THE IMPACT OF THE RELATIONAL CHARTER
ON THE PROJECT PRINCIPAL–AGENT
RELATIONSHIP

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ABSTRACT
This paper aims to identify variables that define the agency relationship and the relational charter, and the likelihood of the relational charter affecting the agency relationship. However, the link between the two constructs remains unclear. The results from the literature identified the variables that define the agency relationship and the relational charter. Results from a survey of 93 South African project engineers and project managers to demonstrate the impact of the relational charter on the agency relationship. As opposed to literature this research found that the relational charter does not affect the agency relationship positively in all aspects. Descriptive statistics and regression analysis were used to examine the influence of the relational charter on the agency relationship. This unique approach highlights the relational variables that influence agency variables, which should benefit both researchers and practitioners. The findings also revealed that most of the respondents lack an understanding of relational contracting. It is expected that the results of this study will provide project practitioners and other researchers with insight into the factors that impact the agency relationship and relational charter and suggest ways to improve the agency relationship.

KEYWORDS
Agency problem, Charter, Contracting, Principal–agent, Relational
1. INTRODUCTION

The contractual relationship between a principal and an agent can be based on a traditional or a relational contract. In addition to traditional contracting, a relational contract can be used to influence the behavior and actions of the project stakeholders. Currently, leaders or contract drafters use the traditional form of contract by default during contract negotiations, even though data shows that the traditional form of contract will increase the probability of unnecessary project disputes and losses and possible failure [29]. The ‘arm’s length’ nature of the traditional form of contract will often lead to frustration and tensions, encouraging opportunism and adversarial behaviours [19]. Increased adversarial behaviour can increase the possibility that the contracting parties will not share all project-related information, which will increase unfairness between the parties, weaken the relationship, and ultimately impact the performance of the relationship and the project [22].

In recent years, contracts have been modified to adopt some of the relational norms to reduce the impact of the agency problem. Several forms of relational contract are available that are highly collaborative; but they are not all applicable and relevant to the individual project requirements and depend on the chosen procurement strategy and delivery method between the contracting parties. Owing to this lack of available forms of relational contract, a range of the literature has identified fundamental relational tenets and norms that are central to contractual relationships. These tenets have been shown to have a positive impact on the effectiveness of the contract and the relationship, as they guide the behavior of individuals and organizations, reduce project-related risks, increase information-sharing and goal congruence, and ultimately improve project outcomes [19]. The relational charter intends to improve the contractual relationship between the contracting parties [19] and maybe added as an annexure to a traditional contract. The relational charter is not a new concept, as it has been used in the partnering charter section of the New Engineering Contract (NEC3) form of contract and integrated project delivery [26]. Irrespective of the form of contract used, research and practice have shown that the agency problem is ever-present [25].

1.1 Research problem

Initial investigations reveal that existing literature does not specify the variables that influence the principal-agent relationship. In addition, leaders and contract decision-makers seem to be unaware of specific social norms in the form of a relational charter or its impact on the contractual relationship of the project.

1.2 Research questions

Given the research problem statement, the associated research questions are as follows:
1. Can agency variables define the principal-agent relationship?
2. Can relational variables from relational contracting define the relational charter?
3. Is there a correlation between principal-agent variables and the relational charter variables?
4. Can the relational charter be used to affect the principal-agent relationship positively?

2. LITERATURE REVIEW

Traditional contracting methods have been criticised for being inequitable, adversarial, and inefficient owing to their focus on the lowest procurement cost, which results in contractual issues [32]. Relational contracting is intended to improve project process efficiency by strengthening the relationships between project stakeholders. In the traditional contract, the contracting parties are
likely to focus on their objectives and goals; but in relational contracting, they are more likely to broaden their focus to the overall objectives and goals of the project [35]. The adversarial nature of contracts leads to the agency problem.

2.1 The agency theory

In its simplest form, a principal engages an agent to perform a service or task on their behalf through some form of agreement. The agency theory is concerned with resolving two problems in the principal–agent relationship [10]. The first problem is the agency problem, which occurs because of conflict that arises from a divergence between the principal’s and the agent’s goals, desires, and behaviour. The second problem is risk-sharing, which occurs when the principal and the agent have different risk appetites [20]. This type of relationship is known as the agency relationship and, throughout this research, it will be referred to as ‘the principal–agent relationship’.

2.2 The agency problem

There are several reasons for the occurrence of the agency problem, such as the separation of ownership from control, conflicts of interest, self-interest, opportunistic behaviour, different risk attitudes, length of involvement in the contract, unsatisfactory incentive plans, limited earnings, information asymmetry, goal congruence, and moral hazards [28]. The agency problem can be divided into two further sub-sections: (a) the result of conflicting goals between the principal and the agent, and (b) the expected behaviour of both parties [10, 21]. Separation of ownership occurs when the principal assigns a task to the agent, hoping that the agent will work for the principal’s benefit. However, the agent might be more interested in maximising their compensation. Thus the separation of ownership from control increases the conflict of interest and the cost of the agency [28].

2.2.1. Agency conflict

Agency conflict can be divided into relational and task conflicts that negatively affect team performance, team member satisfaction, trust, and expectations of future cooperation. These findings may strengthen the argument for reducing conflict – or, even better, resolving it. According to agency theory, conflict can be reduced by using suitable corporate governance mechanisms such as outcome-based contracts, information systems, monitoring, and trust [10], [21]. To limit the agency conflict, a cost must be incurred both to incentivise the agent to maximise the principal’s investment and to monitor the agent’s behaviour [17].

2.2.2. Outcome-based contracts

Outcome-based contracts can be used to measure performance metrics with the agent’s compensation is linked to the principal’s goals and objectives [28]. However, the principal should not only rely on outcome-based contracts and monitoring but should also focus on building a trusting relationship and seek an alignment of goals to mitigate the agency problem [21].

2.2.3. Information and monitoring

Information systems potentially curb the agent’s opportunism, as the principal will be aware of the agent’s actions. However, close monitoring of the agent’s performance can lead to distrust, induce opportunism, influence cooperation, and produce defensive behaviour. Various studies have found that higher levels of trust can reduce this effect and thus reduce the transactional costs [18].
2.2.4. Self-interest
The agency theory further suggests that the principal and the agent will each maximise their self-interest, even if it is not in the interests of the other party [10]. This might be done at the expense of the other party while simultaneously combining resources to fulfil a common objective, thus creating a win-win situation for both [16]. Self-interest is typically managed by opportunity control, incentive control, and benevolence (or goodwill).

2.2.5. Opportunistic behaviour
The actions of both parties in the agency relationship will be difficult to observe, and that can lead to opportunistic behaviour, a typical example of which is when the principal awards the contract to the lowest bidder. A trade-off between an incomplete agreement and opportunism needs to be considered, as a cheaper but incomplete contract can introduce the risk of opportunism [12]. The literature has identified various methods to overcome opportunistic behaviour in the agency problem, such as performance-based incentives, principal control and interference, and the threat of dismissal [1]. A formal contract is likely to reduce opportunistic behaviour and improve contractual performance; but it is recommended that this be done through a relational exchange [22]. Opportunistic behaviour violates relational norms, which might not be stated explicitly in the agreement, but are typically part of the common understanding between contracting parties [23].

2.2.6. Information asymmetry
Information asymmetry suggests that one party is better informed about the other’s capabilities and actions, while the other is less informed [21]. Information asymmetry resulting from a lack of information-sharing can cause communication risks throughout the entire project, leading to agency conflict [3]. According to the agency problem, information asymmetry is defined by three concealed sources of behaviour in the relationship between the principal and the agent. These are hidden information, hidden characteristics, and hidden intentions, which respectively generate the following behavioural risks: adverse selection, moral hazards, and hold-ups [6]. Information asymmetry at the early stage of the agency relationship leads to an adverse selection problem, and at the later stages it leads to the moral hazard problem [30].

2.2.7. Concealed behaviour
Options are available for the principal to reduce their own or the agent’s concealed behaviours that create behavioural risks. One is for the principal to investigate information systems so that they can discover and monitor the agent’s behaviour. The second option is to contract on the outcomes of the agent’s behaviour. Outcome-based contracts co-align the agent’s behaviour with the principal’s behaviour, but at the price of transferring risk to the agent [10].

2.2.8. Agency costs
The agency cost typically comprises the cost associated with the screening and selection of a suitable agent [28]. Relational contracts typically involve long term-relationships between organisations that can reduce information asymmetry and increase trust, which in turn will reduce agency costs [5]. Agency cost and trust are inversely related and are thus dependent on the type and duration of the relationship [14].

2.2.9. Duration of contract involvement
Duration of involvement in the contract deals with how long contracting parties have been dealing with each other. Longer durations tend to support contractual governance by making it more complete and more effective [2]. Long-term relationships would give contracting parties more opportunities to interact with each other, and they might lead them to invest more specifically in the relationship, as both parties will have an incentive to continue it [35].
2.2.10. Goal alignment
The literature agrees that consensus about the project's goals is a precondition for its success [34]. If there is no goal alignment, this will result in a maladaptation of the process, product, and purpose [33]. Goal congruence can be achieved through contractual norms such as team chemistry, role integrity (forming with the project's best interests in mind), aligning organisational goals with project goals, contractual solidarity, adapting to changing conditions, reciprocity, restraint of power, and harmonising of conflict [14].

2.2.11. Risk-sharing
Fair risk-sharing and allocation of responsibilities contribute to collaboration [31]. Risk-sharing typically does not consider the risk that the agent is willing to take. When there is a limited transaction history, it is difficult for both parties to establish a high level of trust and reciprocity. With a lack of trust between the principal and the agent, both parties appear risk-averse and vigilant, with a low willingness to share risks [24].

2.2.12. Relational norms
MacNeil [9] arrived at common contractual norms by studying the relationship as the unit of analysis while focusing on behaviours. The common contractual norms are role integrity, contractual solidarity, effectuation of consent, creation and restraining of power, the propriety of means, reciprocity, role integrity, flexibility, harmonisation, implementation of planning, and cohesive norms. Without these norms, contracting parties would have difficulty interacting [27]. Relational norms in the form of a relational contract could build and manage the contractual relationship, so removing barriers, encouraging maximum collaboration to achieve success, and thus having a positive impact on the contracting relationship [8]. These norms in the form of relational contracting have been introduced into procurement strategies in various countries such as the USA, the UK, Australia, and Hong Kong [10].

2.3. Relational contracting
Relational contracting differs from a relational contract, since relational contracting is based on a philosophy or a set of principles. Unlike transactional contracts, the relational contract theory views contracts as those in which a relationship is fostered along with the transaction. Therefore, relational contract theory suggests that all contracts have a relational dimension, and that all economic transactions arise from relationships [27]. Relational contracting can be classified according to three concepts: relational governance, relational contracts, and collaborative contracts. Relational governance refers to the effect of inter-organisational relationships [2]. The relational contract contains relational elements that are made up by relational contracting practices [8]. The difficulty with collaborative contracts is that they create inconsistent contracting behaviours, and not all aspects of performance can be defined and measured, which leads to the intentional misreporting of performance [27]. There are several industry approaches to relational contracting, such as partnering, alliancing, joint ventures, public-private partnerships, and other collaborative working arrangements and better risk-sharing mechanisms. In the process of establishing a relational contract, parties agree contractually to adopt a set of social norms or guiding principles for the partnership. Traditional contracting generally does not allow for shared values or shared governance, as it rests on two foundations: price and power [19]. During the negotiation process to develop a relational contract, the focus should be on creating the relationship and not the deal. Previous studies have shown relational contracting to be a better alternative, but no single 'formal' relational contract can be used as a contract strategy, as it is still under development [13].
2.4. The relational charter

The relational charter is not intended to replace the traditional contract, but to embed social norms in the developing relationship [15]. The relational charter is not intended for parties to discuss beforehand how to resolve particular issues, but rather to agree on the collaborative procedures to resolve any that arise. Therefore, the proposed relational charter is not like a partnering charter, which only signifies the agreement of the contracting parties to commit to the project objectives, and does not consider or mention the relational tenets, norms, and elements identified by Ludwig Wittgenstein and [19]. Ideally the charter should be developed before the contract is signed to avoid the contract price and power being used to manage the contractual relationship.

3. CONCEPTUAL MODEL

The literature on the agency problem has shown this to be a complex construct. No theoretical model is available to illustrate the agency variables according to the agency problem. However, a comprehensive literature review found common themes and variables that describe or impact the agency problem. These themes and variables, as well as their and their interaction, are graphically illustrated in Figure 1 and forms the conceptual model of this research. Agency variables such as agency cost and risk transfer were the most identified themes in the literature review. The latter supports the statement that the common issue with traditional contracting is that it is formulated on two foundations: price and power [19]. Variables include self-interest, opportunistic behaviour, agency cost, length of involvement in the contract, risk transfer, goal congruence, information asymmetry, agency conflict, and transactional cost. The other identified agency variable themes, such as information asymmetry, goal congruence, opportunistic behaviour, and agency cost, were also mentioned.

Figure 1. Conceptual model
The six relational variables were used to define the relational charter. These variables were reciprocity, autonomy, honesty, loyalty, equity, integrity. Figure 2 indicate the interaction between agency and relational variables.

Figure 2. Relational and agency variables

4. RESEARCH METHOD

A cross-sectional study using a mono-quantitative approach was chosen. Inferential surveys were used to establish the relationship between the principal–agent (dependent) and the relational charter (independent) variables. A self-completing questionnaire was designed with a 5-point Likert scale and distributed to a sample of various project teams. To increase the probability of the surveys being completed, the researcher used web-based survey communications.

Population and sample selection focused on projects on the mining consulting engineering sector where formal contracting is well established and mature. The author works in this environment and had good access to potential respondents. The individuals in the project teams were project managers, project engineers, and package engineers. The reason for choosing these disciplines was that the consulting engineer would typically be the agent and the respective mining house would be the principal.

The unit of analysis for this research was the contractual relationship between the principal and the agent on various projects. The primary data collected through the web-based questionnaire survey was analysed using the Statistical Package for the Social Sciences (IBM SPSS Statistics). The research used descriptive statistics, including correlation analysis and multiple regression analysis.

5. RESULTS

The online survey questionnaire was emailed to 250 respondents who were involved in contract management between the principal and the agent. A total of 93 questionnaires were returned (response rate of 37.2%) of which 22 were from principal roles and 71 agent roles. Regarding maturity,
74% of the respondents had less than 10 years of experience and 13% and more than 10 years of appointment at the same organisation.

The means and standard deviations were calculated and explained for the control, relational and agency variables. Various control variables were chosen for this study, such as organisation type, role, years at the company, and years’ experience as it may influence contract management styles of the respondents irrespective of corporate governance requirements.

5.1. Relational variables

Thirty per cent of the respondents reported that a relational variable is often or always formally agreed upon before or during the contract; but the results suggested that the respondents treated relational variables differently, possibly linked to personal preference or experience. The respondents were provided with a series of questions on whether a specific relational variable impacts the principal-agent relationship. The results in Table 1 indicate that addressing relational variables has a positive impact on the principal-agent relationship.

Table 1. Impact of relational variables on principal-agent relationship

<table>
<thead>
<tr>
<th>Relational variables</th>
<th>Impact</th>
</tr>
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<tbody>
<tr>
<td>Reciprocity</td>
<td>Improve contractual repetitiveness</td>
</tr>
<tr>
<td></td>
<td>Decrease cost to set up and manage the contract</td>
</tr>
<tr>
<td>Autonomy</td>
<td>Improve goal alignment</td>
</tr>
<tr>
<td>Honesty</td>
<td>Reduce conflict between the principal and the agent</td>
</tr>
<tr>
<td>Loyalty</td>
<td>Reduce conflict between the principal and the agent</td>
</tr>
<tr>
<td>Equity</td>
<td>Fair risk distribution</td>
</tr>
<tr>
<td>Integrity</td>
<td>Reduce conflict between the principal and the agent</td>
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</table>

Table 2 represents a rank order for the impact of the relational variables from (1) least to (6) most, on the agency variables. The results indicated that the combined views of the respondents are that the relational variables would have the least impact on information asymmetry, but the most impact on the cost to set up and manage the contract. A significant finding is that the views of the principals are completely opposite of the agents.

Table 2. Relational variables’ impact from different perspectives

<table>
<thead>
<tr>
<th>Rank</th>
<th>Principal</th>
<th>Agent</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Information asymmetry</td>
<td>Risk transfer</td>
<td>Information asymmetry</td>
</tr>
<tr>
<td>2</td>
<td>Goal alignment</td>
<td>Contract period</td>
<td>Risk transfer</td>
</tr>
<tr>
<td>3</td>
<td>Cost to set up and manage the contract</td>
<td>Conflict between the principal and the agent</td>
<td>Contract period</td>
</tr>
<tr>
<td>4</td>
<td>Conflict between the principal and the agent</td>
<td>Cost to set up and manage the contract</td>
<td>Goal alignment</td>
</tr>
<tr>
<td>5</td>
<td>Contract period</td>
<td>Goal alignment</td>
<td>Conflict between the principal and the agent</td>
</tr>
<tr>
<td>6</td>
<td>Risk transfer</td>
<td>Information asymmetry</td>
<td>Cost to set up and manage the contract</td>
</tr>
</tbody>
</table>
According to Table 3, the more experienced respondents leaned more towards the relationship, and the less experienced ones towards the contractual agreement. The descriptive statistics suggest that there are barriers to implementing the relational charter, such as corporate governance, knowledge, and education that is relevant to the term ‘relational contracting’.

### Table 3. Relational variables’ impact from a contract experience perspective

<table>
<thead>
<tr>
<th>Rank</th>
<th>experience &lt; 10 years</th>
<th>10 years &lt; experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cost to set up and manage the contract</td>
<td>Contract period</td>
</tr>
<tr>
<td>2</td>
<td>Information asymmetry</td>
<td>Goal alignment</td>
</tr>
<tr>
<td>3</td>
<td>Risk transfer</td>
<td>Conflict between the principal and the agent</td>
</tr>
<tr>
<td>4</td>
<td>Conflict between the principal and the agent</td>
<td>Risk transfer</td>
</tr>
<tr>
<td>5</td>
<td>Goal alignment</td>
<td>Information asymmetry</td>
</tr>
<tr>
<td>6</td>
<td>Contract period</td>
<td>Cost to set up and manage the contract</td>
</tr>
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</table>

The respondents generally agreed that a relational charter could improve the principal–agent relationship and agreed further that there are barriers to the implementation of the relational charter, such as corporate governance and being unaware of the term ‘relational contracting’ or of its benefits.

### 5.2. Agency variables

#### 5.2.1. Separation of ownership
Senior management on both sides were generally actively involved and supportive in all phases of the project life cycle, showing cooperative behaviour and creating a cooperative culture. However, about eight per cent agreed that the opposing party was not actively involved in all of the project life cycles. This is possible in practice, as resources numbers are adjusted as the workload varies across the project life cycle. Of the respondents, 80.11% agreed that there was senior management support throughout the project.

#### 5.2.2. Agency conflict
The results indicated that conflict between the principal and the agent is low. About 72% reported that the principal and agent worked collaboratively to resolve unexpected issues and held each other accountable. The results indicated that 38.71% agreed that the relationship was not conflicting, while 55.91% felt the relationship was collaborative.

#### 5.2.3. Self-interest
The respondents agreed that the opposing contracting parties acted in each other’s best interests and did not take advantage of each other. The results showed that 21.59% of the respondents agreed that the opposing party was only looking after their own interests, while 56.99% disagreed. Of the respondents, 25.8% reported that the principal took advantage of the agent because of the former’s position, but 50.54% disagreed with that statement. Of the latter group, 53.76% agreed that self-interest between the principal and the agent was not a problem; however, 23.66% acknowledged that there was a problem.

#### 5.2.4. Opportunistic behaviour
The results indicated that 63.44% of the respondents agreed that the principal monitored the agent’s progress and performance closely. Of the respondents, 37.63% agreed that there was a restrained use of power and a harmonising of conflict; 23.66% disagreed that this was the case.
5.2.5. Information asymmetry
The results indicated that 69.9% of the respondents agreed that sufficient, timeous, and accurate reporting during the project led the principal or agent to believe that everything was under control. Progress reports in projects are typically a contractual requirement, irrespective of the form of contract, because the agent acts on behalf of the principal. The 13.98% of the respondents who reported a negative response might suggest that a few principals are not satisfied with an agent’s timeous and accurate reports – perhaps because respondents from the principal’s side felt that the agent was not reporting accurately or timeously, and thus was acting either opportunistically or in his self-interest. Just more than 60% agreed that discussions, and an agreement on how the relationship would be managed, would take place before the formal commercial discussions between the principal and agent started.

5.2.6. Goal alignment
Nearly 57% of the respondents agreed that goal congruence was only achieved with the mutual agreement on the contract’s clauses. However, 28% of the respondents disagreed, which suggests that goal congruence is achieved through other mechanisms. Of the respondents, 75.2% reported cooperation between the principal and the agent when faced with changes and problems during the project; 63.5% of the respondents reported that the principal and the agent were flexible and adapted well during changing conditions; and 65.6% of the respondents reported reciprocity (mutual respect) between the contracting parties throughout the contract. Just over 65% of the respondents agreed that there was agreement on goals before and throughout the project; but this could be a result of the type of procurement strategy.

5.2.6. Risk-sharing
The respondents were neutral regarding risk-sharing between the contracting parties. Forty-four per cent agreed that project risks were fairly transferred to the other party using contractual clauses; 57% agreed that commercial letters were mainly issued as a form of backup or event log, and not as the primary form of dispute resolution. More than 70% of the respondents disagreed that the relationship between the principal and the agent was an arms-length type relationship. This suggested that there was trust in the relationship, along with information-sharing and compatibility. Of the respondents, 52.7% disagreed that the primary risk-mitigation mechanisms between the principal and the agent were to use power, while 47.4% of the respondents agreed that the contract was the primary mechanism to regulate the opposing party’s behaviour.

5.2.7. Reliability analysis
To determine the reliability of the study, Cronbach’s alpha was used, the results of which were all above the acceptable level of 0.6, which indicated that the scales were internally consistent and reliable. However, for the variable ‘risk-sharing’, deleting one item on the scale improved its alpha level from 0.627 to 0.729. This indicated that the scale was internally consistent and reliable to measure risk-sharing.

5.3. Correlation analysis
Spearman correlation analysis, defined as the linear relationship between the control, relational and agency variables. The strength of the correlation coefficient (r) was measured, and its values varied from 1 to 1 indicating a strong relationship.
5.4. Multivariate regression analysis

Regression analysis was done on the seven agency variables against the relational variables. Reciprocity has a positive predictive relationship with separation of ownership and information asymmetry, irrespective of the addition of autonomy, honesty, or loyalty; but it fails to be significant with the addition of equity and integrity. When added, integrity has a positive predictive relationship with separation of ownership. Both reciprocity and integrity are statistically significant because their corresponding p-values < 0.1. Integrity has a negative predictive relationship with conflict. Reciprocity has a negative predictive relationship with self-interest and opportunistic behaviour, irrespective of the addition of other variables. Autonomy also has a negative predictive relationship with self-interest. Reciprocity has a positive predictive relationship with goal congruence excluding loyalty, equity and integrity. The regression analysis in all aspects were not statistically significant.

6. CONCLUSIONS

Through a literature review, a set of agency and relational variables were identified that influence the principal-agent relationship and the relational charter respectively. The seven agency variables are self-interest, opportunistic behaviour, risk transfer, goal alignment, information asymmetry, and agency conflict. This finding answers the first research question that agency variables can define the agency relationship. This finding suggest that the agency relationship is a key attribute of the relation charter and subject to relational variables. Six relational variables were identified through literature which includes reciprocity, autonomy, honesty, loyalty, equity, and integrity. The mutual influence of the agency and relational variables will determine the principal-agent and contractual relationship and subsequently formulate the relational charter. This concludes the second research question.

The third research question was confirmed with a correlation analysis between the agency and the relational charter variables as shown in Table 5.6 with the following findings:

- Reciprocity, loyalty, and equity had a weak positive correlation with separation of ownership.
- Integrity had a weak negative correlation with conflict.
- There was mostly a negative weak to moderate correlation between the relational charter variables, self-interest, and opportunistic behaviour.
- No correlation was found between the relational variables and information asymmetry.
- Reciprocity had a weak positive correlation with goal congruence, and autonomy had a weak negative correlation with goal congruence.
- Integrity had a weak positive correlation with risk-sharing.

In answering research question four it was found not all the relational variables has an equally positive impact on the principal-agent relationship. Specific relational variables not contributing significantly were found to be autonomy, honesty loyalty, and equity. This is in contradiction to the findings in literature where it is concluded that all the relational variables contribute positively [8, 11].

The research found that self-interest and opportunistic behaviour were impacted most by relational variables, and reciprocity had the most significant impact on the agency variables. It could not be concluded that the relational charter impacted the principal–agent relationship positively. This could be attributed to the low number of survey data available. It also appears that self-interest could lead to one or both organisations not acting in the best interests of each other.
7. LIMITATIONS AND RECOMMENDATIONS

Future research could be broadened to other industries and organisations, as the variables might be sensitive to the type of environment and form of contract. It could also consider individual relational variables and their impact on the agency variables.

The research questions were individually answered by examining the collected and analysed data results. It is recommended for future research that respondents be thoroughly briefed on relational variables, since most of the respondents in this study seemed to lack an understanding of relational contracting – probably because they generally use only the standard forms of contract. These contracts typically do not address relational exchange unless it is specially added to the contract, which is currently not standard practice.

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