LEARNING EFFECT AND CONTRACTUAL COMPLETENESS: THE CASE OF FRANCHISING

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How firms design their contracts is a mayor theme in the literature on managing outsourcing relationships because it can have strategic consequences for firms. Literature has mainly focused in the importance of identifying potential contractual hazards and to incorporate safeguards into their contracts to protect the relationship between parties. However, a matter totally ignored has been the possibility that firm’s contract design capabilities can also be an important factor in contractual design. In this study, we analyze this phenomenon in the case of franchising using a sample of 74 Spanish contracts. Our results support this idea, showing that those chains with enhanced knowledge about what to specify in their contract (that is, those which have developed a learning effect) draw up more complete contracts.