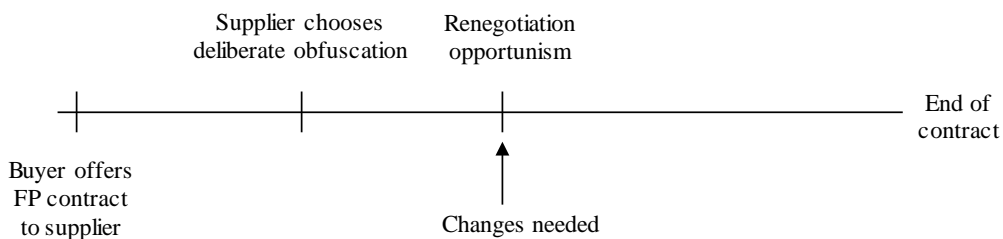


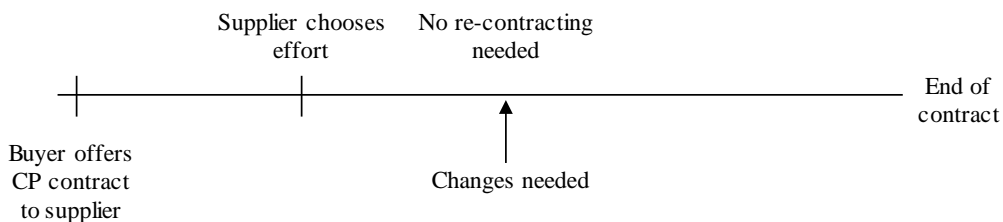
Online Appendix
Manuscript MS-17-02271
“Calculative Trust and Interfirm Contracts”

Figure 1
Contract Choice

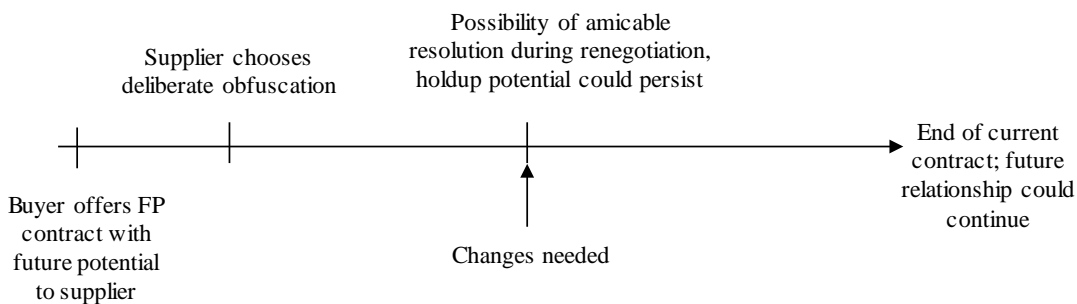
Panel A: Spot FP Contract



Panel B: Spot CP Contract



Panel C: FP Contract with Future Potential



Panel D: CP Contract with Future Potential

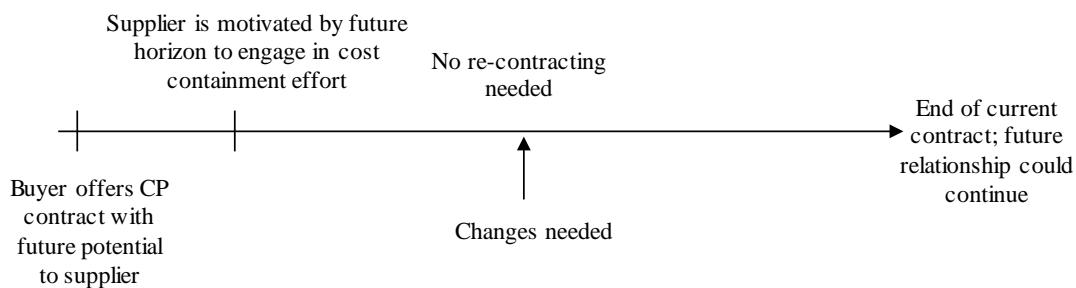


Table A1
Literature on Contract Choice

Study (Authors, Year)	Dependent Variables	Independent Variables	Data Source	Findings
Leffler and Rucker (1991)	FP or CP contract choice	Pre-sale measurement costs, contract enforcement costs, monitoring costs	188 timber-harvesting contracts in North Carolina	Pre-sale measurement costs, contract enforcement and monitoring increase the use of CP contracts
Crocker and Reynolds (1993)	FP or CP contract choice	Opportunism (disputes, alternative suppliers' availability), environmental uncertainty	44 air force contracts between 1972-1991	Opportunism is associated with FP contracts, uncertainty associated with CP contracts
Banerjee and Duflo (2000)	FP or CP contract choice, share of overrun paid by supplier	Buyer reputation (firm age, previous experience with client, ISO certification)	125 Indian software firms for the period 1997-98	Reputation increases likelihood of CP contracts
Gopal et al. (2003)	FP or CP contract choice	Uncertainty, contract size, risk of availability of trained personnel, client experience, client reputation, future business, client size, project importance to client, competition, previous experience	93 IT contracts from an Indian offshore development firm	Uncertainty, contract size, risk of availability of trained personnel, client size, project importance to client, previous experience are associated with CP contracts
Corts and Singh (2004)	FP or CP contract choice	Exploratory contract, task complexity, recent contracts between same dyad in the preceding six months	1,874 off-shore oil drilling projects for the period January 1998-October 2000	Repeated interactions reduces the use of FP contracts
Kalnins and Meyer (2004)	FP, CP, or hybrid choice	Cost and specification uncertainty, quality measurability, and prior relationship	394 contracts from one company	Higher cost and specification uncertainty, lower measurability of quality, and prior relationship increase likelihood of CP
Gopal and Sivaramakrishnan (2008)	FP or CP contract choice, profit expectation from contract choice	Employee turnover, project size and duration, number of prior projects	93 IT contracts from an Indian offshore development firm	Project duration, project size, and team size (employee turnover) increase vendor preference for FP (CP) contracts

Bajari, McMillan, Tadelis (2009)	FP (auction) or CP (negotiation) contract choice	Project complexity, buyer experience, buyer size, buyer risk	4,100 nonresidential building construction projects for 1995-2000 time period	Complexity decreases use of FP contracts, buyer experience increases use of FP contracts
Gopal and Koka (2010)	FP or CP contract, relational flexibility, profit, service quality	Requirements instability, employee turnover, asset specificity, prior projects, client experience, project size, project duration	105 projects from a software firm	Relational flexibility influences profit of FP contracts and quality of CP contracts
Kellogg (2011)	FP or CP contract choice	Task uncertainty, project scope, supplier size, buyer size, relationship length	19,059 off-shore oil wells for 1991-2005 time period	Task uncertainty, supplier size, relationship length increases use of CP contracts
This paper	FP or CP contract choice	Calculative trust arising from future potential and bilateral reputation capital	149 SEC material contracts	Calculative trust increases use of CP contracts

Table A2
Literature on Relational Interfirm Contracting

Study (Authors, Year)	Dependent Variables	Independent Variable	Data Source	Findings
Gulati (1995)	Equity-based alliance	Prior ties (number of previous alliances between firms)	2,400 publicly announced alliances in biopharmaceuticals, new materials and automotive from 1970-1989	Previous alliances decreases equity based governance in alliances
Gulati and Singh (1998)	Joint venture, minority equity investment or contractual alliance	Prior ties (number of previous alliances between firms)	1,570 publicly announced alliances in biopharmaceuticals, new materials and automotive from 1970-1989	Previous alliances decrease minority equity investments and joint ventures
MacMillan and Woodruff (1999)	Trade-credit granted	Customer lock-in (number of competitors within close proximity), prior ties (duration of relationship)	Survey of 259 private sector firms in Vietnam from 1995-1997	Customer lock-in and longer relationship duration increase customer credit
Banerjee and Duflo (2000)	FP or CP contract choice, cost overrun paid by the supplier	Prior ties (repeated relationship), young supplier, ISO certification	125 Indian software firms for the period 1997-98	Young age supplier increases likelihood of CP contracts
Gopal et al. (2003)	FP or CP contract choice	Future business potential, prior ties (number of prior projects)	93 IT contracts from an Indian offshore development firm	Number of prior projects decreases use of FP contracts
Corts and Singh (2004)	FP or CP contract choice	Prior ties (Recent contracts between same dyad in the preceding six months)	1,874 off-shore oil drilling projects for the period January 1998-October 2000	Repeated interactions reduces the use of FP contracts
Kalnins and Mayer (2004)	FP, CP, or Hybrid choice	Prior ties (amount paid for previous projects)	394 contracts from one company	Prior relationship increases likelihood of CP
Argyres, Bercovitz, and Mayer (2007)	Task description, contingency planning	Prior ties (relationship length)	405 IT contracts from a company	Relationship length increases contingency planning
Ryall and Sampson (2009)	Level and type of contractual detail, monitoring clauses, Penalty Clauses	Prior ties (Prior dyadic experience, concurrent deals), prior ties with other clients	52 SEC material contracts from 1991-2000	Contract detail increases with prior dyadic experience and decreases with concurrent deals
Kellogg (2011)	FP or CP contract choice	Prior ties (relationship length)	19,059 off-shore oil wells for 1991-2005 time period	Relationship length increases use of CP contracts

Gopal and Koka (2012)	FP or CP contract, perceived relational flexibility, profit, service quality	Prior ties (repeated interaction)	105 projects from a software firm	Repeated interaction increases use of CP contracts and increases relational flexibility, relational flexibility influences profit of FP contracts and quality of CP contracts
Gil and Marion (2012)	Auction entry, bids	Prior ties (prior interactions between contractor and subcontractors), future contracts up for bid, relationship depth	5,120 public highway construction procurement auctions conducted by the California Department of Transportation (Caltran)	Stock of prior relationship increases lower bids and auction entry, but only when future contracts are up for bid in the following year
Macchiavello and Morjaria (2015)	Trade volume within relationship, relationship value, reliability of supply	Spot market price, ethnic violence in the wake of Kenyan presidential elections, prior ties (previous shipments)	Kenyan rose exports in years 2004-2008	Trade-volume within a relationship is negatively associated spot market price, but positively associated with previous shipments Incentives to protect reputation improve supplier reliability performance
Poppo, Zhou and Li (2016)	Perceived supplier performance	Perceived calculative and relational trust, prior experience	Survey on 211 supplier-buyer dyads from Chinese firms	Prior experience increases calculative and relational trust calculative and relational trust improve buyer performance yet asset specificity, supply market uncertainty and behavioral uncertainty moderate these effects in opposite ways

Table A3**Future Potential Equation Estimates from the Recursive, Simultaneous Bivariate Probit**

	Future potential
Exclusion restriction	
Multisourcing	0.04 (0.00)***
Extension of previous contract	-0.42 (0.20)**
Controls	
Controls for size, bargaining power, log (contract val)	yes
Controls for contract contingencies and monitoring terms	yes
Constant	0.07 (0.47)

Notes: The pseudo R^2 of the above model is 0.27. Significance levels shown are based on two-tailed t-tests. Please see Table 2 for variable definitions. * $p < .10$, ** $p < .05$, *** $p < .01$.