannon, Achrol, & Gundlach, 2000; Huang, Cheng, & Tseng, 2014; Jap & Ganesan, 2000; Li, Xie, Teo, & Peng, 2010
		Non-significant performance effect	Knowledge-based assets (ns) Property-based assets (ns) Goodwill trust (–) Competence trust (ns)	NA	Abdi & Aulakh, 2017; Hoetker & Mellewigt, 2009; Li, Poppo, & Zhou, 2010; Lui & Ngo, 2004; Luo, 2002; Schilke,& Lumineau, 2018; Skarmeas, Zeriti, & Argouslidis, 2019
Unilateral governance	Process monitoring Output monitoring	Positive performance effect	Relational governance (+)	NA	Bello & Gilliland, 1997; Ju & Gao, 2017; Li, Zheng, & Zhuang, 2017
		Negative performance effect	Information exchange (+)	NA	Bello, Katsikeas, & Robson, 2010; Musarra, Robson, & Katsikeas, 2016; Poppo & Zhou, 2014
		Non-significant performance effect	NA	NA	Stouthuysen, Slabbinck & Roodhooft, 2012;Wallenburg & Schäffler, 2014
Relational governance	Trust Commitment Norms Joint planning Joint actions	Positive performance effect	Industry uncertainty (–) Technology uncertainty (ns) Institutional distance (+/–) Environmental dynamism (ns)	NA	Bercovitz, Jap, & Nickerson, 2006; Ju, Zhao, & Wang, 2014; Kim, Shin, & Hult, 2021; Lavie, Haunschild, & Khanna, 2012; Liu, Sinkovics, & Sinkovics, 2020; Navarro-García, Sánchez-Franco, & Rey-Moreno, 2016
		Non-significant performance effect	NA	NA	Claro, Hagelaar, & Omta, 2003; Lusch & Brown, 1996; Wallenburg & Schäffler, 2014
This study	**Contract length (short-term vs. long-term)**	**Negative effect of short-term (vs. long-term) contracts on buyer satisfaction** **The negative effect is moderated by supplier cooperation (+), competition (+), and coopetition (–)**	**Supplier cooperation** **Supplier competition** **Supplier coopetition**	NA	NA

Notes: ns = non-significant effect; – = negative effect; + = positive effect; NA = not applicable.

Table 2
Measurement items and scale reliability.

Construct	Items	Cronbach's alpha	Source
Buyer satisfaction	We are delighted with our overall relationship with this partner.	0.93	Leuthesser & Kohli, 1995
	We wish more of our partners were like Good Beans.		
	We would like our relationship with this partner to continue in the coming years.		
	It is a pleasure to deal with this partner.		
Supplier cooperation	This partner will be conscientious and responsive about maintaining a cooperative relationship with The Coffee Centre.	0.92	Sibley & Michie, 1982; Morgan & Hunt, 1994
	This partner will be willing to collaborate with The Coffee Centre regarding the smooth operation of the relationship.		
	The partner will always act in ways that promote mutual interests and welfare.		
	This partner will be interested in assisting The Coffee Centre to achieve its business goals.		
	There will be a team spirit in tackling common problems in The Coffee Centre working relationship with this partner.		
Supplier competition	This partner is in direct competition with The Coffee Centre.	0.79	Atuahene-Gima, 1995
	This partner is in the same product market as The Coffee Centre.		
	The partner has a product line very similar to The Coffee Centre.		
	The Coffee Centre needs the same type of knowledge related to new product or process development as the partner.		
Supplier opportunism	In this alliance, the partner firms will exaggerate their needs to get what they desire.	0.89	Musarra, Bowen, Robson, & Spyropoulou, 2021
	In this alliance, the partner firms will breach formal or informal agreements to their benefits.		
	In this alliance, the partner firms might slightly alter facts to get what they want.		
	In this alliance, the partner firms will try to take unfair advantage of each other to further their own interests.		
	One of the partner firms will try to benefit from the alliance to the detriment of the other one.		

Table 3
Correlations and descriptive statistics.

	Variables	M	SD	1	2	3	4	5
1	Buyer satisfaction	5.26	1.60	1				
2	Supplier cooperation	5.39	1.34	0.10*	1			
3	Supplier competition	5.69	0.97	-0.14*	-0.07	1		
4	Supplier opportunism	5.38	1.34	-0.06	-0.02	0.19**	1	
5	Product quality perception	5.33	1.48	-0.06	-0.01	0.17**	0.18**	1

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

Table 4
Hypotheses testing.

Hypothesis	Relationship tested	Coefficient (ß)	t-value	*p*-value
H1	Contract length → buyer satisfaction	-0.13	-2.25	0.03
H2	Contract length × supplier cooperation → buyer satisfaction	0.12	2.31	0.02
H3	Contract length × supplier competition → buyer satisfaction	0.18	2.50	0.01
H4	Contract length × supplier coopetition → buyer satisfaction	-0.34	-3.18	0.01

Fig. 1. Conceptual framework.

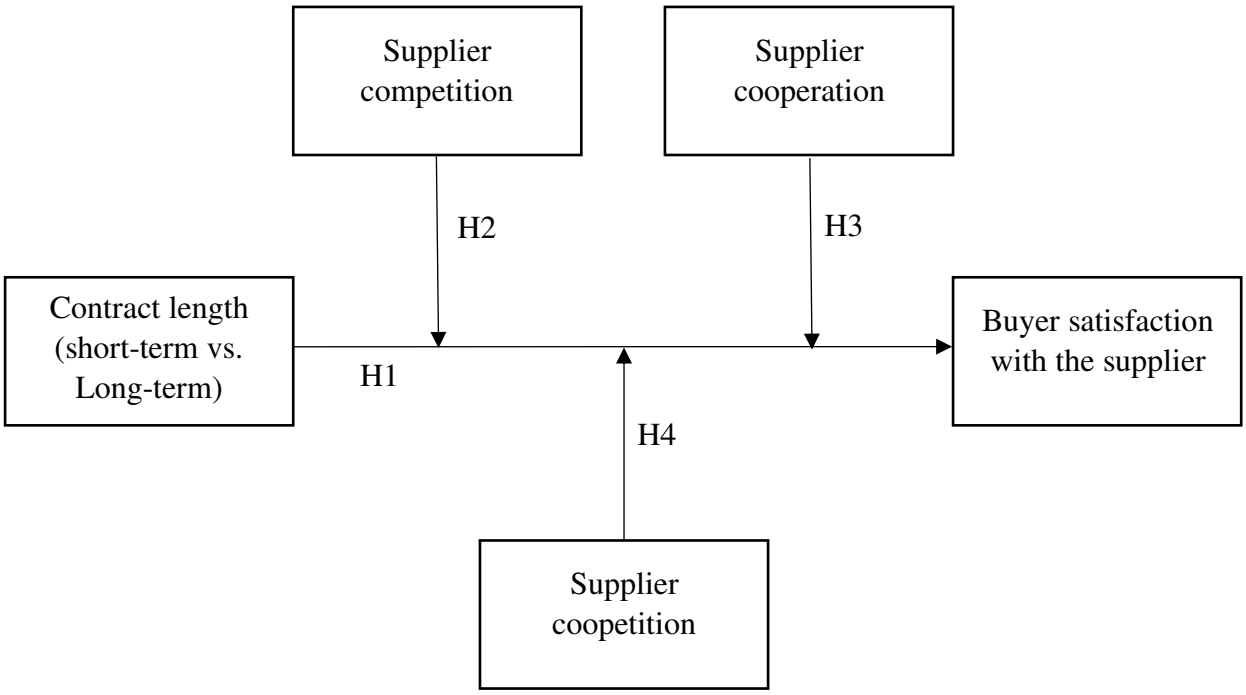
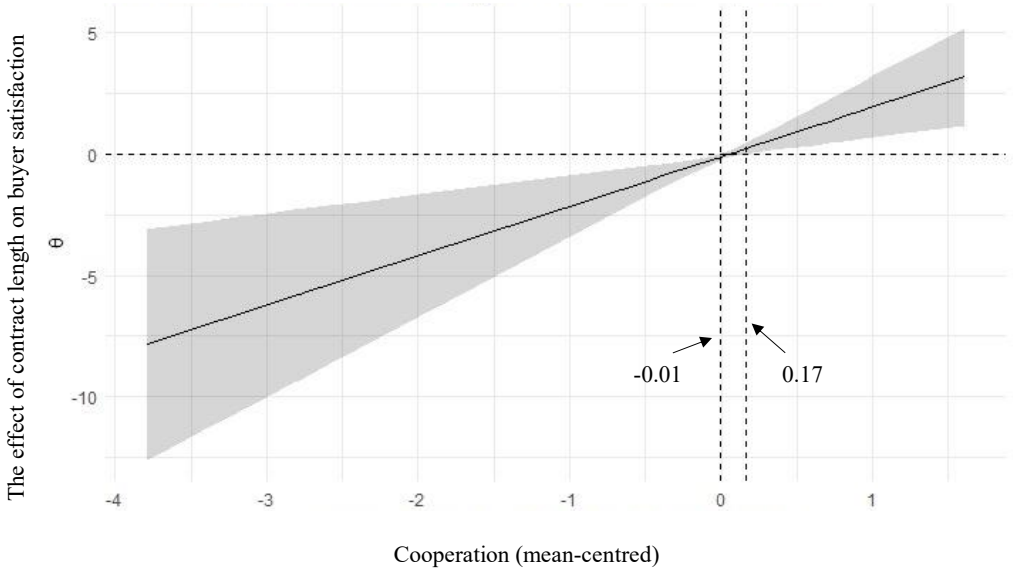
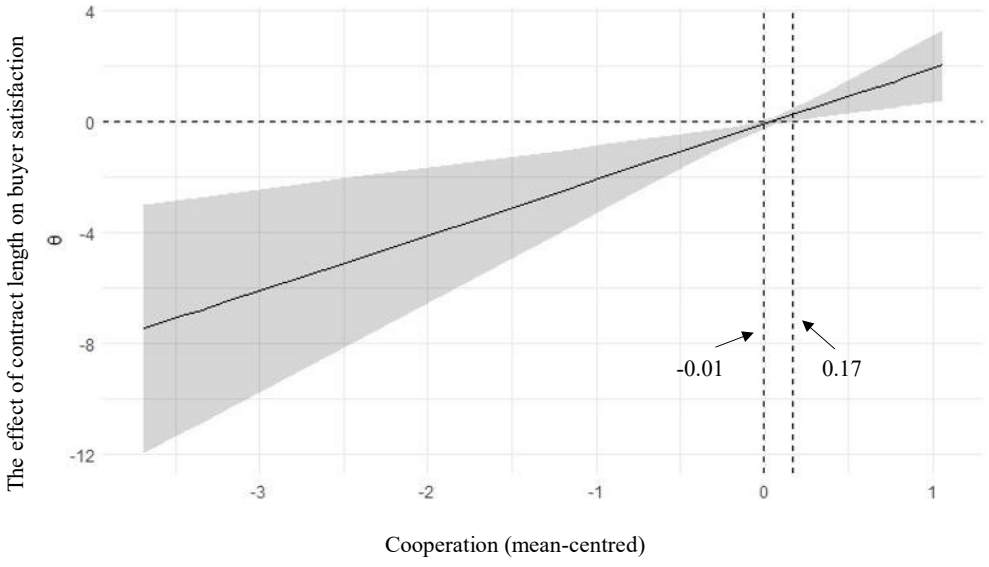


Fig. 2. Conditional effects of contract length on buyer satisfaction.

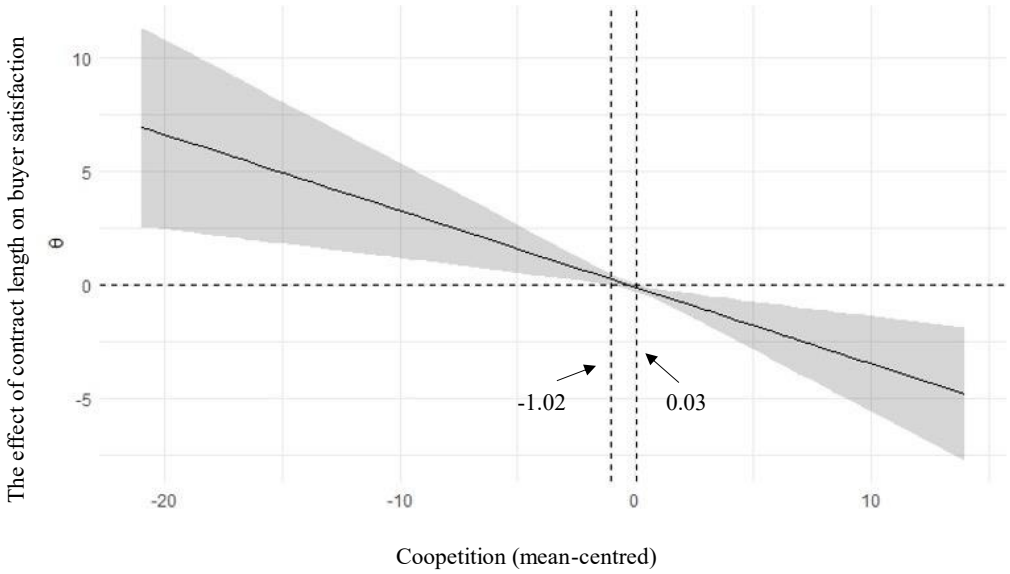
A: Moderating effect of cooperation (mean-centered)



B: Moderating effect of competition (mean-centered)



C: Moderating effect of coopetition (mean-centered)



Appendix

Scenario used in experimental study

The Coffee Centre is a retailer specializing in selling different kinds of coffee beans, instant coffee powder, coffee-making utensils, and equipment. David is the purchase manager in charge of buying and maintaining partner relations for the company.

The Coffee Centre has multiple suppliers for its different categories of products. David has recently signed a short-term [long-term] contract with a new partner Good Beans. Good Beans has a substantial market share in specialty coffee beans from different regions across the world, from Brazil to southern India. So, David thinks this might be an important purchasing contract for The Coffee Centre in the short run.

However, The Coffee Centre does not have an exclusive contract with Good Beans. This means that, in addition to The Coffee Centre, Good Beans supplies its products to many other retailers that are direct or indirect competitors of The Coffee Centre. David also knows that Good Beans has set up its own e-commerce website so that customers can go directly to its website to place orders to be delivered directly to their homes.

David needs to submit a report to the top management about his assessment of the short-term [long-term] outlook of The Coffee Centre's relationship with the partner, Good Beans.