

# Contracts foster trust, but flexibility is needed, research says

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While detailed contracts can foster trust between parties, there needs to be flexibility in negotiating potential changes, according to research recently published in *MIS Quarterly*.

The study focused on specific contracts, known as Service Level Agreements (SLAs), between IT outsourcing vendors and clients, and was conducted by Rajiv Kishore, associate professor, and H. Raghav Rao, professor, both in the University at Buffalo School of Management's Department of Management Science and Systems; Jahyun Goo, assistant professor of management information systems at Florida Atlantic University; and Kichan Nam, professor of management information systems at Sogang University in Seoul, Korea.

The authors expanded on previous research refuting the notion that contracts are antithetical to [trust](#). They found that the more detailed the SLA, the greater the degree of trust and commitment between the two parties.

The very process of crafting detailed SLAs works to build and reinforce trust between clients and vendors, according to the researchers. Also, both parties know what behaviors to expect from each other during the course of delivery on the outsourcing contract.

However, a unique insight of the study is that it is better not to be too specific in the SLA with respect to clauses that deal with anticipating and planning for contractual changes.

"Attempting to specify all potential changes and change processes through complex clauses in the contract only serves to tie the hands of the two parties," says Kishore. "This may reduce the trust of the two parties in each other."

All contracts have an element of uncertainty, according to Kishore. "Contractual changes to deal with uncertainty can be most effectively implemented through an adaptive process of negotiation," he says. "This way, mutual give and take can occur across the table rather than through detailed, standardized clauses specified in the [contract](#)."

Source: University at Buffalo ([news](#) : [web](#))

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