

**REVISITING THE CONTRACT-TRUST DEBATE FROM A FRAMING-BASED
PERSPECTIVE: FINDINGS FROM FRANCHISE CONTRACT EXPERIMENT**

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ABSTRACT

Contracts and trust are both seen as important aspects of successful collaboration between trading partners. However, the interplay between these two dimensions remains poorly understood. In this paper, we draw upon a framing-based perspective to study the influence of the nature of the contractual design on the level of trust. We suggest that the type of contract framing plays a key role in shaping the development of trust. Our empirical analysis uses a quasi-experiment to compare promotion-framed versus prevention-framed franchise contracts. Consistent with our hypotheses, our results indicate that promotion-framed contracts influence more positively trust than prevention-based contracts. We also find that perceived contract completeness and perceived control of the franchisor have different effects on trust according to the type of contract framing. We point out the importance of our study for the contract-trust relationship debate and discuss its implications for the contract design literature.

KEYWORDS

Contract; Framing; Prospect Theory; Promotion *vs.* Prevention; Trust; Franchise

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REVISITING THE CONTRACT-TRUST DEBATE FROM A FRAMING-BASED PERSPECTIVE: FINDINGS FROM FRANCHISE CONTRACT EXPERIMENT

In the last two decades, management scholars have paid increasing attention to contract design as an essential element of partnership success between trading partners (Argyres, Bercovitz, & Mayer, 2007; Parkhe, 1993). At the same time, researchers have stressed the importance of relational mechanisms, especially trust, to maximize value of the relationship (Dyer & Singh, 1998; Gulati, 1995). While there is a large consensus on the fact that both contractual and relational elements are key elements to a successful partnership, the interplay between the two dimensions remains unclear (Puranam & Vanneste, 2009). Some scholars argue that contract and trust tend to be mutually exclusive (Gulati, 1995; Malhotra & Murnighan, 2002), others suggest that contract and trust tend to go hand by hand in mutually enforcing cycles (Mayer & Argyres, 2004; Ryall & Sampson, 2009).

In this paper, we propose to complement the debate on contract-trust relationship by exploring the influence of the type of contract on trust in the franchising context. Franchising is a growing and pervasive mode of distribution of goods and services (Dant, 2008). A franchise is a legal contract between a businessperson (i.e., the franchisee) and a parent company (i.e., the franchisor) to sell products or services under the franchisor's trademark employing a production process developed by the franchisor (Barthélemy, 2008; Lafontaine, 1992). The relationship between the franchisor and the franchisee is therefore contractually governed (Michael & Bercovitz, 2009). While the literature on franchising has devoted much attention to the determinants of the organizational form (e.g., Combs & Ketchen, 2003; Dnes, 1996; Lafontaine & Slade, 1997), we still do not know much about the way the contract is interpreted by the franchisee. In fact, prior literature has mostly focused on the contractual structure without looking at the way different types of contracts could be perceived by the franchisee. It is surprising since franchising relies on the initial decision of the franchisee to take the risk to invest in a franchise.

In order to study the way the franchisee makes sense of a franchise contract, we draw upon the concept of framing. Following Tversky & Kahneman (1981), the term framing is used to indicate that changes in the wording of decision problems can lead to preference reversals. As suggested by Regulatory Focus Theory (see Kühberger, 1998 for a review), the same message may be framed in either a promotion or prevention manner. We apply this framework to the field of contracts by distinguishing promotion-framed and prevention-

framed contracts. While a promotion-framed contract puts an emphasis on the positive aspects of the franchise relationship through mostly gain-framed clauses, a prevention-framed contract focuses on what could go wrong with the exchange through a general concern for caution, warning, and vigilance. We specifically study the impacts of prevention vs. promotion framing in franchising contracts on the level of trust from the franchisee towards the franchisor. Our research question is therefore to see whether the level of trust differ between framing decisions, such that promotion framing leads to lower perception of risk and prevention framing leads to higher perception of risk.

This study seeks to contribute to the contract theory by developing and testing a contingency perspective regarding the way the framing of a franchise contract can impact perceptions of trust. The last two decades have seen a surge in contract-focused studies (e.g., Mayer & Argyres, 2004; Reuer & Ariño, 2007). However, in the wake of the Transaction Cost Economics (TCE) approach, those scholars have emphasized the need for an alignment between transaction attributes and contract characteristics (Sampson, 2004; Williamson, 1985). Although it is recognized that actors are constrained by their bounded rationality while contracting (Williamson 1985), we do not know much on how actors could actually cope with their limited cognitive capabilities and make sense of a contract when they have to make a risky decision like in franchising. In particular, in recent years, management scholars have addressed the question of whether contractual governance and trust relate to each other as substitutes and complements (e.g., Corts & Singh, 2004; Poppo & Zenger, 2002; Puranam & Vanneste, 2009; Ryall & Sampson, 2009). We specifically contribute to this debate by proposing an original approach to the relationship between contracts and trust: we look at the decision maker's reactions towards a specific contractual structure. The study of contracts through psychological and behavioral lenses has been pointed out as a key area to advance research in this field (Bidwell, 2010; Weber, Mayer, & Wu, 2009: 132). Our study thus responds to this call and proposes to extend contract studies by specifically analyzing the impact of schemas of interpretation induced by the contract.

In our empirical study, we test our hypotheses using a laboratory experiment. We compare promotion-framed versus prevention-framed franchise contracts to study how participants assess their franchisor through the reading of the contract. Our findings suggest that franchise contracts, according to their framing, can encourage certain interpretations and discourage others, and thereby lead the franchisee to different risk perceptions. The paper is organized as follows. First, we present our theoretical background and derive hypotheses. In the second section, we describe our laboratory experiment and the methodology used to test

the hypotheses. We then present the results. Implications of the findings are discussed in the last section.

1. THEORETICAL BACKGROUND

1.1 HOW CONTRACTS INFLUENCE TRUST

In the last few years, much attention has been devoted to examining the interplay between contractual and relational governance mechanisms – and in particular, on the relationship between contracts and trust (see Vlaar, 2008 for a review). This research has developed along three distinct lines of inquiry (Puranam & Vanneste, 2009). The first examines how (pre-existing) trust influences the form and degree of contractual governance that emerges, or is adopted (e.g., Argyres et al., 2007; Corts & Singh, 2004; Gulati, 1995; Kalnins & Mayer, 2004). The second focuses on how contracts and trust interact, as found in the work on complementarities between contractual and relational mechanisms (Luo, 2002; Ryall & Sampson, 2009), and on the role trust plays as a moderator of the relationship between contractual governance and performance (Poppo & Zenger, 2002). The third domain of research has sought to examine the effects of contractual governance on the development of trust (Faems, Janssens, Madhok, & Van Looy, 2008; Macaulay, 1963). The current investigation relates most directly to the third research stream.

Some scholars have argued that contracts and trust are often incompatible (Malhotra & Murnighan, 2002; Sitkin & Roth, 1993). The existence of contracts would “crowd out” trust-related motivations and behavior (Bernheim & Whinston, 1998; Malhotra & Murnighan, 2002). Others suggest that contracts and trust are not only compatible, but mutually reinforcing (Gulati & Nickerson, 2008; Poppo & Zenger, 2002). In this regard, contracts, by encouraging initial cooperation, would facilitate trust (Poppo & Zenger, 2002). In this paper, we suggest that one way to resolve some of this discrepancy is to consider the fact that all contracts are not perceived in the same way.

Prior research on contracting actually suffers from an important shortcoming. As these studies are mostly inspired by Transaction Cost Economics (Argyres et al., 2007: 4), they focus on the transaction as the fundamental unit of analysis (Williamson, 1985). Consequently, they do not question the relative contribution of the partners to the contract nor do they study how a manager may react to the contract drafted by the other party. This neglect somewhat conflicts with the practice of contract design in franchising. Most of the time, only one party – the franchisor – drafts the contract and submits it to the franchisee

(Mendelsohn, 2004; Norman, 2006). Contracts thus constitute an important means to assess the partner's intentions. Through the reading and interpretation of the contractual document, a potential franchisee may try to infer the franchisor's commitment, willingness to cooperate, and trustworthiness. Trust – as “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or the behavior of another” (Rousseau, Sitkin, Burt, & Camerer, 1998: 395) – and particularly goodwill trust capture attributions regarding the intention of a party to behave in a trustworthy manner (Das & Teng, 2001; Nooteboom, 1996). That is why, in this paper, we are interested in studying the influence of contract framing on the perception of trust.

1.2 THE INFLUENCE OF FRAMING ON PERCEPTIONS

In order to understand the effect that contracts have on a franchisee's perception of the franchisor's level of trust, we rely on the concept of psychological framing (Tversky & Kahneman, 1981). Frames consist of cognitive schemas that help individuals enact their current situation and respond to events (Fiske & Taylor, 1991; Goffman, 1974). Thus, framing refers to the cognitive processes by which actors make sense of their environment (Daft & Weick, 1984; Fiss & Zajac, 2006; Reger, Gustafson, Demarie, & Mullane, 1994). By assigning specific significance, meaning, and content to messages or events, frames guide the decision making. They also contribute to dismiss alternative interpretations and understandings of phenomena (McKinley & Scherer, 2000), keeping some elements in view while hiding others (Williams & Benford, 2000). The frame is especially controlled by semantic manipulations and the way to formulate the problem (Kahneman & Tversky, 2000; Tversky & Kahneman, 1986). The consequences of presenting formally identical issues in different frames are that different formats can alter people's decisions.

In particular, Regulatory Focus Theory suggests that a message may play a prevention or promotion role depending on its framing (Higgins, 1998, 2002; Idson, Liberman, & Higgins, 2000). Promotion focus is evoked when needs for growth, attention to gains, or the attainment of aspirations and ideals are emphasized, whereas prevention focus is evoked when needs for security, attention to losses, or the fulfillment of duties and obligations are emphasized (Bryant & Dunford, 2008; Higgins, 1998). This approach has been widely and fruitfully applied in different disciplines such as organizational behavior (e.g., Bottom & Studdt, 1993), negotiations (e.g., De Dreu, Carnevale, Emans, & van de Vliert, 1994), or marketing (e.g., Block & Keller, 1995). Although Das & Kumar (2010) leverages the

Regulatory Focus Theory to develop insights on the alliance development process, they do not discuss the type of framing of alliance contracts. Besides one theoretical working paper (Weber & Mayer, 2008), to the best of our knowledge, the framing concept has not been leveraged in the field of contract theory.

2. HYPOTHESES DEVELOPMENT

2.1 THE DIRECT EFFECT OF CONTRACT FRAMING ON TRUST

While contracts are ubiquitous to facilitate transactions between parties, they largely differ in both their content and their style. Besides their level of economic completeness, contracts can be framed in different ways. While the type of framing does not necessarily change the economic impact of the contract (Weber & Mayer, 2008), it does create different psychological ramifications on the parties through the induction of different emotions, behaviors, and views of the relationship.

As it has been pointed out by prior literature on framing, the type of signals exchanged between parties invokes particular schemata and scripts and thereby guides information search, processing, and evaluation (Mather & Yngvesson, 1981). The type of contract framing directs actors' understanding of the structural aspects of their governance and influences them to highlight some issues and marginalize others (Vlaar, Van Den Bosch, & Volberda, 2006). Contracts are thus likely to constrain information seeking, meaning ascription, and resulting action (Thomas, Clark, & Gioia, 1993; Weick, 2001). The way the contract is drafted lead the decision maker to determine reference points and suggests possible outcomes (Fiol, 1994; Nutt, 1998).

When a contract is promotion-framed, it emphasizes flexibility and adaptation between the parties. Through gain-framed clauses, it is associated with the importance of potential gains. Goals are mostly specified as maximal targets to guide the partner and encourage flexible and creative solutions. Thus, a promotion-based contract encourages flexibility in the franchise relationship by rewarding positive outcomes. The emphasis on collaboration, gains, and positive outcomes tend to procure positive impressions to the reader (Higgins, 2002). When the franchisee "reads between the lines" to try to get the real expectations and intentions of the franchisor, a promotion-framed contract is likely to foster the emergence of trust towards the franchisor. In contrast, with a prevention focus, attention to losses and fulfillment of duties are emphasized (Bryant & Dunford, 2008; Shah & Higgins, 2001). When focusing on the rules and penalties, a contract mostly framed in a preventive

way is likely to induce a feeling of vigilance towards the franchisor. Such a prevention focus may lead to the development of negative feelings toward the franchisor's intentions and thus hurt the emergence of trust from the franchisee to the franchisor. This discussion suggests the following hypothesis:

Hypothesis 1: A promotion-framed contract fosters higher level of trust than a prevention-framed contract.

2.2 THE MODERATING EFFECT OF CONTRACT FRAMING ON THE COMPLETENESS-TRUST RELATIONSHIP

After having developed arguments for the relationship between the contract framing and the level of trust, we turn now to a potentially moderating effect of the contract framing on the relationship between contractual completeness and the level of trust. The degree of completeness of a contract is a choice in contract design, at least to some extent (Crocker & Reynolds, 1993), and some contracts contain more specific clauses than others (Chen, 2000). It has been previously argued that the contractual completeness is subjectively assessed and the ability of parties to understand the interdependencies of the various contractual elements is limited (Hagedoorn & Hesen, 2009).

We submit that the effect of contractual completeness on trust is likely to be partly influenced by the type of contract framing. Contract completeness may be differently exacerbated when the contract is either mostly promotion-framed or prevention-framed. In promotion-oriented contracts, the perceived completeness is likely to be positively appreciated. As promotion-oriented contracts emphasize gains, cooperation, and flexibility, the perception of a higher level of detail increases the belief that the partner will share information and adopt desirable behaviors (Das & Kumar, 2010). A contract which appears extensive on coordination or interface between the partners fosters relational mechanisms (Argyres et al., 2007; Mayer & Argyres, 2004). It signals that the counterpart has devoted time and efforts to promote shared objectives. As a consequence, the risk of partner defection may appear lower as perceived completeness of the contract increases.

At the same time, a prevention-oriented contract signals a more legalistic behavior from the franchisor. In prevention-based contracts, a higher perceived completeness thus conveys the feeling that more aspects of the relationship will be submitted to enforcement mechanisms, impersonal relationships, or strict standards of work. Furthermore, higher level

of detail in a prevention-based contract reinforces sensitivity to protection and avoidance from the franchisor. We therefore hypothesize the following:

Hypothesis 2: The influence of the level of contractual completeness on trust is higher with a promotion-based contract than with a prevention-based contract.

2.3 THE MODERATING EFFECT OF CONTRACT FRAMING ON THE CONTROL-TRUST RELATIONSHIP

In addition to its moderating effect on the influence of contractual completeness on trust, we suggest that the type of contract framing is likely to moderate the relationship between the perceived level of contractual control and the level of trust.

Control refers to the degree to which one entity influences the behavior and output of another entity. Control thus deals with the problem of creating and monitoring rules with the aim of ensuring that an exchange partner performs in accordance with one's desires or expectations (Salbu, 1997). Prior research has shown that surveillance and sanctioning systems affect cooperative behavior (e.g., Tenbrunsel & Messick, 1999). In focusing attention on the activities that lend themselves to measurement and evaluation, control gives rise to mistrust by enhancing negative feelings toward the partner (Enzle & Anderson, 1993; Ghoshal & Moran, 1996).

The type of contract framing may alter the perception of the contractual control. Promotion framing may counterbalance the negative influence of the controlling aspects towards lower levels of trust. In a promotion-framed contract, a focus on strict specifications – such as planned auditing rights, checking procedure, or detailed milestones – may be seen as additional guarantees for the franchisee. The constraining side of control may thus be compensated by a promotion orientation. With such a frame, control is perceived as a means to clarify mutual responsibilities and to implement an efficient collaboration between the franchisor and the franchisee.

To the opposite, a prevention-framed contract is likely to strengthen the negative influence of control on trust. Such an orientation renders more salient the fact that the franchisor could rigidly focus on safety and obligations and pursue selfish objectives. Sensitivity to negative outcomes may be reinforced through a prevention focus. To a franchisee's eyes, dishonest or unfair behaviors from the franchisor are made all the more likely. Thus, the franchisee is likely to be more skeptical towards the real intentions of the

franchisor to be overly controlling and to strictly enforce the contract. This suggests the following hypothesis:

Hypothesis 3: The negative influence of the level of control on trust is higher with a prevention-based contract than with a promotion-based contract.

3. RESEARCH METHODS

3.1 PARTICIPANTS AND EXPERIMENTAL MATERIAL

In order to test our hypotheses, we adopted a quasi experiment approach in a context of franchise contracts. 92 French graduate students in business administration (48 men and 44 women) participated in this study in exchange of an extra credit. This sample has the advantage to be homogeneous in terms of age and level of education. All the recruited students had attended a course in business law. They were then supposed to have a sufficient knowledge to understand the classical clauses in a franchise contract.

To elaborate the experimental material, we first analyzed ten real franchise contracts collected in a law firm. The structure and the clauses of these contracts were found to be quite stable. We nevertheless identified clear differences in their formulation; thus confirming the relevance of a distinction between prevention-framed and promotion-framed contracts. Although none of these contracts was exclusively written on a promotion or prevention tonality, for the exploratory purpose of this study we focus on clear-cut contract framing.

In a second phase, we developed the case of a franchisor, Heliosys, specialized in the creation and implementation of innovative devices devoted to the sun energy exploitation. To accelerate its development and ensure the local commercialization and setup of its products, this company was said to look for franchisees. From the set of real contracts we had analyzed, we elaborated a proposition of franchise contract. During this stage, we worked in close collaboration with an attorney and a professor in law both specialized in contract law to preserve a realistic appearance to our fake franchise contracts. Initially, the wording of clauses was voluntarily as neutral as possible. We then iteratively introduced modifications in contract wording to construct in parallel both the prevention and promotion versions of the contract. In the two versions of the contract, we were especially careful to develop clauses with equivalent economic incentive properties (Weber & Mayer, 2008). Table 1 provides a sample of the final clauses embodied in each contract.

Table 1: Sample of clauses for prevention and promotion contracts

Contractual dispositions	Wording in promotion-framed contract	Wording in prevention-framed contract	Comments
<i>Object of agreement</i>	The Franchisee will exert his/her activity with the help of the Franchisor. Among others, the Franchisee shall apply the methods from the method books.	The Franchisor grants the right to the Franchisee to exert his/her activity with the necessity of strictly complying with the content of the method books provided by the Franchisor.	Both versions indicate that the franchisee must observe franchisor's recommendation. However, the Prevention version could appear more severe as it insists on the absence of alternative.
<i>Term and renewal</i>	The terms of this Agreement shall expire after 7 (seven) years and shall be renewed as many times the Parties are willing to cooperate.	The terms of this Agreement shall expire after 7 (seven) years. Should the Franchisee wanted to withdraw before this term, s/he shall incur penalties.	The base duration is seven years in the two cases. While the Prevention version underscores that withdrawing before the term is not possible, the Promotion version stresses that the term could be renewed.
<i>Duties of franchisee</i>	To preserve the network integrity, the Franchisee acknowledges and agrees that any project of utilization and reproduction of the trademark shall be made in accordance to the Franchisor's recommendations.	The Franchisor remains the exclusive owner of the trademark. Any project of utilization and reproduction of the trademark is submitted to the approval of the Franchisor. The Franchisee shall comply with the Franchisor's recommendations with no possible exception.	In the two versions, the trademark license is limited to normal and day-to-day activity. Prevention redaction is redundant as regards to the franchisor's power. In contrast, promotion clause seeks to be more discrete about power granted to the franchisor.
<i>Know-how</i>	During the collaboration, the Franchisor shall share with the Franchisee his/her know-how, which consists in management methods and technical solutions.	The Franchisor shall provide the Franchisee the know-how, which consists in management methods and technical solutions.	Prevention clause is drafted as single commercial transaction while promotion emphasizes sharing and cooperation between the parties.
<i>Assistance and training</i>	The Franchisor shall provide the Franchisee help through a two-week training course. The content and the location of the training shall be determined according to the possibilities of the Franchisor.	Before the beginning of the activity, the Franchisee shall follow the two-week training course provided by the Franchisor. The Franchisor exclusively owns the right to determine the content and the location of the training.	Prevention clause presents training as a constraining obligation. Promotion introduces the idea that training is also a collaborative ingredient and alleviates the feeling of power of the franchisor.
<i>Financial conditions</i>	The Franchisee shall pay to Franchisor an annual franchise fee of 25000 € The fees are normally payable the first day of the year. Upon Franchisee's request, payment may be postponed at the price of 50 € a day.	The Franchisee shall pay to Franchisor an annual franchise fee of 25000 € The fee is payable the first day of the year. If the Franchisee fails to comply with this requirement, s/he shall pay a 50-€penalty per day late.	In Prevention contract, the amount (50 €) is presented as a penalty for unfulfilled obligations while in Promotion contract, it is presented as the price of further delays.

Table 2. Principal components analysis

Principal Components Analysis with Varimax rotation KMO = .62 – Bartlett Chi ² = 381.68; p < .001						
Variables	Items	Communalities	F1	F2	F3	F4
<i>Goodwill trust</i> (adapted from Jap, 1999; Jap & Anderson, 2003)	The franchisor seems to respect the franchisee	.864	.926			
	This franchisor looks honest	.851	.917			
	The franchisor is probably going to behave fairly with me	.589	.699			
<i>Perceived control by the franchisor</i> (adapted from Challagalla & Shervani, 1996; Joshi, 2009)	I have the feeling that I will incur penalties if I do not comply with the contract	.683		.773		
	I am likely to get in trouble if I do not reach objectives fixed by the franchisor	.682		.739		-.360
	With this contract, I will have a very narrow leeway	.531		.706		
	With this contract, the franchisor is going to closely control many aspects of my activities	.498		.678		
<i>Perceived contractual completeness</i>	This contract seems complete to me	.790			.873	
	This contract defines clearly my obligations and duties	.726			.825	
	I have the feeling there are important points which are not treated in the contract	.590			-.727	
<i>Cognitive difficulties</i> (adapted from Hagedoorn & Heszen, 2009)	I had difficulties in understanding the contract	.814				.900
	I did not understand some parts of the contract	.621				.757
	Eigenvalues (After rotation)		2.24	2.20	2.07	1.70
	Cronbach alpha		0.83	0.73	0.75	0.63
	Explained variance			68.7%		

3.2 PROCEDURE

The participants were randomly assigned to the promotion or prevention conditions (46 students were exposed to the promotion-framed contract; 46 other students were exposed to a prevention-framed contract). Each participant read a similar scenario explaining that they had always been motivated in creating their own business. However, in spite of an active search, they had not found, till now, a convincing project. Therefore, they were presently considering the franchise as an attractive solution and were actively looking for the right franchisor. Having heard about Heliosys, they had decided to apply for a franchise. They had now reached the contractual stage and it was time to read the contract before deciding or not to pursue this project. Both the promotion- and prevention-framed contracts started in the same way by describing the franchisor activities and competences. After reading the contract, the participants were asked to fill a questionnaire containing the scales used to measure the variables of this research. We had to delete the questionnaires of four foreign students because they admitted to have met important difficulties to understand the nuances of the contracts and items.

3.3 MEASURES

Scale items and reliabilities are presented in Table 2.

Our dependent variable *Goodwill trust* was measured through a 3-item scale (1=Totally disagree to 7=Totally agree): “This franchisor looks honest,” “The franchisor seems to respect the franchisee,” “The franchisor is probably going to behave fairly with me.” Principal component analysis leads to consider that the scale is unidimensional. Furthermore, it exhibits good internal consistency (Cronbach’s $\alpha = .83$).

Contract framing is a dummy variable taking the value 1 if the contract is promotion-framed and 0 if it is prevention-framed.

Contract completeness was apprehended through a 3-item scale (1=Totally disagree to 7=Totally agree): “This contract defines clearly my obligations and duties,” “This contract seems complete to me,” “I have the feeling there are important points which are not treated in the contract.” Factorial analysis indicates that the scale is unidimensional. Internal consistency is acceptable (Cronbach’s $\alpha = .75$).

Perceived control exerted by the franchisor was measured through a 4-item scale (1=Totally disagree to 7=Totally agree): “I am likely to get in trouble if I do not reach objectives fixed by the franchisor,” “I have the feeling that I will incur penalties if I do not comply with the contract,” “With this contract, the franchisor is going to closely control many

aspects of my activities,” “With this contract, I will have very narrow leeway.” Factor analysis indicates that the scale is unidimensional and internal consistency seems acceptable (Cronbach’s $\alpha = .73$).

Control variables. While testing our hypotheses, we controlled the level of cognitive load perceived by the reader of the contract. This variable refers to the amount of *cognitive difficulties* a reader had to cope with during contract reading. We measured it through a 2-item scale (1=Totally disagree to 7=Totally agree): “I had difficulties in understanding the contract,” “I did not understand some parts of the contract.” According to factorial analysis, this scale is unidimensional. It shows only a moderate internal consistency (Cronbach’s $\alpha = .645$). This variable is expected to diminish trust by conveying a feeling of discomfort and insecurity. In addition, we controlled for the level of objective *juridical knowledge*. We measured a score by counting the number of correct answers out of 10 questions in a multiple-choice questionnaire. The questions dealt with law in general and business law in particular. Two questions specifically dealt with contractual mechanisms. By making easier the reading and the understanding of the contract, this variable is expected to increase goodwill trust. At last, given that women seem to be less prone to take risks than men (Harris, Jenkins, & Glaser, 2006) and then probably to trust the franchisor, *gender* was controlled with a dummy variable (women=1; men=0).

Construct means, standard deviations, and correlations are presented in Table 3.

Table 3. Descriptive statistics and correlations

	Cognitive difficulties	Juridical knowledge	Gender	Contract framing	Completeness	Control	Goodwill trust
Mean	.00	.93	.48	.50	.00	.00	.00
Standard Deviation	1.00 [†]	1.76	.50	.50	1.00	1.00	1.00
Cognitive difficulties	1	-.211*	.029	-.041	-.095	-.080	.022
Juridical knowledge	-	1	.045	.112	-.043	.094	.045
Gender	-	-	1	.093	-.071	.119	-.033
Contract framing	-	-	-	1	.086	-.182	.319**
Completeness	-	-	-	-	1	.047	.220*
Control	-	-	-	-	-	1	-.193

[†] Principal components are standardized

* $p < .05$; ** $p < .01$

4. RESULTS

4.1 DIRECT EFFECT OF CONTRACT FRAMING ON TRUST

We checked for potential multicollinearity because some variables were correlated. All VIF (variance inflation factors) are lower than 1.1 suggesting that multicollinearity is not a matter of concern.

Table 4 reports the results of both one-way ANOVA and OLS regression used to test Hypothesis 1. In Model 1 of Table 4, Goodwill trust is regressed only on the control variables i.e. cognitive difficulties, level of juridical knowledge, and gender. In Model 2, contract framing (coded 1 for the promotion-framed contract; 0 for the prevention-framed contract) is added. Goodwill trust was found to be significantly higher for the subjects exposed to a promotion-framed contract (Mean = .32; n = 46) than for the ones exposed to a prevention-framed contract (Mean = -.30; n = 44; $F = 9.79$; $p < .005^1$). Both analyses thus provide support for Hypothesis 1. The results indicate that franchise candidates trust more the franchisor when the contract is framed in a promotion way rather than in a prevention way ($\beta = .663$; $p < .005$). Such a finding suggests that contract wording is not neutral even when the juridical information they bring to the franchise candidate is the same. Furthermore, none of the controlled variables has a significant effect on goodwill trust. This may mean that context variables, such as contract frame, are most relevant in explaining trust than individual variables.

Table 4. Results of OLS regression - Influence of contract framing on goodwill trust

	Goodwill Trust	
	<i>Model 1</i>	<i>Model 2</i>
	Beta (Standardized Beta)	Beta (Standardized Beta)
Constant	-.203	-.294
Cognitive difficulties	.039 (.038)	.047 (.046)
Juridical knowledge	.046 (.082)	.024 (.042)
Gender	-.080 (-.040)	-.138 (-.069)
Contract framing		.663** (.334)
F (df1; df2)	.124 (3; 84)	2.49* (4; 83)
R ²	.004	.107
F variation		9.70**

*: $p < .05$; **: $p < .01$

¹ Variances can be considered as homogenous (Levene $F = 68$; $p = .105$).

4.2 MODERATING EFFECTS OF CONTRACT FRAMING

OLS regression analysis and Chow tests were implemented to test Hypotheses 2 and 3. We had to create four new variables: *Completeness*Promotion* is equal to Completeness when the contract is promotion-oriented and equal to 0 when the contract is prevention-oriented; *Completeness*Prevention* is equal to Completeness when the contract is prevention-oriented and equal to 0 when the contract is promotion-oriented; *Control*Promotion* is equal to Control when the contract is promotion-oriented and equal to 0 when the contract is prevention-oriented; and *Control*Prevention* is equal to Control when the contract is prevention-oriented and equal to 0 when the contract is promotion-oriented.

In Table 5, Goodwill trust is regressed on the controlled variables and contract framing as well as Completeness and Control in Model 3; Completeness*Promotion, Completeness*Prevention, and Control in Model 4; Completeness, Control*Promotion, and Control*Prevention in Model 5; and Completeness*Promotion, Completeness*Prevention, Control*Promotion and Control*Prevention in Model 6.

Model 4 allows testing separately the effect of completeness upon goodwill trust in function of the contract framing. Likewise, Model 5 tests the effect of control exerted by the franchisor depending on whether the contract is promotion-framed or prevention-framed. To verify Hypothesis 2, Model 4 must significantly improve Model 3 and to verify Hypothesis 3, Model 5 must be significantly better than Model 3. To make these comparisons, we used the Chow test based on the comparison of sums of residual squares (Gurajati, 2003).

Model 3 indicates that the influence of completeness is positive ($\beta = .210$; $p < .05$) while the influence of control is negative but not significant ($\beta = -.168$; n.s.). These first results prolong the tradition of ambiguous findings regarding the relationship between contract and trust. They also highlight the need to look for moderators influencing the strength of this relationship. Our distinction between a focus on promotion versus prevention goes into this direction. Model 4 is significantly better than Model 3 ($F(1;80) = 3.993$; $p < .05$). The effect of completeness upon goodwill trust is moderated by the type of contract framing. More precisely, completeness only remains significant when the contract is promotion-framed ($\beta = .386$; $p < .005$) and loses its significant effect when the contract is prevention-framed ($\beta = -.038$; n.s.). Completeness has a positive effect on trust when contract is promotion-oriented whereas it has none when contract is prevention-oriented. Hypothesis 2 is then supported.

Table 5. Results of OLS regressions and Chow tests - Moderating effects of contract framing

	Goodwill Trust			
	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>	<i>Model 6</i>
	Beta (Standardized Beta)	Beta (Standardized Beta)	Beta (Standardized Beta)	Beta (Standardized Beta)
Constant	-.364	-.261	-.498	-.394
Cognitive difficulties	.053 (.053)	.037 (.037)	.022 (.022)	.005 (.005)
Juridical knowledge	.029 (.051)	.001 (.001)	.043 (.075)	.014 (.024)
Gender	-.058 (.029)	-.006 (-.003)	.029 (.015)	.082 (.041)
Contract framing	.546** (.272)	.557** (.278)	.462* (.231)	.473* (.236)
Completeness	.210* (.209)	-	.188 (.188)	-
Control	-.168 (-.151)	-.195 (-.175)	-	-
Completeness*Promotion	-	.386** (.293)	-	.364** (.277)
Completeness*Prevention	-	-.038 (-.024)	-	-.059 (-.038)
Control*Promotion	-	-	-.030 (-.022)	-.037 (-.027)
Control*Prevention	-	-	-.527** (-.274)	-.554** (-.287)
F (df1; df2)	2.69* (6; 81)	2.96** (7; 80)	3.01** (7; 80)	3.25** (8; 79)
Sum of residual squares	73.639	70.139	69.952	66.463
R ² (adj. R ²)	.166 (.105)	.206 (.135)	.208 (.139)	.248 (.171)
F variation from Model 3 (df1; df2)		3.993* (1; 80)	4.217* (1; 80)	4.265* (2; 79)

*: $p < .05$; **: $p < .01$

Likewise, model 5 significantly improves Model 3 ($F(1;80) = 4.217; p < .05$). This indicates that contract framing moderates the relationship between perceived control exerted by the franchisor and goodwill trust. In fact, the control exerted by the franchisor only diminishes the level of trust for a prevention-framed contract ($\beta = -.527; p < .005$). However, it has no effect when the contract is promotion-framed ($\beta = -.030; n.s.$). Therefore, Hypothesis 3 is also supported.

5. DISCUSSION AND CONCLUSION

5.1 CONTRIBUTIONS AND IMPLICATIONS

Our paper seeks to contribute to the literature on contract-trust relationship. Researchers have just begun to investigate interactions between contractual and relational facets of collaboration. We extend this field of research by adopting a framing-based perspective. Our study demonstrates that the influence of contracts on trust may significantly depend on the way the contract is framed. That is, for a given set of obligations, the perception of trustworthiness from the contract's author is influenced by the general tone and wording of the contractual document. In our quasi-experiment, we find that promotion-oriented contracts induce higher level of goodwill trust towards the franchisor than prevention contracts. We also find that the kind of contract moderates the influence of perceived completeness and perceived control on trust. In promotion-framed contracts, perceived completeness positively influences trust while we find no influence of perceived completeness in prevention-framed contracts. Moreover, the perceived control from the franchisor negatively affects trust in prevention contracts while it has no influence in promotion contracts. Such findings lead us to discuss two main theoretical implications.

Firstly, our study contributes to the debate over the relationships between the contractual and relational dimensions of partnerships (e.g., Gulati & Nickerson, 2008; Puranam & Vanneste, 2009). It shows that this relationship may directly depend upon the framing of the contract itself. Perhaps more importantly, we also find that the framing alters the influence of perceived contractual characteristics (i.e., completeness and control) on trust. Mechanisms tying contractual and relational dimensions therefore vary according to the presentation of the contract. This is a notable difference with most of prior studies which have searched for linear or invariant relationships between these dimensions (e.g., Poppo & Zenger, 2002). In fact, individuals use

contract reading to make a first assessment of both the partnership and the partner. Contract wording and presentation direct the partners to focus on the potentially positive or negative aspects of the relationship. Hitherto, this phenomenon has been largely overlooked. Future studies should therefore investigate more carefully how the contract is framed. We hold that it could help solving a part of conflicting results on the relationship between contractual and relational dimensions.

Secondly, our findings underscore the need for taking into account the individual level in contract studies. In TCE, the relationship performance strongly depends on the alignment between objective contract content and transaction attributes (Williamson, 1985). As such, this approach voluntarily overlooks potential asymmetries of representation over the contract. TCE-based approaches do not raise the question of contract interpretation and it is assumed that the partners have the same understanding of the contract. Our study shows that this overemphasis on transaction as unit of analysis may hide a part of contract influence (through its framing) on the relationship. In the same way, previous studies have insufficiently taken into account the perceptual dimension of contracts. The analysis of contractual agreements should go beyond its strict informational content to include how the partners perceive it. Future studies should therefore try to investigate what the partners understand of their respective obligations. To this end, the use of the psychological contract perspective, which focuses on how individuals perceive reciprocal sets of obligations, could be very fruitful in the field of strategic management.

Our study also offers implications from a managerial point of view. We invite managers not to neglect the contract writing stage. Too often, contract drafting is considered as a mechanistic step in collaboration, which is more or less delegated to lawyers or administrative personnel (Bagley, 2008). Managers should be aware that the contract is not only a legal instrument to define rights and obligations (Argyres & Mayer, 2007). It is also an important signal in the relationship building towards the partner. For instance, an overemphasis on sanctions, vigilance mechanisms, and possible losses may damage trust in the early stages of the partnership. At the same time, although we point out the interests of considering the framing aspects when evaluating a contract, we must not lose sight that there might be a gap between the parties' real intentions and the signals – voluntarily or not – conveyed in the contract.

5.2 LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This study, like any other, has several limitations that open avenues for future research. First, in our study, we assumed that the franchisor and the franchisee had no prior ties and that the franchisee did not take part in the contract drafting. We took the framing as our point of departure to study its impact in the contract-trust relationship. Although we consider that it is a reasonable assumption reflecting most franchises, future research could look at how negotiations influence the development of specific framing. As a social process between parties, the negotiations of a contractual agreement are likely to involve divergent expectations from the different parties. Second, we studied franchise contracts. In this regard, other types of partnerships could be fruitfully studied to confirm our findings. Third, as we focused on the initial level of goodwill trust, we are also hopeful that future research will further examine the impact of contract framing on other types of trust at the different stages of a partnership. It would be particularly valuable to disentangle the roles of contractual, social, and psychological dimensions. Fourth, in our empirical analysis, we artificially introduced variance in the contract framing to clearly distinguish promotion-based contracts from prevention-based contracts. In the future, research may explore more finely how different balances of promotion versus prevention focus impact the partnership.

In conclusion, we think that our efforts to bring together the psychological framing-based perspective and the literature on the role of contracts in the development of trust open an interesting avenue for future research.

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