

**A study on the role of opportunism
forms in increasing stakeholder
satisfaction in PPP projects using
Transaction Cost Economics theory**

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CERTIFICATE OF ORIGINAL AUTHORSHIP

I, Xiaohang Xu, declare that this thesis is submitted in fulfilment of the requirements for the award of the PhD degree from the School of Built Environment at the University of Technology Sydney.

This thesis is wholly my own work unless otherwise referenced or acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

This document has not been submitted for qualifications at any other academic institution.

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LIST OF PUBLICATIONS

- Müller, R, Nikolova, N, Sankaran, S, Zhu, F, **Xu, X**, Vaagaasar, A L, & Drouin, N 2016, Leading projects by balancing vertical and horizontal leadership – International case studies. In Proceedings of EURAM 2016 (European Academy of Management) Conference, June 1–4, 2016, Paris, France.
- Xu, X**, Sankaran, S, Ke, Y & Liu, J 2018, Opportunism forms of Public-Private Partnership projects in China: Principal-Agent relationship perspective, International Research Network on Organizing by Projects, Melbourne, Australia.
- Xu, X**, Sankaran, S & Ke, Y 2018, An investigation of the relationship between opportunism and Innovation during the build phase in PPP projects, EURAM 2018, Reykjavik, Iceland.

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LIST OF ABBREVIATIONS

3C-Dimensions	the Character, Circumstances, and Conduct dimensions
CPPPC	China Public–Private Partnerships Centre
InC	Innovation climate
NIE	New institutional economics
OAEG	Active opportunism of public party under existing situation
OAEP	Active opportunism of private party under existing situation
OANG	Active opportunism of public party under new situation
OANP	Active opportunism of private party under new situation
OB	Opportunistic behaviour
OPEG	Passive opportunism of public party under existing situation
OPEP	Passive opportunism of private party under existing situation
OPNG	Passive opportunism of public party under new situation
OPNP	Passive opportunism of private party under new situation
PLS-SEM	Partial Least Squares Structural Equation Modelling
PPPs	Public–Private Partnerships
SS	Stakeholder satisfaction
TCE	Transaction cost economics
UTS-HREC	University of Technology Sydney Human Research Ethics Committee
VGF	Viability gap funding

ABSTRACT

Defined as self-interest seeking with guile, opportunism is believed to always be reduced. Extant research has mainly focused on how to predict and control opportunism from a dyadic perspective. However, there is a relative paucity of empirical research focusing on opportunism consequences. Meanwhile, there are conflicting understandings from limited research on the consequences of opportunism in social science. These conflicting understandings could be because the discourse has not progressed, in terms of forms of opportunism and the effects of these different forms.

With the guidance of Transaction cost economics (TCE), this research initially classified opportunism under the 3C-Dimensions of Character, Circumstances and Conduct dimensions. This research then thoroughly examined the consequences of the eight forms of opportunism generated from the three dimensions to explore whether all forms of opportunism result in negative consequences. The eight forms of opportunism are: active opportunism of public party under existing situation (OAEG), active opportunism of private party under existing situation (OAEP), active opportunism of public party under new situation (OANG), active opportunism of private party under new situation (OANP), passive opportunism of public party under existing situation (OPEG), passive opportunism of private party under existing situation (OPEP), passive opportunism of public party under new situation (OPNG), passive opportunism of private party under new situation (OPNP). This study also evaluated changes of the opportunism consequence under the effect of an innovation climate.

TCE, as the classic theory of opportunism, guided the design of this research. Public–Private Partnerships (PPPs) as a representative of transactions were selected as the context to test the research framework. The complexity of PPPs requires extra attention as it has been found that a subtle amount of opportunism could lead to a significant difference in the consequence of a PPP.

This study used an exploratory sequential mixed methods that started with a qualitative approach followed by a quantitative approach. In the qualitative phase, 24 semi-structured interviews with key stakeholders involved in PPP projects were conducted. This assisted in development of scales of opportunism in various forms through the refinement of the item list generated from extant research. In the quantitative phase, a web-based survey was used to test the research framework to help answer two research questions: 1) Do all forms of opportunism result in negative consequences? and 2) How will these consequences change under a different context?

This study identified that not all forms of opportunism result in negative consequences in PPP projects. It was also found that when the level of innovation climate is low there are even forms of opportunism that can improve stakeholder satisfaction. Innovation climate tends to influence the consequence of certain forms of opportunism. In general, it can be concluded that innovation climate affects the consequences of private opportunism more than public opportunism, active opportunism more than passive opportunism, and opportunism under existing circumstances more than opportunism under new circumstances.

The study has established a quantitative framework for testing the consequence of opportunism guided by the theory of TCE. This study has also enhanced our understanding of governance forms and their limitations and strengths by investigating innovation climate as a governance mechanism for PPP projects. These findings add to a growing body of knowledge for designing governance for PPP projects.

Key words: Opportunism; Transaction Cost Economics (TCE); Innovation climate; Public-Private Partnerships (PPPs); Project governance