

INVESTIGATING CLIENT TOLERANCE IN THEIR RELATIONSHIPS WITH
ADVERTISING AGENCIES

Volume 1

by

Mark Alexander Phillip Davies

A Doctoral Thesis

Submitted in accordance with the requirements
for the degree of

Doctor of Philosophy
The University of Leeds,
The Business School.

September 2002

"The candidate confirms that the work submitted is his own and that appropriate credit has
been given where reference has been made to the work of others".

© M.A.P.Davies

Acknowledgements

I am grateful for the co-operation received by the Institute of Practitioners in Advertising (IPA), and their members who agreed to participate in this research. Equally, I am grateful for the list of clients who invested their time with me.

Special thanks are attributed to Professor Paul Michell, my supervisor at Leeds University for his helpful advice.

Special thanks are also attributed to my girl-friend, Isabel Oliveira, and not least to my parents for their patience and encouragement.

Abstract

This study examines how characteristics of performance, relationship investments, general beliefs about relationships and conditions about the internal and external environment are associated with client tolerance toward their experiences in client-advertising agency relationships (CAR), particularly at the service encounter. A critical incident technique is adopted, collecting both negative incidents and positive incidents. The generic aspects of CAR above were conceptualised from a literature review incorporating buyer-seller behaviour, interorganisational relationships, and CAR research.

The literature review was refined by qualitative research, involving depth interviews with 14 agencies and 11 client organisations. Respondents were key informants who had decision-making responsibility for their relationships. The depth interviews collectively sought to identify the range of negative and positive critical incidents experienced by clients and their agencies. Additionally, the points of contact between client and agency were identified from which critical incidents were experienced, together with characteristics considered to influence tolerance. These characteristics were screened to identify 32 independent variables and 5 investment variables for a postal survey of clients. The purpose was to identify the main predictors of tolerance.

A unique feature of the study was the development of grouping variables designed to measure tolerance, based on seven dependent variables. The amount of incidents experienced per respondent were accounted for in making decisions about tolerance.

Discriminant analysis was used to identify predictor variables for each set of grouping variables. This showed that a number of performance variables, investment criteria, client beliefs and environmental conditions were associated with tolerance. Performance predictors included consistent work processes, proactivity and stability of key account management. Additional predictors included beliefs in compatible working styles and less effort in making changes by clients, supporting the view that processes may become more important under stressful times because they facilitate governance. Procedures and processes might also reflect the need to ensure fairness in relationships.

Organisation of the thesis

Chapters 1-3 cover the literature behind agency-client relationships, leading to a conceptual model for testing tolerance (chapter 2). In accordance with the model structure, hypotheses are generated in chapter 3 and a list presented at the end. Chapters 4-6 are concerned with methodology. Chapter 4 involves the research strategy, chapter 5 explains the qualitative techniques, including the critical incident technique. Chapter 6 explains the logic and structure behind the survey design, including piloting. The qualitative and quantitative findings are presented in chapters 7-8, based on depth interviews and discriminant analysis respectively. Chapter 9 concludes the study. A list of appendices provide evidence and support of the procedures adopted. Several appendices contribute to the justification of analysis outlined in chapter 8. At the end of the thesis is a glossary that explains the terms used in chapter 8.

CONTENTS

Acknowledgement	i
Abstract	ii
Organisation of thesis	iii
Chapter 1: A context for examining tolerance in client-agency relationships	1-20
1.1 Introduction	1-2
1.1.1. Developing a service quality orientation in advertising	2-3
1.1.2 The strategic importance of a service quality orientation in advertising	3
1.2 What is tolerance?	4-6
1.3 Why study tolerance?	6-13
1.3.1 Fragility of seller alliances, as interorganisational relationships	6-10
1.3.2 Client impact on agency performance	10-13
1.4 Practical issues with tolerance	13-14
1.5 Examining service encounters	14-16
1.6 Research questions	16
1.7 Prior measures of tolerance	17
1.7.1 Reconceptualising tolerance levels	17-18
1.7.2 The importance of perceptions in affecting behaviour	18-20
1.8 Summary	20
Chapter 2: Developing a new model of relationship tolerance	21-74
2.1 Introduction to the model building process	21
2.2 Building an interorganisational theory of tolerance	21-22
2.2.1 A distributive perspective of justice	22-23
2.2.2. Procedural justice as an alternative perspective of fairness	23
2.3.4 Interactional justice	23
2.2.4 Restorative justice	23-24
2.3 Coping strategies	24-25
2.4 The Dependent variables: Examining response styles	25-37
2.4.1 Attitudes and behaviour	25-26
2.4.2 Measuring the direction of the response style	26-28
2.5 Attributions and/or feelings: the reactions of blame and credit	28-29
2.6 The reaction of purpose of voice	29-30
2.6.1 The importance of voice	30
2.7 Explaining differences between attitudes and subsequent voice	30-31
2.8 Trust as a further dependent variable	31-37
2.8.1 Different sources of trust	33
2.8.1.1 Sources of experiential-based trust	33
2.8.1.2 Theories of trust based outside the relationship	33-35
2.8.2 The impact of trust on the relationship	35
2.8.3 Managing trust-creation strategies: Learning and trust-held beliefs	36-37

2.9 Major theoretical paradigms in interorganisational relationships	37-43
2.9.1 Transactional Economics	37-38
2.9.2 Resource Dependency	38-39
2.9.3 Strategic Change	39-40
2.9.4 Learning Theory	40-41
2.9.5 Institutional Theory	41
2.9.6 Relational Contract Theory	41
2.9.7 Social Exchange Theory	42-43
2.10 Literature strategy	43-44
2.10.1 Examining previous buyer-seller channel relationships	44
2.11 Dependent variables previously used in relationship research	44-45
2.12 Deriving independent variables from buyer-seller relationships	45
2.12.1 Types of relationship	45-48
2.12.2 Performance factors	48-49
2.12.3 The importance of the relationship	50
2.12.4 Experience	50-51
2.12.5 The environmental context	51-52
2.12.6 Organisational factors	52
2.12.7 Personality of individuals	52
2.13 Making sense of the justice paradigm with prior models	52-54
2.14 Building a model of relationship strength for examining tolerance	54
2.14.1 The ambivalence of satisfaction	54-55
2.14.2 Perceived alternatives	55-56
2.14.3 Performance versus reputation	56
2.14.4 Other issues	56-57
2.15 The proposed model	57-58
2.16 Uncertainty, opportunism, and the importance of trust	58-60
2.17 Causes of performance ambiguity	60-61
2.18 Summary	61-63
Chapter 3: The Hypotheses	75-104
3.1 Introduction	75
3.2 The importance of the relationship	75
3.2.1 Performance attraction	76
3.2.2 Specific dimensions of performance attraction	76-84
Recency of Effectiveness Awards	78-79
Intensive research culture	79
Use of proprietorial models	79
Ability to offer international campaigns of quality	79-80
Accreditation to an independent quality standard	80
Intensity of effort on an account	80
Integrity in offering advice	80
The number of creative proposals	81
Access to number of creative teams	81
Stability of management of account teams	81-83
Constant information on account status	83
Strength in strategic thinking	83-84

3.2.3 Existing transaction-specific investment	84
3.2.4 Importance of advertising as a contributor to the client's overall marketing strategy	84-86
3.3 Client beliefs about type of relationship	86-90
3.3.1 Allocation of business	87-88
3.3.2 Likeability	88
3.3.3 Expectations for short-term or long-term relationships (planning needs)	88-89
3.3.4 Compatible working style	89
3.3.5 Degree of informality of contact in relationships	89-90
3.4 External environmental factors	90-95
3.4.1 Bleak markets	92-93
3.4.2 Severity of competition	93-94
3.4.3 Potential product attraction (or propensity for attracting customers)	94
3.4.4 Effects of new tasks and /or changes to marketing strategies	94-95
3.5 Internal environmental issues	96-97
3.5.1 Client discretion	96-97
3.5.2 Effort required in making changes to the relationship	97
3.6 Personal characteristics	97-101
3.6.1 Internal pressures	97-98
3.6.2 Broader experience	99-101
3.7 Summary	101
3.8 List of hypotheses for testing tolerance	101-104
Chapter 4: Overview of methodology	105-120
4.1 Introduction	105
4.2 The research strategy	105-107
4.3 Establishing the research domain	107
4.3.1 Establishing dependent and independent variables	107-108
4.4 Data collection and analysis of qualitative research	108-113
4.4.1 Sampling process of the pre-survey phase	108-109
4.4.2 Data analysis of qualitative research	109-110
4.4.3 The critical incident technique	110-113
4.4.3.1 Previous research using the critical incident technique	110-111
4.4.3.2 Benefits of the CIT approach	111-112
4.4.3.3. Coding of categories of incidents	112-113
4.4.3.4 Validating the list of incidents	113
4.5 Survey research	113-118
4.5.1 Sampling of the survey	113-114
4.5.2 The structure and design of the questionnaire	114-115
4.5.3 Response measures used	116
4.5.4 Mode of delivery	116-117
4.5.5 Data analysis of survey	117-118
4.6 Canons for evaluating the research	118-119
4.7 Summary	120

Chapter 5: Qualitative methodology and procedures	121-144
5.1 Introduction	121
5.2 The covering letter	121
5.3 Rationale for using research guide	121-122
5.4 Those who provided the data	122-124
5.5 The samples interviewed	125
5.6 The depth discussions	125
5.6.1 Justification for the depth interviews	125-126
5.6.2 The interviewing process and content	126-127
5.7 Activity mapping as a tool for uncovering critical incidents	127-129
5.8 The critical incident technique	129-144
5.8.1 Using questions adopting the CIT	131-132
5.8.2 Avoiding over-reporting and under-reporting of critical incidents	132-135
5.8.3 The relative importance of negative incidents	135
5.8.4 Classifying the critical incidents	135-144
5.9 Summary	144
Chapter 6: Implementation of the survey	145-173
6.1 Introduction	145
6.2 Sampling	145-150
6.2.1 Sampling frame	145-146
6.2.2. Sampling method	146-147
6.2.3 Sample qualifications	147-150
6.3 The structure and design of the questionnaire	150
6.3.1 The re-drafting phase	150-154
6.3.2 The pre-testing phase	154
6.3.3 The piloting phase	154-160
6.4 Response analysis from the mail survey	161-165
6.4.1 Assessing non-response error	165-167
6.5 Influence of market sectors on responses to variables	167
6.6 Summary	168
Chapter 7: Results of qualitative research	174-250
7.1 Introduction	174
7.2 Preliminary findings from the depth interviews	174-185
7.2.1 The contact points	174-181
7.2.2. Classifying the critical incidents	182-183
7.2.3 Continuum of typical client response styles	183-185
7.3 Client perceptions of variables considered important on their responses to service quality problems	185-205
7.3.1 (a) Importance of various performance variables subsequently deleted	186-188
Perception for winning Effectiveness Awards	186
Intensive research culture	186
Perception for using proprietorial models	186-187
Ability to deliver international campaigns of quality	187
Accreditation to an independent quality standard	187-188
Evidence of intensity of effort on account	188

7.3.1 (b) Additions to the original performance variables	188-190
Proactivity	189
Interpretation of the brief	189-190
Empathy to changes in creative work	190
7.3.1 (c) Performance variables supporting the literature review	190-194
Integrity of account team	190-191
Access to number of creative teams	191
Number of creative proposals	192
Stable account management	192-193
Constant information on status of account	193-194
Perceptions of strength in strategic thinking	194
7.3.2 The importance of advertising	194-197
Relative level of investment in the relationship	194-195
Prior relationships with focal agency	195
Actual length of relationship	195-197
7.3.3 General beliefs about client-agency relationships	197-200
Preference for a solus agency or roster of agencies	197
The need for liking of agency contact personnel	197-198
Belief in long-term relationships	198-199
Compatible working styles	199-200
Informality in relationships	200
7.3.4 Environmental forces	200-204
Discretion offered to client	200-201
Bleak or uncertain markets	201-202
Severity of competition	202-203
Limited potential for product attracting customers	203
General involvement with changing marketing strategies	204
7.3.5 Personality factors or style within relationships	204-205
Growing pressure on client to achieve results	204-205
Perceptions of broader experience of relationships generally	205
7.4 Agency perceptions of variables considered to influence client tolerance	205-238
7.4.1 (a) Performance variables subsequently deleted	205-211
Perceptions for winning Effectiveness Awards	205-206
Intensive research culture	207-208
Perception for using proprietorial models	208
Ability to deliver international campaigns of quality	208-209
Accreditation to an independent quality standard	209-210
Evidence of intensity of effort on account	210-211
7.4.1 (b) Additions to the original performance variables	211-214
Proactivity	211-212
Interpretation of the brief	212-214
Empathy to changes in creative work	214

7.4.1 (c) Performance factors supporting the literature review	214-221
Integrity of the account team	214-215
Access to creative teams	216
Number of creative proposals	217
Stable account management	218-219
Constant information on status of account	219-220
Perceptions of strength in strategic thinking	220-221
7.4.2 The importance of advertising	221-225
Relative level of investment in the relationship	221-222
Prior relationships with focal agency	222-223
Actual length of relationship	223-224
7.4.3 General beliefs about client-agency relationships	225-232
Preference for a solus agency, or roster of agencies	225-226
The need for liking agency contact personnel	226-227
Belief in long-term relationships	227-230
Compatible working styles	230-231
Informality in relationships	231-232
7.4.4 Environmental forces	232-236
Discretion offered to client	232-233
Bleak or uncertain markets	233
Severity of competition	234
Limited potential for product attracting customers	234-235
General involvement with changing marketing strategies	235-236
7.4.5 Personality factors within relationships	236-238
General pressure on client to achieve results	236-237
Broader experience of relationships generally	237-238
7.5 Analysis of initial variables that might influence client tolerance	239-249
7.5.1 Performance variables	239-247
Deletion of specific performance variables	240-243
Additional performance variables	243
Consistent work processes	243-245
Proactivity	245
Interpretation of briefing	245-246
Empathy to creative changes	246-247
Access to creative teams	247
7.5.2 Importance of advertising affecting relationships	247
7.5.3 General beliefs about relationships	247-248
7.5.4 Environmental variables	248-249
7.5.5 Personality variables	249
7.6 Summary	249-250

Chapter 8: Quantitative analysis and findings	251-307
8.1 Introduction	251-252
8.2 RQ1: Examining patterns of incidents	252-254
8.3 The dependent variables	254-255
8.4 RQ2: Establishing construct validity of the dependent variables	255-256
8.4.1 Re-categorising the raw scores of the dependent variables	256-258
8.4.2 Data preparation for range of incidents	258-259
8.4.3 Re-categorising the dependent variables	259-260
8.4.4 How critical incidents are associated with the dependent variables	260-262
8.4.5 Implications of critical incidents associated with dependent variables	262-263
8.4.6 Developing subgroups for the relative amounts of incidents experienced	263
8.4.7 Procedures in cross-tabulating the data	264
8.4.8 Developing subgroups for the relative amounts of incidents experienced	264-265
8.4.9 Findings from cross-tabulating the data	265-270
8.4.10 Examining critical incidents with other grouping variables: pair-wise variables and trust	270-271
8.5 The hypotheses relating to RQ3	271-272
8.5.1 The specific hypotheses	273-275
8.6 Preparation for data analysis	275
8.7 Factor analysis	276
8.8 Cluster analysis for determining tolerant and intolerant subgroups	276
8.9 Using discriminant analysis	276
8.9.1 Inputting the data	276-277
8.9.2 Screening the data	277-278
8.10 Summary statistics	278-281
8.11 Results of factor analysis	281-286
8.12 Findings from the SDA	286-287
8.12.1 Assigning the cluster solutions to subgroups of tolerance and intolerance	287-296
8.13 The qualifying predictors of tolerance	296
8.13.1 The indicators of important variables for the qualifying discriminant functions	296-306
8.14 Summary	306-307
Chapter 9: Discussion and conclusions	308-338
9.1 Introduction	308
9.2 Discussion and limitations	308-315
9.3 Triangulation	315-316
9.4 Conclusions	316-317
9.4.1 RQ1: The nature of the critical incidents	317
9.4.2 RQ2: The impact of critical incidents on tolerance	317-320
9.4.3 RQ3: What factors are associated with tolerance?	320-327
9.4.4 Bringing it altogether	327-331
9.4.5 Implications for Academicians	331-332
9.4.6 Management implications	333-334
9.4.7 Epistemological reflections	334-336
9.4.8 Further research directions	336-337
9.5 Summary	337-338

References		339-364
APPENDICES		Pages of appendix
Appendix A	Covering letter outlining indicative agenda for depth discussions	1
Appendix B	Research guide for the depth discussions	2-7
Appendix C	List of respondents interviewed, with dates	8-9
Appendix D	A summarised account of each client organisation	10
Appendix E	A summarised account of each agency organisation	11-12
Appendix F	The covering letter to the questionnaire	13
Appendix G	The questionnaire	14-21
Appendix H	Changes made in process refinement	22
Appendix I	Changes arising from pre-test	23-27
Appendix J	Example of interview with Communications Manager of Client D to detect critical incidents and importance of factors influencing tolerance	28-41
Appendix K	Revised listing of critical incidents derived from qualitative research for client	42-45
Appendix L	Revised listing of critical incidents derived from qualitative research for agency	46-47
Appendix M	Data purification procedures	48
Appendix N	Independent t-tests of differences in mean incidents between high-scoring and low-scoring respondents for each dependent variable	49-51
Appendix O	Using pair-wise dependent variables as alternative subgroups for measuring tolerance	52-58
Table I	Independent t-tests of differences in mean incidents between respondents for paired grouping dependent variables	57
Table IIa-b	Cross-tabulations of subgroups of positive incidents (N _{tposCI}) by subgroups based on relative scores of pair-wise variables	58

APPENDICES (continued)

Appendix P	Using alternative subgroups for measuring tolerance based on the trust construct	59-68
Table I	Pearson correlation matrix of variables	61
Table II	ANOVA models as predictors of trust	61
Table III	Stepwise regression using various models of dependent variables with trust	62
Table IV	Independent t-tests of differences in mean incidents between respondents for trust relative to (various) pairwise dependent variables	65-66
Table Va-b	Cross-tabulations of subgroups of net incidents (NnetCI) by subgroups based on newtrusc and (credit-blame) or newtrusc and (praise-disapproval)	67-68
Appendix Q	Justification of, and description, of factor analysis	69-70
Figure I	Flowchart for determining factors representing variables	69
Appendix R	Cluster analysis for determining tolerant and intolerant subgroups	71-72
Appendix S	Using discriminant analysis	73-76
Appendix T	Developing a master index of tolerance	77
Appendix U	Normal plots for dependent variables	78-79
Appendix V	Findings from factor analysis	80-88
Table I	Frequency of satisfactory and significant intercorrelations of dependent variables	81
Table II	Number of original correlations > 0.30 and number of residuals per performance variable <0.05	82-83
Table III	Alpha scores and comments for each component	86
Table IV-X	Alpha analysis of components 7-9	87-88

Appendix W	Screening the data for SDA	89-93
Table I	Bivariate correlations for dealing with multicollinearity	91
Table II	Multiple regression scores with significance of linearity of relationship	92
	Normal plots of dependent variables for linearity	92-93
Appendix X	Assignment of tolerance and intolerance to clusters	94-98
Table I	Verifying the clusters derived from various grouping variables	94-97
Appendix Y	Glossary	99-103

LIST OF TABLES

Table 2.1 Motives and means behind theoretical paradigms	42
Table 2.2 Literature review of buyer-seller models based on purchasing, marketing and the IMP perspectives	64-70
Table 2.3 Literature review of client-agency (CAR) models based on advertising perspectives	71-74
Table 5.1 Summary of exploratory phase of research	123-124
Table 5.2 A classification of organisational responses (as retail recoveries)	137
Table 5.3 A comparison of organisational responses	138
Table 5.4 A classification of critical incidents by Keveaney (1995), based on relevant interface between customers and service suppliers	139
Table 5.5 Classification of incidents by context, data collection, responses and level of analysis	140-141
Table 5.6 Integrating the literature on critical incidents of service quality	143-144
Table 6.1 Frequency distributions of investment variables (account size and specific experience) in relationships	148
Table 6.2 Case records per sampling frame and by sample	149
Table 6.3 Mean account billings by sampling frame and sample, with specific experience of client	150
Table 6.4 Response analysis per record per questionnaire	158
Table 6.5a-c Response analysis for questionnaires 1-3	159-160
Table 6.6 Analysis of targeted non-respondents by category of non-responses and by frequencies	162-163
Table 6.7 Descriptive statistics of days taken to reply	166
Table 6.8 Independent t-tests for responses to dependent variables between early replies and late replies based on quartiles	169-172
Table 6.9 Observed-expectancy tables of market sector by days taken to reply (based on quartiles)	173
Table 6.10 Statistical association for days taken to reply between industry and financial services sectors	173
Table 7.1 Main client-agency interfaces during campaign	176
Table 7.2 Sequence of client activities	178-179
Table 7.3 Sequence of agency activities (agency R unless otherwise stated)	180-181
Table 7.4 Typical stages in sequence of events	183
Table 7.5 How nature of complaint affects who it is reported to	184
Table 7.6a-d Summary of client and agency perceptions of importance about variables that might influence tolerance	241-242
Table 7.7 Decisions made about each performance variable	244

Table 8.1 Rank order of negative critical incidents from CI 1 to CI 21	253
Table 8.2 Rank order of positive critical incidents from CI 22 to CI 30	254
Table 8.3 Descriptive statistics for critical incidents, with one-sample K-S-Z test	258
Table 8.4 Frequency distributions of amount of net incidents experienced	259
Table 8.5 Frequency distributions for alternative responses based on the trust variable and per subgroup using nutrust	260
Table 8.6a-c Frequency distributions of critical incidents experienced by subgroup	265
Table 8.7 (a-g) Cross-tabulations between subgroups of dependent variables and subgroups of incidents experienced	268-270
Table 8.8 Re-coding for experience variables	278
Table 8.9 (a-c) Descriptive statistics for variables	279-281
Table 8.10 Total variance explained	284
Table 8.11 Components extracted from rotated component matrix	284-286
Table 8.12a-b Validating the discriminant analysis, using grouping variables derived from (either) the 'a priori' approach or from cluster analysis	288-293
Table 8.13a-c Examining the predictor variables for each qualifying discriminant analysis using an 'a priori' approach or for clusters	300-302
Table 8.14 Content analysis of numbers of times independent variables are qualifying predictors, from the SDA	303
Table 9.1 Relationships found significant between dependent variables and specific critical incidents	310

LIST OF FIGURES

Figure 2.1 Proposed model of tolerance indicators to service quality problems	59
Figure 3.1 Proposed influence of experience on tolerance levels	99
Figure 4.1 Processes involved in questionnaire design	115
Figure 5.1 Perceptual blueprints or activity maps for client and agency account team	129
Figure 5.2 Mapping stages of data collection	130
Figure 5.3 Application of memorability to the service encounter and evaluation process	133
Figure 8.1 Supporting validity of the dependent variables	256
Figure 8.2 Establishing tolerant and intolerant subgroups	264
Figure 8.3 Flowchart outlining major stages of deriving grouping variables using an 'a priori' approach and cluster analysis, as inputs for a discriminant analysis	272
Figure 9.1: Revisiting the proposed model of tolerance indicators to service quality problems	329

Chapter 1: A context for examining tolerance levels in client-agency relationships

1.1 Introduction

The first chapter outlines the problems facing the ad industry, supporting a need for agencies to adopt defensive strategies, in terms of taking steps to improve the retention of their existing clients. An examination of how clients behave toward their agencies at the service encounter should therefore be of special concern to agencies. This chapter unfolds with the strategic importance of a service quality orientation in advertising. This is followed by an exploration of the term tolerance, including its practical importance. Research questions aim to discover the dramatic experiences at the service encounter using critical incidents, how these affect tolerance, and how other factors appear to be associated with tolerant clients. After a discussion of the service quality literature, tolerance is reconceptualised in terms of attributions, voice, and behaviour.

Client-agency relationships in advertising have traditionally been examined from the viewpoint of either selection tasks (e.g., Cagley, 1986) or switching behaviour (e.g., Michell, 1987/8, Michell, Cataquet and Hague, 1992, Henke, 1995). These entry and exit situations demonstrate extreme behaviour by clients in their relationships that do not show the variety and complexity of intermediate strategies that clients may prefer in retaining flexibility with their agencies. One such intermediate strategy is how tolerance may be used in accepting or disputing both disappointments in task assignments (e.g., standards of creative work) and in forgiving or avenging problems of a more general nature they experience in the servicing of their accounts. This study provides predictors of tolerance based on attitudinal, voice, and behavioural criteria prior to exit strategies, using critical incidents.

The marketing of services demonstrates the problems organisations face at the service encounter, from how service personnel communicate with customers to how they are perceived, such as lack of attentiveness and lack of empathy (e.g., Kellaway, 1996, Zemke and Schaaf, 1990). This also applies to business-to-business markets. Despite investment in service quality encouraging the development of long term relationships, research in the United States by Business Week (1991), Mayer (1991), Stewart (1992), and Ziff (1992) suggests that many clients are dissatisfied with the performance of their advertising agencies. Whilst the changing

macroenvironment has made it more difficult to achieve specific goals, Ziff (1992) and Stoltman (1993) suggest agencies have been sluggish to adapt and improve their relationships with their clients. A joint report in the U.K. by the marketing communications consultancy ARM, together with the Incorporated Society of British Advertisers (Osmond, 1992-1993) highlighted severe dissatisfaction with the quality, cost and kind of service expected from advertising agencies. This suggests there is considerable scope for improvements in client-agency relationships. Unfavourable client perceptions arising from agency work may be attributable to the way an agency manages its business. According to the report, an agency provides a service often steeped in mystique. One of the commonest complaints is for clients to admit they do not know precisely what they are paying for. The joint survey above indicated that clients are not always fully conversant with the language of their agencies. Agencies may compound the problem by poor documentation to support their work. According to Kover (1995), it could reflect the view of copywriters that consider much evaluative research to be destructive to the creative process. Due to the dissatisfaction expressed by many clients, this study examines how clients respond to critical incidents in their client-agency relationships.

1.1.1 Developing a service quality orientation in advertising

In client-agency relationships, the advertiser acts as client or customer, and agency as service provider. The literature on service quality has traditionally been treated from a client perspective in terms of whether perceptions of the actual delivery meet or exceed client expectations (Parasuraman et al., 1985). However, Stoltman (1993) argues that an agency rarely takes a *proactive* stance in managing its relationships with its clients. Stoltman (1993) suggests the service quality management paradigm offers the *potential* for a comprehensive assessment of agency performance, and as a sound basis for the proactive management of the client-agency relationship.

From a customer perspective, the most immediate evidence of service occurs at the service encounter. Shostack (1985) defines the service encounter as “a period of time during which a customer directly interacts with a service”. This includes all aspects of a service with which customers may interact, including its personnel, its physical facilities and other visible elements. Bitner, Booms and Tetreault (1990) attribute perceptions of decline to the service encounter, in which front-line employees are neither trained nor have the freedom nor discretion needed to relate to customers that ensure effective service. This is often reflected in “the cost of quality”,

which includes the costs associated with compensation for poor service, redoing the service, lost customers, negative word of mouth and decreased employee morale (Bitner, Booms and Mohr, 1994).

1.1.2 The strategic importance of a service quality orientation in advertising

From an agency perspective, improving service quality should reduce account switching, a common outcome arising from client dissatisfaction (Michell and Hague, 1990; Michell et. al., 1992). From a client perspective, reducing client switching should reduce costly procedures in agency selection and avoid the instability arising from establishing new relationships. From an agency perspective, evidence of stricter quality assurance programmes and controls could be used as a means of differentiation and improve their selection prospects when pitching for an account. It also enables an agency to become more accountable for their actions. With performance related bonus awards beginning to feature more prominently in remuneration schemes, quality controls of service might be considered more of a help than a hindrance.

According to Sheaves and Barnes (1996), suppliers of services must take different approaches to the establishment and maintenance of relationships with different segments of clients. How clients respond to customer service problems or critical episodes, their frequency, and how they are handled by agencies may indicate this. These client responses may be either positive or negative attitudes or behaviour. It may result in changing the nature of the relationship, either formally or informally (e.g., requesting for personnel changes in the account team, or the mode of delivery or communication, or even terminating the account). It is also a contention of this study that they should also consider the effects of various conditions which might influence the continuity of interfirm or organisational relationships. For example, Oliver (1990) discusses the capacity for learning, switching costs, and formal channel contractual duties, amongst others, which are likely to impact upon how behaviour between partners develop, particularly with respect to how clients respond to unexpected problems as they are experienced during interaction with their partners. Switching costs would include both social and economic costs in exiting from, and entering into, alternative business relationships. Williamson (1975, 1981) has discussed transaction costs. This research is concerned with how these conditions affect tolerance levels in dealing with these service quality problems, and the patterns of behaviour, or response styles, that develop over time.

1.2 What is tolerance?

"Tolerance, acceptance and mutual respect-characteristics in short supply in democratic societies", Dinner Speech by Professor Dr Miche Brumlick, <http://www.tolerance-net.org/conference/1999-brumlik.ht>, page 1.

To the layperson, the word 'tolerance' will have many meanings. The Merriam-Webster's Collegiate Dictionary offers several definitions: the ability to endure pain or hardship; a sympathy or indulgence for practices differing from one's own or the act of allowing something; and the allowable deviation from a standard. The Oxford English Dictionary (1996) defines it as

"The willingness or capacity to forbear (something or someone) without adverse reaction."

Similarly, Mendus (1989) suggests that tolerance is demonstrated when a permission is granted for practices or beliefs that are disagreed with. This need not necessitate moral disagreement but may involve merely judgements of taste or preference. Applying tolerance to commercial exchanges may appear challenging, since the wider perspectives of organisational rationality implicates that actors will not accept exchange below its expected value or that which they feel they are entitled to, on the basis of previous transactions, their power, or their investments in the relationship. In commercial relationships involving buyer and seller, the term 'expected reciprocity' is drawn to mind when making responses. However, organisations are seldom entirely rational, not least because of information asymmetry, bounded rationality, and social co-operation.

Another definition by the OED (1996) is given as:

"An allowable variation in any measurable property."

This suggests a tendency to endure or sustain (implicating something, or someone, unpalatable), implicating reflection and stoicism. It also adds to the previous definition, since stoicism (as measured by response) is now limited by degree. Put simply, people will only put up with so much of a bad thing. So rather than treating responses in an absolute sense, as implicated by the first definition (i.e., that 'something is either allowed or it isn't'), the second definition aims for a refinement.

According to Deveaux (1998), tolerance can be explained on the basis of justice and equality. Applied to commercial relationships, an economic motive would be to accept short-term sacrifices for the long-term expectations of a mutually prosperous relationship. This does not necessitate that buyer and seller commit equal resources to a relationship, but that both perceive each other's efforts and commitment as just and fair, based on the terms of their expectations implicated by formal contract or informal norms of behaviour¹. Social exchange can help to explain responses beyond purely economic (or cost-benefit-) criteria that would include sources of trust. Several of these are rooted in Kantian logic, such as granting recognition of the dignity of others; a duty to respect fellow mankind, or the noble act of giving the benefit of the doubt, when others' motives are unclear or even suspect. Such personal beliefs might implicate a grudging tolerance for responses felt inappropriate by an organisation.

Applied to business, tolerance might be considered in terms of surviving from a harsh business environment; acceptance of alternative opinions and behaviour; and measurement of that acceptance by degree to some variance in standards respectively.

For the purposes of this study, tolerance is examined as a compensatory response to treatment by their agency. Specifically, tolerance is measured in terms of responses that are under-compensated relative to experiences based on negative incidents, and over-compensated relative to experiences based on positive incidents. Hence the previous definitions are extended to allow for adding generosity to satisfying experiences. These responses are measured in terms of attitudes, voice, and behaviour for both separate responses and across pairs of responses over both negative and positive incidents. This adds breadth to the concept, which is operationalised in chapter 8.

This study involves measuring tolerance based on client reactions to critical incidents that may or may not cause turning points in agency-client relationships. Since advertising is a service, it can be considered in terms of technical quality and functional quality (Gronroos, 2000: 63-66). Technical quality involves the quality of advertising (the end product, whether strategy or execution). Functional quality involves the process or the way it is delivered (i.e., various

¹ Buyer and seller could not offer equal resources in this way because no two organisations will have a set of similar skills, let alone a matched or complimentary set.

inputs, such as the interaction between agencies and their clients such as etiquette, their temperament to solve problems, their empathy to changes to creative work, and their ability of agencies to meet deadlines). This study is more concerned with the functional quality of advertising agencies rather than the quality of creative work, and so the actual tools of creativity will not be discussed in any detail. Whilst recognising the importance of creativity for pitching and maintenance of relationships, it is acknowledged in the industry that the quality of service (as measured by functional quality) is often the reason for termination of relationships.

The precursor to this study involved a qualitative study into factors affecting advertising quality that started in 1994. The findings from this study were published in confidential reports to various service-based industries in the UK, but have not been published elsewhere since they were largely consultancy based. The findings revealed to the author the importance of functional quality as a foundation for achieving technical quality. Functional quality can also be considered as a hygiene factor. When functional quality is not well, clients complain, and this can put undue pressure on relationships. With finite resources, a preoccupation with functional quality can mean less attention allocated to technical quality, embracing a vicious circle of discontent.

1.3 Why study tolerance?

Reasons start from an agency perspective and follow on with a client perspective. One way of measuring how receptive clients are to their service inputs, or functional quality, is to be able to measure tolerance of clients. Tolerance can offer insight in to how clients think and behave towards critical incidents in service encounters, and how this is affected by various factors ascertaining to the relationship.

1.3.1 Fragility of seller alliances, as interorganisational relationships

Research from the management literature suggests that interorganisational relationships arise from helping firms create value by combining resources, sharing knowledge, or increasing speed to market (Doz and Hamel, 1998). In terms of type of interorganisational relationships, client-agency relationships (CAR) are business alliances. This is because CAR are more loosely coupled than for joint ventures, with the interorganisational outcome not amounting to a separate organisation. Dickson and Weaver (1997) define an alliance as an arrangement between two or more firms that establishes an exchange relationship but with no joint ownership involved. According to PriceWaterhouseCoopers (Alliances, 1997) and KPMG (Kok and Wildeman,

1999), the failure rate for business alliances are between 50-70 per cent. Recent comparative studies of CAR in the United States and the UK suggest they are particularly fragile, with only about 50% surviving over two years (Davies and Prince, 1999).

CAR are also multilevel agency problems (MAP), first recognised by Klein and Murphy (1978). This is because a CAR typically involves potential goal incongruence between both client (as principal) and agency (agent); client (as manager or agent) and shareholder (as principal or owner), and the alliance (as client and agency working together) and end-user or consumer of the advertising (end product). Within an existing relationship, each level of supplier can influence the level of quality provided at each interaction, so their skills and competencies cannot easily be ascertained, leading to what Mishra, Heide and Cort (1998) refer to as information asymmetry. Moreover, agencies will rely on sub-contracting to third parties (e.g., design work, specialist print runs), so that the inter-organisational relationships can become very complex to evaluate². Assuming competency is valued and is difficult to evaluate, not only will clients make selection errors, but they will be subject to opportunism within the relationship. These problems are well documented in agency theory.

The failure of many CAR may be attributed to conflict arising from divergent objectives and suspected opportunism from either side. Agencies admit that it is not easy to discern when they are most vulnerable. Often this is due to a number of accumulated incidents, although small and individually benign, can accumulate into something much more malevolent and significant. Doyle, Corstjens and Michell (1980) have referred to this Gestalt factor as one of '*creeping disenchantment*'. In other words, agencies often become complacent and become caught out through their clients' frustrations. Added to this is a lack of transparency between both client and agency as to the state of their relationships. Findings from depth interviews in this research reveal that several senior managers of agencies admit that clients do not complain enough, internalising their feelings without airing them in sufficient time for relationships to be restored. What then manifests itself is a short, sharp shock to agencies. When client views are aired, they are often intense, too late and in some cases considered offensively personal by their agencies. Therefore a procedure for signalling alarm bells might be useful to agencies for pre-empting potential conflict situations, and at worst, possible account switching. By suggesting how

² Although focus of study has been restricted to the client and agency level, problems with third parties are acknowledged in the inventory of critical incidents.

tolerance may be measured, and identifying factors that might affect client tolerance, agencies can be better prepared to match appropriate effort to appease and restore their relationships.

In business, the art of successful negotiations in a buyer-seller relationship is often to convey that the buyer is getting something better in return relative to the seller. Part of the motivation is an opportunistic behaviour displayed on account of both parties being unfamiliar with each other, where each tests the other under the assumptions of a zero sum game. However, over time, both parties may learn to accept they can *both* gain by being co-operative. It is argued that tolerance that is displayed in a relationship can both signal this co-operation, and help to improve it, as a give-and-take mentality becomes more transparent and accepted.

One set of factors that might affect tolerance is the personality of clients. The identification of different types of clients, in terms of their behaviour towards service incidents, should be of interest to agencies wishing to prolong their relationships with their clients. Such a knowledge would enable them to predict how their own clients fitted in to such a typology, and indicate the kind of investment that should be spent on different relationships. Evidence that such a typology exists is implicated by the small but significant percentage of accounts that are very long-term (Michell and Sanders, 1995), suggesting that these relationships *must* survive traumas. This would suggest that some clients are more tolerant toward critical incidents than others.

Several reasons can be attributed to a premium being placed in seeking longer relationships. Interviews with agencies show evidence that clients are increasingly behaving short-term. One agency commented that it is now a more commercial environment, with greater client pressures to deliver³. This reflects a greater competitiveness (more mature markets in the developed world), together with the typical short-term life of the UK brand manager.

Another factor behind short-term relationships may be the increasingly competitive environment agencies generally are faced with. Over the last decade, agencies have had to compete with management consultancies. These hold advantages over the traditional advertising agency. First, they have greater access for sales pitching to senior management in industry by sharing similar, if not identical, university business school training. Second, according to Hegarty, they enjoy the kudos of being perceived as more intellectually capable than traditional advertising agencies⁴.

³ Interview conducted by the author with the ad agency P in 1997.

⁴ Keynote speech by John Hegarty at the IPA conference, 1996.

Third, there is a pervasive feeling amongst many clients that traditional advertising agencies are (still) overpaid^{5,6}. Such perceptions breed contempt for the advertising industry per se.

Improvements in technology and database marketing that offer increased accountability of client spend may justify further shifts from advertising to direct marketing and sales promotions (Helgesen, 1994). This puts a premium on defensive marketing with an increasing need to retain current clients.

The increasing failure rate of new products, and globalisation of campaigns also illustrate evidence of intensified competition between agencies to deliver results. Agencies that retain their clients are increasingly being asked to offer strategic value beyond the traditional role of advertising, such as offering consumer research, packaging design, P. R., and corporate identity.

Advertising is a service that suffers from the problems of experience and credence qualities (Nelson, 1974; Darby and Karni, 1973). With respect to experience qualities, satisfaction in repeated transactions based on creative ability will depend critically on the speed and frequency of acceptance or approval of creative proposals for production, and the results arising from its exposure in the market. Between these times, satisfaction may depend more on service quality, since information on which to judge creative ability may be difficult and restricted. Service quality may also integrally affect the quality of creative processes (insofar as poor communication might lead to misinterpretation of a brief, and so off strategy), or service catastrophes might preoccupy creative energy and time. With respect to credence qualities, after a campaign has run, the long-term value of the campaign, or a series of campaigns, is often in dispute. Specifically, it is difficult to measure precisely how advertising adds value to a brand, opening up the jeopardy of subjective assessment that may be influenced as much by a perceptions of the agency's capabilities. In the absence of proving technical ability (at least in the short-to-medium term) the client may replace this with trust in the agency's level of service, based on responses to client requests. Therefore, it is important for an agency to identify why trust may be breached in order to invest expeditiously in those relationships most valued. Since

⁵ Interview conducted by the author with the Chairman of agency M, and with an Account Director of ad agency N in 1997.

⁶The Chairman of agency M suggested that contracts were rarely more than six months long in initial advertising agency-client relationships, and are usually increased upon satisfaction with successive exchanges. This suggests that norms of conduct are likely to be ambiguous, due to the unfamiliarity of working processes between organisations involved in recently formed relationships.

trust projects the speculative values of exchange relationships into the future, it is a predictor of another's performance (Doney and Cannon, 1997: 36). The marketing literature on trust has been generally targeted at either suppliers or their salespeople (Doney and Cannon, 1997). Trust of suppliers has been associated with more co-operation (Morgan and Hunt, 1994), more commitment (Dwyer, Schurr and Oh, 1987), greater intentions to stay in a relationship (Anderson and Weitz, 1989), and greater adaptations to maintain exchange value (Davies and Prince, 1999). Collectively, this suggests that when trust is prevalent, it is relatively easier for the seller to restore a relationship. Overall, examining CAR from a perspective of tolerance appears to be an appropriate area of study.

1.3.2 Client impact on agency performance

Comparative, empirical research of CAR by Michell (1986/7) suggested that dissatisfaction with creative work was the main reason for client disaffection. Agency demotivation and mistrust can have a detrimental effect on the creative process, and hence be a significant contributor of much relationship dissatisfaction. If clients were more informed about the magnitude of their impact on the creative process, they might reflect more on their general stewardship of their agencies. Trust and motivation are first discussed, and how they are linked to the creative process.

The role of motivation in improving buyer-seller relationships has been recognised by Sheth and Parvatiyar (1995). Trust is closely linked to motivation, in which the greater the expectation of future positive reinforcements, the greater is the propensity to engage in relational behaviour.

With the supply function becoming a more strategic differentiator, buyers will need to treat their suppliers more as partners (Sheth and Sharma, 1997: 96) and demonstrate this value through bonding. The primary reason is the recognition of the potential value creation from managing supplier relationships better (Wilson, 1995). In CAR, clients have a significant impact on the overall quality of the advertising they receive from their agencies. This is reflected in the recognition of simultaneity of production with the consumption process within services marketing (Regan, 1963), and the need to customise the creative process of advertising. This is exemplified in the nature of the creative process. Overall, there is a sound motive for clients to seek ways in how they can get the best creative work from their agencies by nurturing agency motivation, trust and respect.

Since assessment of creativity relies largely on the subjective perceptions of clients (Nelson, 1974), it is difficult to assess the true value of a campaign, and difficult to discern the efforts expended by the agency. Therefore, many decisions within relationships must rely on tolerance, in the absence of more objective marketing information. Agency creative work relies on the goodwill and commitment of its personnel. When these conditions are not fostered, agencies will underperform. Underperformance can arise in several ways. Informally, individuals become demotivated if they feel their work is undervalued or unimportant that may reflect a lack of recognition for their inputs, or a lack of value in their rewards received (Vroom, 1964). Undervalue is implicit in work that needs to be constantly monitored or closely supervised. According to Kirton (1987) highly creative individuals are stimulated (motivated) by a lack of routine and unstructured conditions rather than by the precision of “tried and tested” methods. If there is a need for highly innovative campaigns, clients can unduly interfere with this process.

Alternatively, underperformance can arise more formally. An agency may institutionalise their perceived lack of recognition. This may be manifested by diverting their best resources (e.g., best creative staff) to their preferred customers. The net effect of these two moves is to reinforce the client’s feelings of dissatisfaction about their agencies. The upshot is that most clients and their agencies ideally do not want to terminate their incumbent relationships because these break-ups are costly to both parties (Williamson, 1985; Kalwani and Narayandas, 1995). Clients can develop an insight or better understanding of how they might help their agencies to help them achieve their performance. For example, Korgaonkar, Moschis and Bellenger (1984) have suggested that the advertising skills of clients can significantly contribute to campaign success.

However, unjust client conduct (such as undue intolerance perceived by agencies) may lead to agency demotivation or mistrust, leading to unsatisfactory performance as perceived by their clients. In the advertising literature, several researchers amplify their criticism of clients. The literature shows the following grievances to be important sources of agency dissatisfaction with their clients:

(a) Unsatisfactory process issues:

Unsatisfactory process issues include the way interaction is handled, including briefing and documentation, in which expectations may not be clarified. It includes indecisive clients, who repeatedly change their minds about their requirements after agency work has been completed. For example, Weilbacher (1983) suggests relationship failure is often attributable to a lack of

clear expectations both in objectives and evaluation procedures. This suggests weaknesses in the client briefing process. Beard (1996) surveyed client opinions to find that role ambiguity affected personal relationships adversely, which can be interpreted as a rebuke of clients not clarifying their expectations. If clear instructions are not given to their agencies, then the performance expectations of their clients will not be met, offering further explanatory insight as to why relationships are often short-lived. Process issues can have a detrimental effect on the motivation of creative staff, or contribute to mistrust. Trade sources have revealed these are frequent problems of agency frustration⁷.

(b) Unsatisfactory strategic issues:

Clients may impose ideas that are considered to be fundamentally at odds with the views of good advertising practice (as viewed by the agency) so creating a stressful relationship. For example, if the client misunderstands the value of advertising in contributing towards brand equity/ strong positioning, then the agency will experience a continuity of conflict with the client. The client might treat advertising as a short-term fix where a longer-term solution is needed, such as the need to build a clear and relevant creative platform for a brand.

Alternatively, the positioning may be changed continuously, causing the brand positioning to be confusing to its target customers.

(c) Unsatisfactory policy, in terms of allocation of business:

One cause of continuous repositioning (as explained immediately above) is in the use of a roster of agencies, if agencies are constantly shifted from one piece of business to another, encouraged to compete against each other (which will discourage co-ordination and integration). In a roster, it is more difficult for agencies to be singing from the same hymn sheet. Alternatively, agencies may only be offered patronisingly marginal bits of business. This is exacerbated if agencies are under constant threat from their clients arranging a continuity of strategic reviews, in which the incumbent agencies are constantly required to justify their existence. Here, agencies feel their respect is undermined, and mistrust may prevail. At the other extreme is the client decision to deliberately offer a disproportionate amount of business to small agencies in order to keep them in a subservient position. The obvious case is where an agency is over-reliant on one client, in which the client may treat the agency as one of his or her own departments, with the consequence of the agency possibly over-servicing the client.

⁷ In addition, this was strongly suggested as a by-product of depth interviews conducted by the author with 14 advertising agencies in 1997.

(d) Gestalt perceptions:

Gestalt psychology assumes that evaluations are made on a series of stimuli to provide a complete picture of events, and used to develop global images of services (Bitner, Booms and Tetreault, 1990, Zimmer and Golden, 1988). When there is discontentment in service issues, a series of minor grievances may be evaluated together, which although insignificant in isolation, can become significant in combination. This might incorporate personality issues, e.g., don't like client's tone or style of business, or don't like the individuals per se. The underlying factor is the perception of how the client treats the agency, e.g., if the trust in the agency has to be constantly tested, the agency may feel that there is a lack of respect for them.

Unexpectedly unacceptable client behaviour includes over-reacting or under-reacting to problems. Over-reactions would include clients who act rashly and impatiently (i.e., are quick to judge, without clarifying the facts and thinking through the consequences and the impact of the relationship). Under-reacting would include clients who are apparently ungrateful for the extra effort exerted by the agency, and perhaps where the agency ends up over-servicing the client, with a concomitant opportunity cost in managerial time and money. Under-reacting clients would also include those who fail to convey their true feelings before making a termination decision. By examining tolerance, an agency can become more aware of its vulnerability, and so pre-empt possible switching.

1.4 Practical issues with tolerance

Researchers still know surprisingly little about the dynamics of relationships. For example, under what conditions might trust be impregnable, and under what conditions might it be broken down, possibly irreversibly? Although this is not the specific research question, the outcomes of this research should offer inspiration for future research in this area.

From a client's perspective, a greater awareness of the issues influencing tolerance in relationships can:

Recognise their own, and others' biases

Promote acceptance of individual differences

Clarify expectations from both agency and client perspectives early in relationships.

Offer client opportunities to reflect on their behaviour by benchmarking against rivals facing similar issues, or experiencing similar characteristics

Help towards more amicable solutions by reconciling conflicts either within or outside the incumbent relationships.

For example, an extremity of intolerant behaviour is zero tolerance, in which extreme action is taken against an agency committing apparently minor offences. A client might feel they have a divine right to be angry about agency under-performance, false promises, or particular service quality problems. However, transforming their anger into retaliatory action may not be in the best interests of the relationship. How appropriate their action is will depend upon the purpose of their action, so in some cases the purpose behind zero tolerance might be justified. However, if the client believes the agency needs 'to be taught a lesson', along the philosophy of "two wrongs can make a right", then such punitive actions may escalate the problems within the relationship.

A major problem with zero tolerance (always acting harshly to under-performance) is that it becomes a rule that is substituted for good judgement. If the client believes that service discipline within the agency is slack, clients will feel justified in airing their views, but to do so offensively where the punishment doesn't fit the crime would be counter-productive. When the client is offered discretionary judgement in what to do, rather than following rigid rules and policies, the energy derived from anger can be better directed more constructively toward a solution. Educating and training in what and how various issues might affect tolerance that may be ingrained in the different cultures of organisations, could be demonstrated in earlier stages of relationships, promoting healthier, lasting relationships.

1.5 Examining service encounters

In order to consider what is tolerated, the focus is on critical incidents.

Critical events in relationship development

An event is a happening that takes place in a specific setting and may be caused by the participants within the relationship or outside of it (e.g., in the macro-environment). Critical events involve assignment processes and interaction, changes in a client's strategy, personnel and the environment that often mark the turning points in relationships. Since events impact

upon the content and process of relationship development, critical events may be considered as those which may have a *decisive* impact on the relationship (Halinen, 1997: 65, 289). Since the participants may need to adapt to maintain a relationship arising from a critical event, they can create situations in which the parties demonstrate their commitment to each other. Critical events are therefore extraordinary. These phases are not easy to predict nor necessarily sequential (unlike a life cycle), so critical events may be a better predictor of relationship behaviour than time alone (Halinen, 1997: 227). This accords with Kimberly, (1980: 7-11); Ford, (1989: 823); Hedaa, (1991: 48, 131), who believe that organisational relationships are unlikely to form a set pattern over time. Indeed, Ford and Rosson (1982) have suggested, from a longitudinal real-time study, that growing, inert and static relationships can occur almost irrespective of age. Rosson (1986) concluded that relationships are vulnerable to termination in at any phase, and especially in the early period of relationship development. Alternative ways must be sought to examine how to identify relationship vulnerability that could be predicted in order for resources to be targeted expeditiously to strengthen it. One approach is to examine how clients respond to their suppliers in the relationship.

Several changes occurring simultaneously (i.e., critical events) may weaken behavioural commitment and even dissolve the relationship, whilst a single unsatisfactory assignment process is insufficient to break a committed and trusted business relationship (Halinen, 1997: 269).

Since an integral part of relationships involves successive interactions and exchanges (Ford, 1982: 289), the service encounter as the unit of analysis would capture these events. The service encounter is also episodic, insofar as the event and reactions to it can be examined and analysed as a means of assessing the state of a relationship. This study focuses on reactions to the service encounter and, in particular, how the agency contributes to interaction incidents, whilst accepting the role of other critical events that might mediate or affect reactions to these incidents. For example, *changes in the account team* are recognised as potentially important to the relationship. Stability of the account team is recognised in the proposed model of tolerance shown in chapter 2 as one of several performance characteristics of the relationship.

Studies in service encounter failures have been conducted in retailing by Kelley et al. (1993), and in services in general by Keaveney (1995), but have not been applied to advertising per se. The managerial importance of service encounters can be attributed to their impact on customer

switching (Keaveney, 1995). The author feels service encounters should be interpreted more broadly to include inconvenience, core service failure and response to service failure as in the study by Keaveney, since these cannot be entirely separated from face-to-face, or more direct, service encounters. The total amount of switches arising from dissatisfying service encounter experiences can then be considered substantial. According to Reichheld and Sasser (1990), the loss of customers affects the high margin sector of a business disproportionately, so examining service encounters should be an important focus of attention for managers and researchers alike. This has not been studied in depth in advertising.

It is expected that successive critical incidents of a particular nature will reduce tolerance levels for maintaining a relationship. Whilst critical incidents may not be grave in themselves for harming a relationship, they may be far more serious when combined with previous experiences. Offset against this are switching costs, in which relationships are more difficult to break up over time, since partners are exposed with higher exit costs. This would suggest experience effects may have an important bearing on relationships, as discussed by Davies and Prince (1999). The quality of these relationships can be measured by attitudes towards the relationship, intentions to switch and subsequent switching behaviour. The behaviour of these interorganisational relationships is of special interest when it is close to breakdown (Rao and Reddy, 1995).

This study examines the response styles of clients, arising from their experience of service quality problems during interaction with their agencies. Building on a literature review of relationship marketing, several propositions are made about conditions which might influence the kinds of response styles adopted by clients. These response styles are considered to provide support in classifying clients by their levels of tolerance.

1.6 Research questions

RQ1: What are the critical incidents in service quality encounters that affect agency relationships?

RQ2: How do these critical incidents affect tolerance in relationships?

RQ3: Based on these critical incidents, what factors (or variables) are associated with tolerant clients?

1.7 Prior measures of tolerance

The service quality literature has hitherto examined a zone of tolerance believed to be central to evaluations of service quality and satisfaction, based on measuring the gap between adequate and desired standards (Zeithaml et al., 1991; Berry, Parasuraman, and Zeithaml, 1993; Zeithaml, Berry, and Parasuraman, 1993; Johnston, 1995; Zeithaml and Bitner, 1996; Gwynne, Devlin and Ennew, 2000). However, this definition of tolerance level arose from the SERVQUAL literature acknowledging different levels of expectations. Mixed findings are revealed between Gwynne et al (2000); Berry, Parasuraman and Zeithaml (1993) and Johnston (1995). Specifically, Gwynne et al (2000) found that the level of *desired* expectations may be unaffected by general customer dispositions towards the service (or company) whereas *adequate* expectations are raised by prior positive dispositions (in contrast to assumptions made by the remaining authors). These mixed findings possibly reveal problems in how tolerance is measured. Can customers accurately identify different sets of expectations that are measured in one time frame (i.e., not longitudinal), and that possibly fluctuate by situation? Such an approach strongly assumes that expectations are stable over time and with different situations, yet as Gwynne et al. (2000) argues, more studies should be conducted longitudinally.

1.7.1 Reconceptualising tolerance levels

Due to the mixed findings from SERVQUAL applications above, this study adopts a different approach. This study examines tolerance based on past experiences or events during the relationship by measuring consumer perceptions (of what has happened) considered more atheoretical than sets of expectations (of what might be). Second, the focus is on extreme events that should not be too challenging on the memory (Flanagan, 1954). Critical incidents are used in lieu of measuring adequate and desired levels of service. It is proposed that response styles will be representative of service levels offered, with more positive responses as the desired levels of service are approached, but more negative as they move further away, particularly below adequate levels of service. Any service quality problems considered as negative critical incidents by the client therefore fall well short of an ideal, or expected, level of service. Third, it assumes that tolerance may arise from within individuals, assuming considerable client discretion in their responses, pointing to different types of clients.

The perceived contribution of the agency in the critical incidents experienced by their clients is examined across comparisons of several types of client responses. This contribution toward negative and positive critical incidents is measured in terms of negative and positive attributions or voice respectively. To ensure client responses are a valid representation of these incidents, the set of responses are statistically tested. It is accepted that the importance or severity of these client experiences might be measured in other ways, such as the amount of management time or costs arising from the critical incidents. However, this would be difficult to ascertain precisely, and would be subject to errors in recall. Instead, overall feelings can capture the accumulation of critical incidents, and client responses, as episodes within a relationship period, consistent with Gestalt psychology. For example, how the agency is perceived/ attributed with blame or credit captures client feelings that can be directly compared to client behaviour for determining tolerance.

1.7.2 The importance of perceptions in affecting behaviour

Insofar as tolerance is predicated on perceptions of situations, or more focally on incidents, there is a need to discuss and justify the importance of perceptions of incidents in organisational behaviour, and more specifically to advertising relationships. In accordance with Lewinian field theory (1951) human behaviour arising from situational and environmental conditions are best described by the persons experiencing them. Consequently, it is their perceptions of their environment rather than the objective environment that affects their relationship behaviour, consistent with the IMP Group (Turnbull and Valla, 1986).

Cattell (1963) has argued that how situations are perceived should be of prime interest for psychologists. Cronbach (1957) has argued that variations in individual behaviour should be examined in their context, due to situations in behaviour. The concept of situation emerged from the focus of the objective (external reality of a situation) to the subjective (perceived situation), from which social meaning is given by the physical situation or environment (Forgas, 1979: 68). Restricting the analysis to service encounters, the situations described are social episodes or a series of interactions. According to Forgas (1979: 72) these are not accessible to objective assessment, other than through the judgements and perceptions of the individuals participating in them. However, both data collection techniques and method of analysis are objective insofar as they can yield replicable and quantifiable information.

According to Spielberg (1975), previous experiences of perceptions of behaviour will affect future behaviour. Specifically, the greater the periodic occurrence of a particular situation (incident), the greater the likelihood an individual will adopt a consistent, or *coherent pattern of behaviour* to deal with it. It is argued that for situations reflecting key turning points (critical incidents), particular patterns of behaviour may be less easy to predict without a detailed analysis of these critical incidents. This study serves this purpose, and hopes to develop a framework for making predictions or expectations based on different types of clients, based on their styles of behaviour. It is argued that patterns of behaviour can even be predicted from even extreme situations associated by critical incidents. This is achieved by examining not only types of clients, but other factors that affect the characteristics of the situation, such as the environment. The critical incident methodology is used as a basis for developing a theory of tolerance for client-agency relationships.

According to Forgas (1979: 62), studies demonstrating situational consistencies in behaviour can be classified into two groups, in terms of their methodology. The first includes studies where subjects' behavioural reactions to different situations have been evaluated, whilst the second method relies on self-report reactions to a range of situations, collected by questionnaire. Simplified, the former rests on reactions to objective, actual situations, whilst the latter rests on reactions to cognitive representations of actual situations, or subjective situations. In past studies of subjective situations in organisations, individuals were found not to differ according to mainly stable behavioural traits, but according to their specific ways of adjusting to situations (Ekehammar et al., 1974). Examining extreme points of situations, either negative or positive, can contribute to the theory of organisational behaviour and relationship marketing management, and specifically to CAR. This can help both clients and their agencies understand typical patterns of client tolerance when subjected to extreme stress in relationships, with a view towards changing their own behaviour.

Sampling procedure of episodes or incidents within the survey

The study focuses only on the most extreme situations within particular relationships. It represents a microcosm of the whole series of social episodes and interactions experienced over the relationship. This focus is justified on a priori grounds of interest (Forgas, 1979: 117). For both clients and agencies alike, these extreme points are most likely to be turning points in any relationship. Hence they are most likely to contribute to, if not lead to, switching behaviour.

Hence restricting the study to these extreme points is also justified on the basis of strategic value.

1.8 Summary

The fragility of CAR can be attributed to the special problems linked to both services marketing generally, and advertising in particular. The intangible mystique of the creative product, together with the time required to establish a campaign success, poses a challenge to agencies to ensure clients maintain their confidence in them. This confidence is particularly tested during bad times in a relationship. Additionally, the greater failure rate of new products, increased competition from management consultancy, together with alternative communication modes that may appear more easily accountable (e.g., direct response and sales promotion), provide evidence of an increasingly harsh environment facing the advertising industry. The upshot is a less favourable prospect for ad agencies that underachieve.

Clients also contribute to the overall quality of advertising they receive. This depends on their level of sophistication and compatibility of goals with the agency, compounding the gravity of the advertising task facing the agency. Lack of client sophistication is outlined in poor briefing, a misunderstanding of how advertising can deliver short-and long-term brand values, inappropriate business policy, and unacceptable client behaviour, all potentially demotivating agency work.

Tolerance can help agencies and their clients restore a sense of balance in an unacceptable relationship through reflective behaviour. A knowledge of bad and good experiences exposed by critical incidents in relationships, how these impact on tolerance, together with factors associated with tolerant clients can create signals of each other's future intent for both agencies and their clients, leading to greater control and assurance.

Tolerance is explored, based on both negative and positive attributions, voice, and behaviour relative to both bad and good experiences. The unit of analysis is the service encounter.

Chapter 2: Developing a new model of relationship tolerance

2.1 Introduction to the model building process

Developing a model of tolerance depends on what baseline theories are used for conceptualising constructs for model building. Accordingly, the interorganisational literature is reviewed to identify the major paradigms of relationships. These theories are then identified from a review of the extant buyer-seller channel models of relationships. This review provided the guide to focus on integrating concepts taken from transaction cost economics (TCE), relational contract theory (RCT), resource dependency (RD), and social exchange (SET). The overall explanation for tolerance will be drawn from the organisational justice literature that is implicitly rooted in explaining relational and social exchange for explaining fairness (Dwyer, Schurr and Oh, 1987; Weitz and Jap, 1995). Although most studies of interorganisational justice revolve around fair explanations of work satisfaction, pay and conditions rather than relationships (review the meta-analysis by Colquitt et al., 2001), there is recent interest in applying it to relationship marketing, e.g., Tax et al. (1998), Sirdeshmukh et al. (2002). To this end, the paradigms above are integrated with the justice literature, with a focus on RCT, SET, and TCE.

The literature review is arranged as follows. The justice literature is examined to support the dependent variables, followed by theories of trust that overlap with the justice literature. Next, the major theoretical paradigms of interorganisational relationships are reviewed. The most frequently used independent factors are then identified from the extant buyer-seller literature and used to build the model. The proposed model for predicting tolerance is then presented. Chapter 3 presents the hypotheses. Therefore, to fully understand the logic leading to the hypotheses, it is advised to read chapters 2 and 3 together.

2.2 Building an interorganisational theory of tolerance

In order to gain insight into tolerance, it is necessary to explain what makes people respond in the way they do. Inspiration for developing an understanding of tolerance and how it can be measured was derived from theories about motives available in the social sciences. Perspectives on fairness can be attributed to theories on how justice is defined and resolved. Support for examining justice is offered from the service encounter literature in consumer marketing, in which intentions of repurchase or retention have been associated with effective recovery strategies (Kelley, Hoffman and Davis, 1993; Hoffman, Kelley and Rotalsky, 1995). In turn, effective service recovery has been associated with fairness (Goodwin and Ross, 1992; Spreng

et al., 1995; Palmer et al., 2000), in which service encounters may convey implicit judgements about the fairness of the experience (Berry, 1995; Clemmer and Schneider, 1996).

The motives for tolerant or intolerant behaviour may depend upon how far a person feels justice should apply, that may be shaped by contract or culture, such as that derived from expectations and social norms. Four perspectives of justice are discussed to explain a rationale for differences in tolerance. Tolerance is then established by observing combinations of attitudes and behaviour based on seven dependent variables.

2.2.1 A distributive perspective of justice

Distributive justice is concerned with acquiring fair resources and outcomes, based on either the principles of equity, equality or need. This means that clients would make judgements on the basis of whether their future outcomes would be perceived as deserved (based on proportional exchange inputs), fair (based on equal outcomes), and could meet their needs (regardless of contributions).

The most general criterion for seeking justice is based on equity theory (Adams, 1965; Blau, 1964; Walster, Berscheid and Walster, 1973). Equity theory assumes people respond (as outputs or outcomes) proportionately to the inputs from others (what they receive). Applying this to client-agency problems in relationships suggests that responses should be proportionate to positive or negative experiences by the client. If experiences are measured by significant incidents and if relationship quality can be measured by the accumulation of negative and /or positive incidents, then a measure of tolerance could be measured by how far people deviate from proportionate responses to these incidents. Consistent with equity theory (Walster, Walster, and Berscheid 1978; Swan and Oliver, 1985), it follows that the larger a firm's input into a relationship (efforts expended), the more just it is for that firm to keep a larger share of the benefits or rewards from the relationship.

A second principle is the principle of equality, or parity (Sampson, 1975). The principle of parity suggests that fairness is resolved by sharing resources equally amongst recipients, irrespective of their performance. Applied to agency-client relationships, this is unlikely. Whilst the parity principle might appear altruistic, conforming to parity would suggest agencies would not get penalised for poor performance, whether deserved or not, an unlikely commercial scenario.

A third principle of distributive justice rests on specific need irrespective of contribution (Lerner, 1977). This study focuses on the needs of the buyer in the buyer-seller relationship. Clients may respond differently to similar situations because their hierarchy of needs are different, reflecting different risk preferences. The motive of security that leads to almost certainty of mediocrity of performance may be favoured to a more risky venture that may be much riskier for both sides but that could lead to far better performance. If there is a motive to avoid failure at any cost, security may fulfil the need to minimise blame under almost any scenario.

If clients hold a strong motive or need for power, they may believe they are entitled to demonstrate the pecking order in the relationship that may be indicated by their intolerance. If they believe they have more control over their situation than others, they may wish for outcomes that will be valued (and rewarded) by their superiors. This has been associated with new client management making their presence felt with a change of agency.

2.2.2 Procedural justice as an alternative perspective of fairness

Procedural justice is concerned with procedures that govern decision processes. A sense of fairness can also be based on whether the responses relate to procedures that are judged to be applied consistently, with all relevant arguments accounted for (Leventhal, 1980). Accordingly, it is proposed that an inclination for a client to voice their feelings above or below that felt for (or attributable to) justice, whether based on equity, parity, or what is necessary, will indicate a measure of tolerance within the relationship.

2.2.3 Interactional justice

Interactional justice is the way interpersonal treatment is managed, including communication and effort to resolve conflict reflecting courtesy, concern, honesty, providing appropriate explanations, and genuine effort in problem solving (Bies and Shapiro, 1987; Mohr and Bitner, 1995).

2.2.4 Restorative justice

Restorative justice is concerned with redress for personal harm. In a commercial context, this is less likely to involve personal physical injury but more likely to represent violations of interpersonal norms of social exchange that create emotional stress.

How the victim responds will depend upon how the offence is interpreted. In terms of client-agency relationships, this should relate to levels of client and agency accountability and responsibility. The kind of violations of interpersonal norms of social exchange may involve misrepresentation, insults, false accusations, and broken promises that may cause anger (Daly, 1991); or destructive criticism, such as derogation of another's status (Bies and Tripp, 1995). Any combination, or in isolation, may induce negative emotions that motivate revenge. According to Cloke (1993), revenge is generally associated as being harmful to the offender, the recipient, and their relationship. In contrast, forgiveness has been shown to strengthen interpersonal relationships (McCullough and Worthington, 1995).

According to cognitive consistency (Festinger, 1957), conditions leading to revenge and forgiveness cognitions will directly influence behavioural response, since thoughts and actions are assumed to be congruent. Thus if and when behaviour is pursued, it is likely to be consistent with prior cognitions.

Thus tolerance may be expressed by undercompensating or overcompensating of agencies in relation to their contribution in the relationship that may be motivated by perceptions of fairness. If a client seeks restorative justice, this would suggest that rewards would be undercompensated, or penalties would be overcompensated in relation to performance of another party.

One explanation for tolerance is that inequity may be less distressful for some clients, leading to less undercompensation or overcompensation. This behavioural rationale might suggest the treatment of agencies as partners within a relationship, rather than responding mechanistically to each and every transaction in which agencies are treated as suppliers within a relationship (Ford, 1998: 110). Alternatively, if responses to positive incidents are also undercompensated, it might indicate inertia or a stale relationship.

2.3 Coping strategies

When clients experience a critical incident, this is likely to exhibit role stress. According to McGrath (1976) and Williams (1984), stress connotes an individual state brought about by conditions perceived as challenging or threatening, in which an individual feels they are no longer able to cope. When faced with critical incidents, stress can be measured in terms of the client's perception, as measures of trust and confidence in an agency (and, by implication, the

client's need for control) to resolve the incident.

Revenge and forgiveness are coping strategies for responding to perceived injustice. Coping strategies can be examined from both the client and agency perspective in how individuals deal with anxiety and stress. In symptom-focused coping strategies, individuals withdraw or avoid problems mentally or physically. This could be by failing to register voice that reflects a client's attributions or feelings, or by reducing the amount of business concerned with the problem (e.g., an agency failing to achieve the client's media objectives might find that part of the contract restricted or withdrawn). In applying problem-focused coping strategies, a person tries to face the problem in order to change it. Active attempts by clients to change the conditions of the relationship should generally have a more positive effect than psychological withdrawal of problems (symptom-focused coping strategies).

Stress can also be triggered when faced with unfamiliar conditions. According to Teoh and Foo (1997), tolerance for ambiguity is the ability to respond positively to [ambiguous] situations. Applying this to the client-agency relationship, a client who has high tolerance for ambiguity is more likely to feel confident about their relationship with their new agency and likely to reflect that through their thoughts and actions. Simply put, when faced with ambiguity, a tolerant client is more likely to accept some risk in the relationship. Due to the amorphous nature of much of the process of how creativity develops, it is likely that clients face ambiguity in managing the interface for agencies to accomplish the creative task. An ambiguous condition facing the buyer could be the sudden unfamiliarity of changes in the task environment, or changes in personnel, strategies, or the relationship itself.

2.4 The dependent variables: Examining response styles

2.4.1 Attitudes and behaviour

What kinds of response styles should be examined? First, it was decided to study both attitudes and behaviour. Second, it was decided to examine both negative and positive responses. These include cognitively or emotionally driven attitudes and behaviour, together with destructive or constructive response styles respectively.

Why attitudes and behaviour? According to Sheaves and Barnes (1996: 222) how a partner behaves towards another does not necessarily reflect how they feel towards them. Reporting both attitudes and behaviour facilitates a fuller interpretation of any relationship. Rusbult and

Buunk (1993:182) suggest why behaviour may not reflect attitudes about the relationship. Individuals may be more committed to a relationship if the alternatives to their relationships are scarce or are of poorer quality. Hence a firm's ability to create a lasting relationship is determined by not only its own actions, but by those of its competitors (Sheaves and Barnes, 1996: 223). A lack of alternatives may sustain the longevity of an account without a particularly positive relationship, referred to as "taken for granted service situations" by Barnes and Barnes (1995).

The importance of emotional benefits in maintaining a relationship have received scant attention in the literature (Sheaves and Barnes, 1996: 220). Social sources of trust may account for emotional customer responses. Rempel, Holmes and Zanna, (1985) suggest that faith is the most important factor in trust. They regard this as an emotional security on the part of individuals which enables them to go beyond the available evidence and feel, with assurance, that their partner will be responsive and caring despite an uncertain future. An agency perceived to be acting in caring ways might appreciate the importance of service quality, whatever their future holds.

2.4.2 Measuring the direction of the response style

A second issue in measuring response styles is whether to record either constructive or destructive responses, or both. Jacoby (1976) suggests that behaviour arising from either favourable or unfavourable impressions may not be symmetrically aligned. This suggests that inferences made from analysing only one set of responses on either side may be tentative. This study therefore aims to record both constructive and destructive responses. According to Gruen (1995: 461), constructive response styles should include 'citizenship behaviours'. Organ (1988a, b) defines these as constructive gestures that are valued by the organisation beyond the explicit contract or duties of a formal role. Gruen (1995) defines these as 'extra role behaviours'. Examples include word-of-mouth advertising, participating in company sponsored research, display of relationship affiliation (e.g., stickers), suggestions for improvements to the partner and the tendency to be flexible in business relationships when it is required (e.g., changing delivery schedules)¹.

¹ One agency helped its client to find another (at no cost to the client), when a conflict of interest arose from winning a competitive account. Another agency declined business when it was aware that a more specialist agency from the client's roster could do the job better.

Acknowledging the episodic nature of response styles in consumer complaint behaviour (CCB), Singh (1990: 64) advocates that any taxonomy of consumer response styles should measure the intensity of response (rather than to simplify the analysis to a yes or no dichotomy).

Accordingly, this study uses multiple responses to capture the domain of complaint options exhaustively. The use of episodic-specific variables extracted from an inductive analysis requires a contextual setting. According to Singh (1990:64) dissatisfying experiences should be restricted to those that can be clearly remembered and reported.

In deciding what aspects of response to examine, the literature on CCB was consulted (Day, 1980; Singh, 1988; Singh, 1990; Hansen, Swan and Powers, 1996). CCB is conceptualised as a set of multiple responses, some or all of which are triggered by perceived dissatisfaction with a purchase episode (Singh, 1988:94). In the consumer marketing literature, the causes of dissatisfaction have been orchestrated by several researchers. Allison (1978) has examined dimensions of consumer alienation, whilst Richins (1982) and later Singh (1990) identified attitudes towards complaining behaviour, notably personal norms and societal benefits of complaint behaviour. These results offer clues as to what to include in a domain of responses because such attitudes may affect subsequent responses. Similarly, Bolting (1989) has noted that causes of dissatisfaction in consumer services include characteristics of consumers. For instance, policy decision rules set by the client organisation may significantly influence responses. Alternatively, Bolting (1989) suggests that a good citizen may feel a duty to bring to the attention of management those services that fail to meet expected performance. Since these studies were restricted to consumer markets, some caution is required in applying them to business-to-business markets, such as advertising, since business norms will be different.

In the CCB literature, expectancy value theory is used to measure likelihood of intentions to act on the reactions of the other party. For example, Singh (1990) has used an adaptation from Day (1984) and Richins (1983) to conceptualise and measure purpose behind complaint response options, notably based on redress and payoff (costs/benefits) respectively. Singh's analysis examines intentions to problems in general rather than specific incidents. However, intentions to behave can differ markedly from actual behaviour due to the changes taking place between recording of intentions and subsequent behaviour. It is likely that motives might change over the course of a critical episode. Therefore, the dependent variables of this study are based on perceptions of what people have done (in terms of response), rather than intentions of what may or may not be. It was therefore decided to capture actual responses to specific critical incidents

rather than ascertaining purpose empirically.

In this regard, Hansen, Swan and Powers (1996: 276) observed that dissatisfied industrial buyers tended to move through a predictable pattern of responses, from first complaining (voicing) their complaint, then seeking more senior management to resolve their problem, and finally to switch suppliers (the ultimate sanction or threat). This is basically an extension from Day (1980) that identified redress seeking, complaining (to modify future behaviour rather than resolve problem) and boycott (switching suppliers). Hansen et al. (1996) have suggested that voice is more likely used on suppliers considered as competent to change their behaviour, whereas switching may reflect perceived incompetence (suggesting a performance effect).

Based on the CCB and justice literature, and linking this to interorganisational relationships, it was decided to study attributions, voice and behaviour as sources for the dependent variables.

2.5. Attributions and/or feelings: The reactions of blame and credit

Attribution theory can help explain how people may respond to personal offences in client-agency relationships that may arise from either distributive, procedural, interactional or restorative justice. The client evaluates the extent to which the offence was created by either the agency, client, or some external event that has caused the negative or positive outcome. Based on this evaluation, the client then decides how much responsibility is attributed to the agency. This attribution represents blame (for negative outcomes) and credit (for positive outcomes). When blame is attributed to the agency, there is a grievance. The client can then cope with the perceived injustice, and restore the balance of fairness in how they see fit, according to the nature of their relationship, and according to Bradfield and Aquino (1999: 613), by the severity of the grievance. This balance can be restored by seeking either forgiveness or by seeking revenge. (Refer to Felson and Tedeschi, 1993). According to Bradfield and Aquino (1999), blame assigned to the offender is likely to be positively associated with revenge, and negatively associated with forgiveness. Forgiveness involves minimising the effect of negative emotions (Fitzgibbons, 1986).

Blaming the victim is a basic emotional reaction to injustice. Lerner (1980) has interpreted this as a defence mechanism serving a basic need for justice and security. In relation to critical events or incidents, blame suggests the incident, or response to it, could have been avoided, or at least nullified by responsive behaviour. It may also relate to other variables, such as paranoia, and at lower levels of blame, attributed to modesty or self-restraint. Since blame can represent a

more enduring rumination of emotions (from a series of events or incidents) than disapproval (considered more specific to a solitary event or incident), blame is considered to hold more impact on a relationship.

Credit is the opposite of blame, and so credit and blame are two dependent variables chosen to represent client feelings in the model.

2.6 The reaction and purpose of voice

A variety of reasons may account for why people voice their feelings relative to how they feel or act, in terms of sharing business between different suppliers. Voice might be designed to control agency behaviour, or as a means of distributing feedback about their competence. Disapproval is how blame may be voiced, and praise is how credit may be voiced. The buyer may voice their feelings, in terms of praise (or disapproval) if and when it is considered appropriate for motivating the supplier, and may base this on the quality of prior transactions and/or future expectations. The tone of voice might be deemed tolerant or intolerant, driven by any of the previous principles of justice.

Helper (1993) has argued that choice of response style, in terms of solving problems, is a strategic one, insofar as it is used as a means of governance to achieve goals. Specifically, she reports that:

"...exit and voice can be the cause as well as the effect, of substandard performance." (page 155).

Choices of exit (switching suppliers) or voice (as a means of responding to achieve problem resolution) were originally proposed by Hirschman (1970:30) for responding to undesirable circumstances that required change. Therefore these should be equally applicable in dealing with critical incidents.

Interpreting the quotation by Helper, *op.cit.*, the choice of response can have a motivating or demotivating effect on the receiving party. Based on this, the client may factor in the relationship-specific investments that would be forgone, in the event of using negative responses (such as switching supplier or conveying disapproval) that serve to harm rather than restore the relationship. This reflects a commitment to the relationship: a willingness to manage short-term sacrifices to maintain the relationship.

Applying this to client-agency relationships, a client that uses praise sparingly but is generous with airing its disapproval might signal stress and compliance to its agency that might provoke reciprocal behaviour, in which neither party enjoys working with the other, leading to a breakdown in social bonds, and a lack of social co-operation.

2.6.1 The importance of voice

According to Spekman, Isabella, MacAvoy and Forbes III (1996), the ability to articulate and communicate values compellingly can bring about mutual understanding for direction in relationships. Implicitly, this would include both positive and negative feedback in how the relationship is heading. They recommend a review of the relationship status that includes a discussion as to whether to broaden or reduce the alliance's scope. Frazier, Spekman and O'Neill (1988) suggest that partners that are engaged in collaborative exchange tend to continually enlarge the kinds of rewards they supply each other. In this study, response styles are extended from positive (negative) feedback to additional business (or reduction of business).

Voice, when serving as directed feedback, can be used as an incentive scheme to achieve desired behaviour, as can changing the terms of business. A client may promise, or grant (warn, or withhold) the opportunity for additional business, (or a reduction in business) that suggests an incremental approach to rewards (and punishments) that keeps a client's strategic options more flexible than a total exit strategy.

According to Deci and Ryan (1980), Cameron and Pierce (1994), praise can be used as positive feedback, acknowledging competence and so expected to increase motivation. Praise as positive feedback has also been used to improve desired customer service (Luthans, 1991), in which the effects are reinforced between behaviour and consequences (based on reinforcement theory of Skinner, 1969). In a client-agency context, clients might over-compensate with praise in the expectation of receiving better work through agency motivation.

2.7 Explaining differences between attitudes and subsequent voice

Impression management can explain those that praise or disapprove disproportionately more compared to credit and blame respectively. For example, disproportionately greater approval might be offered in relation to credit attributed, or disproportionately less disapproval compared to blame attributed because of ingratiation. The person may demonstrate tolerance via voice but reflect intolerance cognitively.

An explanation for under-compensating strong agency performance might be based on client cynicism. These clients might believe that praise (in the presence of competence) might encourage complacency or opportunism. Alternatively clients might believe that competency is expected, with agency proactivity merely demonstrating an expectation of professionalism. Such beliefs grant clients discretion in under-compensating either praise or attributing credit under favourable experiences.

Another client motive might be to seek retribution or punish the agency in the belief of producing change and a preferred outcome. However, if it is felt unjustified or too harsh for the offence reflecting inequity theory, (Adams, 1965), performance may decline (Ball, Trevino, and Sims, 1994). This suggests a need to manage short-term sacrifices for maintaining the relationship. A client needs to behave prudently using disapproval or a reduction in business as a stick that may subsequently backfire.

Differences in client voice, in response to a problem, may be explained by how they anticipate the actions of their suppliers. According to Hansen, Swan, and Powers (1996), purchasers may not voice their true feelings if they anticipate the supplier will resolve the problem. However, subsequent failure to resolve the problem leads the purchaser to take other (possibly more drastic) action. This may involve walking, i.e., switching suppliers, without informing the supplier (Dart and Freeman, 1994). For these reasons, the least damaging to the supplier is probably voice (since direct feedback offers the supplier the chance to take responsibility for the problem), then attitudes, then behaviour (since the latter has the greatest impact on the suppliers business).

2.8 Trust as a further dependent variable

Relationship Quality (RQ) and Trust

Naude and Buttle (2000) found that trust was considered to be the most important condition both in their review and empirical analysis of RQ. Trust is believed to motivate relationship investments that serve to create social and structural bonds that lead to future intentions or commitment (Davies and Prince, 1999). Since tolerance might be expected to be associated with RQ, with trust a key attribute of RQ, trust is likely to be associated with tolerance. Trust is the final dependent variable tested in the model.

Previous models using justice in relationship marketing have used trust as a dependent variable. Tax, Brown, and Chandrashekar (1998) used the justice literature to propose that fairness in problem solving is crucial to consumer evaluations of satisfaction and trust in a range of service industries. Their trust model assumes that distributive justice, procedural justice, and interactional justice indirectly affect trust and commitment. Tax, Brown, and Chandrashekar (1998) found a high frequency of unfavourable customer experiences in their interpersonal treatment of service failure, considerably higher than under standard service encounters. This suggests that emotions are important in the way the resolution process is perceived, in which the need for restorative justice drives subsequent attitudes and behaviour.

An interesting parallel can be derived from social psychology, in what is considered appropriate behaviour or conduct is dependent upon the perception of social norms in the immediate context (Wittenbrink and Henley, 1996). The upshot is that clients may consciously choose to act in a more tolerant way to align the incentives (and/or goals) for the agency and restore or stabilise the relationship. This response would be expected to be proportionate relative to the responses of other clients (accepted practice).

Clearly clients have some discretion in how they respond to their agencies. However, the above so far does not indicate the circumstances under which they may decide to be more or less tolerant. Sirdeshmukh, Singh, and Sabol (2002) suggest that value is what drives loyalty in relationships, and value is derived from trust. Therefore, what determines continuity (and by implication trust and commitment) is whether the relationship is valued. Where the client (possibly with declining performance) doesn't value the relationship, the client may decide to show their intolerance.

According to Madhok (1995), contributions between partners cannot be evenly matched in line with their investment throughout a relationship, but matched in terms of perception of equity and fairness based on the process of the relationship. This would suggest that procedural (and perhaps interactional) justice are more critical for judging fairness than distributive justice. The social basis of trust makes a relationship more resilient when there are intermittent periods of distributive inequity, so preventing a hasty or premature departure that might sacrifice significant future benefits (Madhok, 1995). An explanation for stalwart tolerance under conditions of adversity arises from the literature on sources of trust that suggest trust is visible even under conditions of no experience (and by implication, competence *must be determined*

from outside the relationship). Alternatively, clients might believe strongly in organisational citizenship and transfer this to their behaviour in interorganizational relationships.

2.8.1 Different sources of trust

Trust is about the expectation of ability and willingness to fulfil promises, implying both economic and social dimensions. Mayer et al. (1995) defines ability as a group of skills or competencies that enable a party to have influence within a given domain. This theory assumes that there are differences in competencies between different suppliers and the trustor values these competencies. But how are these expectations primed? McKnight, Cummings and Chervany (1998) argue that, since initial relationships do not experience interaction histories, other (more subjectively derived) sources of trust must exist.

2.8.1.1 Sources of experiential-based trust

Salaun and Flores (2001) suggest that quality information (based on reliability, relevance, and personalisation of repeated exchanges, based on experience) is the key to building trust. Theories of trust based on experience within the relationship include knowledge-based sources, derived from patterns of interaction histories and shared experiences, (Lewicki and Bunker, 1995) and responses to problems (Sirdeshmukh, Singh, and Sabol, 2002). In turn, these are processed to form judgements about consistency (Butler, 1991); and benevolent motives (Deutsch, 1985; Mayer, Davis and Schoorman, 1995:722). Other sources of trust are derived from first-hand personal relations (e.g., Granovetter, 1985; Giddens, 1990). All these draw on motives and intentions that assume predictability of past behaviour, and implicitly can serve to verify fairness in exchange (Zaheer, McEvily and Perone, 1998).

According to McKnight, Cummings and Chervany (1998), judgements made outside direct experience may emanate from generalisations about people's behaviour (personality-based trust), calculative trust, institution-based trust, or trust based on cognitive cues or impressions.

2.8.1.2 Theories of trust based outside the relationship

Rotter (1967, 1980) describes a general disposition or personality to trust others across a broad spectrum of situations and persons. Personality-based trust may reflect 'faith in human nature' or a 'leap of faith', believing that others will typically provide good intentions and can be relied upon (Wrightsmann, 1991), whilst Lane and Bachman (1996) discuss altruistic or blind trust.

According to Johnson-George and Swap (1982) this disposition to trust in unfamiliar roles and relationships is typified in organisational relationships. These sources offer an explanation for differences in tolerance between people built on the expectations of long-term equity in social exchange.

A second theory is derived from calculating the costs and benefits of being in a relationship, since individuals are assumed to protect their self-interests (Doney, Cannon and Mullen, 1998:605; Williamson, 1993). Trust may be predicted according to the extent of incentives available for co-operating, and disincentives for acting opportunistically. In the proposed model, this is argued to approximate perceptions of fairness based on distributive justice that considers the principles of equity, equality or need (Adams, 1965; Sampson, 1975; Lerner, 1977). This means that clients would make judgements on the basis of whether their future outcomes would be perceived as deserved (based on proportional exchange inputs), fair (based on likely equal outcomes), and could meet their needs (regardless of contributions) in relation to costs and incentives.

The third theory of trust is institution-based trust. Institution-based trust may be derived from situational normality, or on structural assurances such as guarantees or no-quibble returns, such as those provided by Lands'End and Marks and Spencer. Situational normality is based on a belief that success is likely because the situation appears customary (Baier, 1986), or that everything seems in proper order (Lewis and Weigert, 1985).

Trust can also be based on transference of thoughts from an unknown to a known source (Doney, Cannon, and Mullen, 1998), influenced by categorisation processes or Gestalt Theory. Using cognitive processing, agencies may be selected on the basis of their desired or expected structural characteristics (such as agency size or age) to minimise perceived performance risk. Cognitive processing may explain the perceived status of relationships with limited interaction history.

Under the umbrella of cognitive-based trust are unit grouping, reputation, categorisation, and stereotyping (McKnight et al., 1998). Unit grouping refers to putting someone else in the same category as oneself, in which they are perceived as sharing common goals and values, and more trusting (Kramer, Brewer and Hanna, 1996; Brewer and Silvin 1978). Unit grouping² can be

² Previous qualitative research indicated the prevalence of company chairmen regularly keeping in contact with their client organisations that suggests that similarity of seniority might function as an in-group.

facilitated by embedding within social networks (Granovetter, 1985).

Reputation may reflect professional competence (Barber, 1983; Powell, 1996); benevolence (Dasgupta, 1988); honesty, or integrity (Butler 1991; Mayer et al., op cit., 1995). Reputation may be achieved by third party endorsements (Mayer, Davis and Schoorman, 1995; Strub and Priest, 1976:399) or by membership of professional bodies or institutions of standing. Integrity is defined as a set of principles that are found acceptable by another.

Stereotyping refers to judgements that are based on appearances of what people are, rather than what they have done or accomplished. At a personal level, stereotyping can be positive or negative for the relationship. Stereotyping may be applied at the organisational level or at the personal level (between individuals), or against occupational groups (e.g., agencies, or account executives). Homophily refers to the mutual attraction between socially similar persons (Lazarsfeld and Merton, 1954). Such attraction leads to strong relationships that are less prone to decay (Burt, 2000:17). These perceptions may be developed from first impressions, or in the absence of experience based on physical appearance (Dion, Berscheid, and Walster, 1972).

2.8.2. The impact of trust on the relationship

According to McKnight et al. (1998), trust is most vulnerable to change when it is based purely on personality, institutional-based, or cognitively-based that are associated with the start of new relationships, because judgements are more likely based on unrealistic expectations and judgements about the social and economic value of exchanges. When expectations diverge sharply from subsequent experience, there is likely to be a sharp adjustment to feelings about the relationships. In basing trust on past interactions, the inherent instability of agency staff suggests that interactions may not always be consistent, leading to errors in judgement with knowledge-based sources of trust. The upshot is that clients' manifest responses to critical incidents (for assessing tolerance) might be explained by trust that is wrongly attributed due to information anomalies in the relationship. Such problems suggest clients would only wish to switch their relationships as a last resort. However, actual behaviour suggests otherwise.

2.8.3 Managing trust-creation strategies: Learning and trust-held beliefs

Managing both sources of initial-based trust and experiential-based trust suggests that trust-held beliefs about organisations or the people representing them can be learnt. Williams (2001) suggests that organisations can actively plan to share information on which to shape beliefs, in which reinforcement, mental models, sense-making, tacit and explicit knowledge may contribute. This would suggest that trust can be managed proactively by organisations. Marketers armed with such knowledge of how trust is formed, should be able to orchestrate their relationship by offsetting many of the obstacles associated with new relationships that often lead to premature mortality. Trust formation need not be treated passively in a given fatalistic way.

Although it is not known whether, and if so how, trust is adjusted, experiential-base trust is likely to replace initial-based trust over time. First, experiential-based trust is more recent than initial based trust sources, and so is more easily remembered and factored into future relationship decisions. Second, experience is first-hand (Granovetter, 1985), and therefore provides direct evidence of the other parties behaviour in the relationship. Third, interaction experience offers a stronger indicator of competency than other forms of trust (whether construed in strict commercial terms or in the likeability of particular social relationships). Trust based on past interactions should therefore be more realistic than for other sources. Without this experience, sources of initial-based trust and their gradual replacement provide a sound explanation for explaining differences in tolerance between clients. Nevertheless, services are associated with experiential qualities and it is well known that in the absence of objective information, assessment is subject to cognitive cues, implicating other sources of trust, despite interaction experience.

Therefore, relationships that survive the formative stages that relied on initial-based trust might simply have been judged more accurately (confirming expectations) from those that were not. By the time relationships have become established, the client is more able to make informed judgements about the agencies competence and behaviour, with successive interactions increasing this ability, leading to stronger convictions about their agencies. Thus varying propensity to judge accurately over time offers an explanation as to the fragility of earlier relationships in which trust may be entirely predicated on situational normality and/or cognitive processes (all relying on little or no direct experience).

In the organisational ecology literature, Burt (2000) asserts that the longer a relationship survives, the more likely two people are compatible. In advertising agency-client relationships, it is suggested that organisations learn to become more compatible, more willing and able to adapt over time. In addition, it is likely that with increasing customisation arising from successive adaptations, alternative relationships are perceived as less attractive or compatible (associated with increased uncertainty and higher switching costs).

Since trust-creation strategies contribute toward tolerance, they can reduce negotiating costs. Although bounded rationality, uncertainty of performance, and imperfect information contribute toward increasing negotiating costs, firms are less likely to use close monitoring and enforcement agreements under high trust conditions (Zaheer, Mc Evily, and Perone, 1998). Therefore, it would appear that greater trust should be associated with less effort by clients.

2.9 Major theoretical paradigms in interorganisational relationships

In order to identify variables that are associated with client tolerance to service problems, it is necessary to examine the major theoretical paradigms of interorganisational relationships. This helps to identify common motives between the theories, from which a model of tolerance can unfold. According to Achrol, Scheer and Stern (1990), motives of alliance participants are critical for effectiveness. In interviews conducted by Brock-Smith and Barclay (1997), perceived differences in motivations, goals, and approaches to the business (goal incongruence) were reflected in a lack of trust. The literature review first explores the theoretical paradigms explaining the rationale for interorganisational relationships that will offer suggestions for identification of key independent variables in the study. These include transactional economics resource dependency, strategic choice, stakeholder theory, learning theory, institutional theory, relational contract theory, and social exchange.

2.9.1 Transactional Economics (TCE)

Transaction cost economics (TCE) is concerned with efficiency (Oliver, 1990). It suggests how an organisation can minimise production and transaction costs (Williamson, 1975, 1985). Production costs include economies of scale, learning/experience effects, and proprietary influences such as trade secrets and licences. Transaction costs include the arranging, managing, and monitoring of transactions across markets (Child and Faulkner, 1998). The potential for opportunistic behaviour, that which is self-centred by a trading partner, drives up

transaction costs further. Since actors are motivated by rational, economic motives, they aim to forestall anticipated opportunism by others through a variety of governance mechanisms. Opportunism is behaviour reflecting self-interests rather than for the relationship. It includes dishonouring implicit contracts, failing to meet promises, misrepresentations (e.g., window dressing one's efforts), aloofness, unreasonable demands and blatant lying or cheating³. These governance mechanisms include explicit and normative contracts, relational norms, and qualification procedures built on certification or screening, and monitoring. The importance of interpersonal trust is acknowledged in the TCE paradigm as a governance option for mitigating opportunism (Morgan and Hunt, 1994; Jap, 2001).

Although TCE can help explain competitive advantage from a cost-minimisation viewpoint, it fails to account for other influences, such as legitimacy, corporate culture, and interpersonal differences (Barringer and Harrison, 2000), and perceived fairness of alliance partners (Ring and Van de Ven, 1994).

2.9.2 Resource Dependency (RD)

This suggests that organisations must conduct exchanges in their environment to obtain resources (Scott, 1987), with the implication that resources must be obtained externally for organisational survival or prosperity. Accordingly, organisations must acquire control over critical resources to decrease their reliance on others and increase their power to achieve this (Thorelli, 1986; Pfeffer and Salancik, 1978). Social exchange that is made possible through partnerships in interorganisational relationships can help increase power, such as by plugging a skill deficiency or resource gap.

According to Jap (2001), the resource based view⁴ argues that competitive advantage is achieved by heterogeneity of resources, lack of imitation, and immobility of resources in organisations. Hence buyers and sellers come together due to their unique competencies to gain access to critical resources, enabling the creation of superior, differentiated, marketplace value. The maintenance of value in the exchange arises from competitors experiencing barriers to

³ All of these were discovered in the later fieldwork of client-agency relationships by the author.

⁴ The resource based view is not the same as resource dependency, although they are frequently used interchangeably in the literature. Consequently, the two (not unrelated theories) are grouped together for parsimony.

interorganisational learning, such as imitation, switching costs, and reputation, amongst others. In advertising, this would include the personal qualities of staff, their knowledge, and expertise. Immobility of resources rests on ill-defined resources that are less valuable outside the relationship. Typical resources include loyalty and trust. The interactions across the dyad create differential advantages to the parties within the relationship. According to Lorange and Nelson (1987), when exchange value deteriorates, there is less tolerance of incompetence, with less effective communication; leading to lack of motivation and commitment to invest in further interfirm assets. Hence trust will also break down.

2.9.3 Strategic Choice

This argues that interorganisational alliances are used to achieve broad strategic objectives, such as to increase market competitiveness. This may be to maximise their ability to offer attractive products or services, or to reduce costs (Koh and Venkatraman, 1991). Powell (1990) has argued that alliances provide access to know-how outside the boundaries of the firm, and to share risks beyond the capabilities of a single firm. Clearly, agency-client relationships can provide the means for achieving product or service differentiation by creating successful campaigns, or might enable the client organisation to reap marketing efficiencies instead of relying on advertising in-house that may be less effective.

Stakeholder theory argues that relationships are based on a consideration of all stakeholders who are influenced by, or can influence, an organisation (Freeman, 1994). The relationship is said to build on both formal written contracts and informal agreements based on expectations (Jones and Sasser, 1995). Top managers are the primary contracting agent for the organisation because of their responsibility for contracts and their relative positions for managing resources. This perspective requires organisations to make strategic decisions based on prioritising the importance of all stakeholder interests, requiring reconciliation between their multiple, competing interests. Consequently, stakeholder relationships are constantly at risk (Clarkson, 1998).

One relationship explored in depth has been that between the stakeholders and managers. Agency theory (AT) assumes conflicting goals between actors in a relationship that may lead to opportunism. Managers will typically have their own individual goals, but have a duty to act as agents for shareholders (owners), in which both parties are utility maximisers (Jensen and

Meckling, 1976). In the advertising agency-client relationships, the agency will most likely want fame and fortune, whereas the client will look for efficiency and organisational legitimacy of actions (Oliver, 1990). Opportunism can be curtailed by monitoring and rewarding the behaviour of the managing agent normally using governance procedures. Formation of interorganisational relationships can worsen any differences between managers and their principals because there is also the interests of a third party to consider. Much of stakeholder theory relies in faith or "moral correctness", similar to 'blind' trust.

Mitchell, Agle and Wood (1997) discuss the different types of stakeholders based on whether they hold power (use of force or control over resources), legitimacy (accepted authority), and urgency (criticality to the claim). Those holding all three are recognised to have the most priority. In an advertising client-agency relationship, clients might hold power due to their asymmetrical position in setting the terms of remunerating their agency and requirements of contract (task performance), will have access to human capital (to invest in the relationship), and may consider their requirements to be legitimate by their size of the agency's business and interaction history. Urgency might be rationalised due to the time sensitivity of many forms of advertising messages (that will lose their value or topicality) over time. Hence agencies should treat their clients as important stakeholders.

Resources can be obtained by co-operation with partners associated with equity (rooted in exchange theory) or by exercising power over another, reflecting an asymmetrical relationship, inviting injustice, opportunism, inequality and conflict (Oliver, 1990).

2.9.4 Learning Theory

This refers to organisational learning, since individuals come and go. It suggests that competitive positions are improved through gaining superior knowledge through organisational learning (Simonin, 1997). It is argued that opportunities for organisational learning are improved through interorganisational relationships, particularly if buying the skill in the open market is difficult to arrange where knowledge is tacit and difficult to price (Mowery et al., 1996; Teece, 1998). When a client feels diminishing returns arise from learning in the relationship, or reaches its absorptive capacity to exploit the learning for commercial gain, the exchange value reduces, so the agency may cease to become a valued partner. This capacity, to build on prior experience, is said to be a function of the staff quality, existing knowledge base,

and organisational culture, amongst others (Kumar and Nti, 1998). Learning can be achieved through cognitive processing in the absence of interaction experience.

2.9.5 Institutional Theory

This suggests that organisations perform in ways that conform to prevailing social norms of their business and/or to pressures to appear legitimate (DiMaggio and Powell, 1983; Oliver, 1990; Scott and Meyer, 1983). Participation in interorganisational relationships offers scope for improving visibility, reputation, image, and prestige by careful selection of partners. According to DiMaggio and Powell (1983) managers may consciously or unconsciously copy the strategies of successful organisations. In this respect, the replication of successful industry norms implies a form of benchmarking that may lower risk in justifying decisions.

2.9.6 Relational Contract Theory (RCT)

Parties to relationships can make choices between maximising their value from short-term, discrete transactions or by investing in the relationship to maximise their long-term potential for both parties (MacNeil, 1980). This is based on expectations of continuity, so trust and commitment are implicit.

Each theory offers either an economic, behavioural (or social), or joint motivation, for the formation and or sustenance of interorganisational relationships (Barringer and Harrison, 2000). Whilst each offers a different perspective, making sense of several theories together can offer a richer, more insightful understanding of how relationships develop. Table 2.1 shows the organisational motives (objectives) and means of achieving them. The mixed motives accord with Stern and Reeve (1980), Dwyer, Schurr, and Oh (1987) who suggest there is a need for studying the interaction of both economic and social dimensions of relationships. A common purpose (from Table 2.1) is to achieve competitive advantage, and implicitly through creating and consummating exchange value through competency and sharing.

Table 2.1: Motives and means behind theoretical paradigms

Theoretical paradigm	Motives	Means
Transaction Cost Economics	Rational, economic, designed to minimise production and transaction costs	Forestall opportunism through a variety of governance mechanisms (Williamson, 1985)
Resource Dependency	Scarce resources for organisational prosperity	Power, via procuring resource deficiencies (Pfeffer and Salancik, 1978)
Strategic Choice ⁵	Broad strategic objectives	Improve attractiveness via product differentiation or cost reductions (Koh and Venkatraman, 1991)
Learning Theory	Competitive position	Experientially based acquirement of tacit market knowledge (Teece, 1998)
Institutional Theory	Enhance or protect image	Conformity to social and /or business norms (legitimacy, Oliver, 1990; DiMaggio and Powell, 1983)
Relational Contract Theory	To maintain the long-term value of parties to a relationship instead of seeking short-term gain for each through discrete transactions (MacNeil, 1980)	Governance based on relational norms that implicitly rely on personal relationships and trust rather than explicit contract

2.9.7 Social Exchange Theory (SET)

A generic theory that overlaps each paradigm is SET, built on the premise that organisations are motivated into relationships with others based on the importance of their exchange. In SET, parties develop relationships on the basis of economic and /or social rewards from the exchange (Blau, 1964; Homans, 1958). Maintenance is dependent on these rewards faring better than alternatives outside the relationship, valued according to what is felt deserved (Thibaut and Kelly, 1959). On this basis, SET is closely linked to the justice literature because what is deserved must be considered as fair and just. The input /output ratio associated with equity theory is similar to the principle of generalised reciprocity (McDonald, 1981), assumed of SET. Generalised reciprocity refers to the matching of efforts from both parties that serve to extend the relationship. Value is influenced by both experience of the service performance and /or

⁵ Includes both stakeholder theory and agency theory.

future expectations (or relational norms⁶) that may be influenced by reputation (in the absence of experience). Relational norms serve to retain control without formal contracts, or the need for using power (Blau, 1964). When clients enter into a relationship with an ad agency, the attractiveness of the relationship will be dependent on the quality and value placed on their exchanges. The degree of attraction based on economic or social value is referred to as bonding.

2.10 Literature strategy

An approach toward examining the impact of client responses to value (as indicated by the theories above) is to identify and measure competencies as activities and processes. The traditional approaches toward measuring competence are often based on hard objective measures that may not be appropriate to measure the softer features of capability and performance (Ellram, 1990). This is pertinent for advertising at the service encounter, in which expression of interpersonal qualities can yield differential value (Stoltman, 1993; Bitner, Booms and Mohr, 1994).

Studies involving the service encounter convey the importance of service quality. Research into service quality in connection with business services has typically relied on the SERVQUAL scale (Parasuraman, Zeithaml and Berry, 1985). However, current literature suggests that service quality is more appropriately measured on the customers perceptions of performance (i.e., the performance-based paradigm by Cronin and Taylor, 1992) rather than by SERVQUAL that is disconfirmation-based. A second concern of SERVQUAL is that empirical studies into business services suggest that the scale items need to be altered appreciably to fit the service context (e.g., Babakus, Redrick and Richardson, 1995; Babakus and Boller, 1992). For these reasons, together with additional reservations raised in chapter 4, section 4.3, the SERVQUAL model was not extensively applied to the model-building process. This meant that alternative literature strategies were required for model-building.

Designing a comprehensive model of tolerance for CAR required overcoming a number of hurdles in the extant literature. First, literature on services marketing has been more concerned with consumer services rather than business-to-business (B2B) services (Cooper and Jackson, 1988). Second, the academic prominence of the B2B literature has focused on the marketing of goods rather than services (Homburg and Garbe, 1999). However, the relationship marketing

⁶ Defined as generally accepted guidelines for interactions between partners (MacNeil, 1980, Nevin 1995).

literature is more developed in the B2B marketing than consumer marketing. Since manufacturing companies do buy and offer services to their clients, similar to business services, it was felt the appropriate strategy was to begin the literature review with the B2B marketing from a buyer-seller perspective, from which the main constructs of the model could be identified. To add to the model, the literature on CAR, as a specific business service, was consulted.

2.10.1 Examining previous buyer-seller channel relationships

Table 2.2⁷ represents the conceptual and empirical models from leading journals from 1985 onwards that draw on the purchasing, marketing and IMP Group. The models in Table 2.2 focus on RCT, RD, SET, and TCE. These models support the major theoretical paradigms already discussed, offering face validity to the process of model building. Table 2.3 focuses in CAR.

2.11 Dependent variables previously used in relationship research

The models from Table 2.2-2.3 provide tacit support for the dependent variables chosen for the proposed model. These variables commonly resemble proxies of tolerance based on business strength, in terms of co-operative behaviour (Heide and Miner, 1992; Moller and Wilson, 1988), partnership (Mohr and Spekman, 1994; Stuart, 1993), value and/or loyalty, or intentions to remain (Michell and Sanders, 1995; Sirdeshmukh et al., 2002; Wetzels et al., 1998), commitment and/or trust (Doney and Cannon, 1997; Dwyer, Schurr, and Oh, 1987; LaBahn and Kohli, 1997; Morgan and Hunt, 1994; Tax et al., 1988), long-term orientations (Ganesan 1994; Spekman and Strauss, 1986), longevity (Davies and Prince, 1999; Storbacka et al., 1994), or supplier status based on share of pie (Gassenheimer et al., 1995). Many of these apply one or more theories from RCT, SET, or TCE.

Whilst trust has previously been discussed, there is a need to explain commitment that is examined in several of these models. Commitment would seem to be an important indicator of relationship strength. Commitment implies a behavioural intention based on trust, (Moorman et al., 1992; Davies and Prince, 1999). Commitment has been previously decomposed into either affective commitment or calculative commitment by Morgan and Hunt (1994). Affective commitment is defined as broadly the motivated attraction between partners to stay in a relationship, comparable to the social dimensions of trust, and is most likely nurtured through

⁷ Due to the number of models reviewed, it was decided to locate Tables 2.2-2.3 at the end of the chapter to improve readability.

personal relationships. Calculative commitment is based on the net benefits over penalties and transaction-specific costs derived from the relationship, based on TCE. Thus client commitment from either perspective would factor in social and economic competency respectively, and ultimately value in deciding the status of parties in relationships.

2.12 Deriving independent variables from buyer-seller relationships

By observing the most frequently used independent variables from the purchasing, marketing and IMP literature in Table 2.2, the general picture is that type of relationship, performance factors, importance of relationship, dependency and TSI, environmental and organisational factors, and trust, are amongst the important factors influencing the strength of the relationship. The CAR literature from 1980 (shown in Table 2.3) tends to be more data driven, leaning less heavily on the prior theories from section 2.9, although supporting the independent variables above.

A brief review of the purchasing literature summarised by Olsen and Ellram (1997) concluded that there was no consensus in how long-term, strategically orientated buyer-seller relationships should be classified. Although Young et al. (1993), identified 35 different antecedents to partnership formation that suggested no common focus between researchers, more recent literature on partnerships and relational exchange focuses on different types of relationships.

2.12.1 Types of relationship

For examining the strength of the relationship, the most testing time is how clients respond to their partners when the partner has aggrieved the client. Fornell and Wernerfelt (1987) suggest that in non-growth markets, competition centres on managing how to deal with dissatisfied customers. Whilst offensive marketing aims to attract competitors' dissatisfied customers, a defensive strategy is geared to managing dissatisfaction amongst one's own customers. As many markets are maturing, it is likely that defensive strategies will become more important. Grievances might be minor or major, resorting to potentially serious consequences for the relationship. Such dissatisfaction suggests conflict is inevitable in relationships. One response toward achieving more constructive conflict is in the pursuit of more closer ties between buyers and their suppliers, particularly in interorganisational relationships. This depends on the purpose and intent of relationships required, reflected by the norms and expectations of the parties concerned, acknowledged in the models of Table 2.2 by Doney and Cannon (1997), Dwyer,

Schurr and Oh (1987), Heide and Miner (1992), Haugland and Reeve (1993), Gassenheimer et al. (1995), Morgan and Hunt (1994), Tax et al. (1998), and Sollner (1999).

Explanations from the purchasing literature for more productive relationships have pointed to either collaborative relationships (Sinclair, Hunter and Beaumont, 1996; McIvor, Humphreys and McAleer, 1997; Anderson and Narus, 1990); partnerships (Anderson and Narus, 1990; Stuart, 1993; Ellram and Carr 1994) or relational exchange (MacNeil, 1980; Gummesson, 1987; Haugland and Reeve, 1993; Nevin, 1995).

A partnership is an intention to act in the best interests of another party in pursuit of long-term mutual gain (Sinclair et al., 1996). In practical terms, partnerships are collaborative relationships, in which ties between customer and supplier are economic and social, with the intent of lowering total costs and/or increasing [exchange] value, (Anderson and Narus, 1991). From the client perspective, advantages of supplier partnerships include greater co-operation via joint problem-solving and information-sharing, requiring much interaction in support of client strategies (Stuart, 1993). There is a strategic need to maintain the relationship because each party is mutually important (dependent) for each other. Sinclair et al. (1996: 60-62) suggest that collaborative relationships are more likely if supplies need to be customised and complex, there is a need for frequency of interaction, there is compatibility of managerial styles (compatible working styles) and enduring tie-in age of the relationship.

Both Anderson and Narus (1991:100) and Heide and John (1990) suggest that collaborative (or close) arrangements are more likely if there is relative dependency on the supplier firm. Customisation indicates dependence on the relationship partner, such as switching costs (barriers to exit) that motivates the collaboration. Complexity implies customisation and investment, again indicating dependency. The set-up cost in educating new suppliers in the necessary complexity and customisation required serves as a large exit barrier to a client. Compatibility refers to similarity in managerial aims and intentions, such as a total cost and/or quality orientation (Anderson and Narus, 1991; Stuart, 1993). Purchase decisions that have long-term consequences are also likely to lead to collaboration with suppliers (Anderson and Narus, 1991). Supplier partnerships and/or collaborative behaviour is associated with fewer selected suppliers and longer-term commitments (Ellram, 1991; Stuart, 1993). Gummesson (1987) discusses the intricate web of interactions that permeate buyer and supplier that are associated with long-term relationships. The upshot is that a long-term orientation is built on the premise that the

advantages of a long term, or relational approach, outweigh those based on a short-term, transactional approach (MacNeil, 1980).

Partnerships and/or collaborative relationships can also be understood in terms of choosing between discrete transactions and relational exchange based on relational contract theory or RCT, (MacNeil, 1980). In contrast to TCE, relationship quality is not only a function of governance, but additionally of managing personal relationships, emphasising the social exchange process in RCT (Haughland and Reeve, 1993). Relational exchange relies on incomplete contracts of governance, with exchanges that are difficult to measure, non-transferable investments (or TSI), and trust built on norms of conduct. These include the norm of reliance (consistent behaviour), the norm of solidarity (joint efforts made to preserve the relationship), the norm of mutuality (joint perceptions of mutual benefits), and the norm to behave constructively when conflicts occur. According to Nevin (1995), relational exchange refers to a class of general control mechanisms in which equity needs to be emphasised. Both partnerships and RCT (by mutuality) predicate justice insofar as they indicate an acceptable (if not equal) shared balance of benefits to each party in the relationship (Stuart, 1993; MacNeil, 1980). Instead of focusing on short-term advantages to one party, partnerships and relational behaviour are associated with co-operation of future expected returns to both sides (Anderson and Narus, 1991; Nevin, 1995). It is envisaged that client beliefs about their expected type of relationship (reflecting values) may affect client response levels towards service quality problems.

Support for these beliefs and strength of attraction is also drawn from the IMP Group. Literature from the IMP group is based on interorganisational theory (including networks), and TCE, with evidence based more on industrial buyer-seller case studies than surveys (Ford, 1998; Hallen et al., 1991; Wilson and Mumalaneni, 1986; Turnbull and Valla, 1986). They developed an interaction model of business relationships, (Hakansson, 1982; Moller and Wilson; 1988), in which interaction ultimately affects how relationships develop at the service encounter. Their model assumes that relationships are affected by organisations and individuals in interaction, the process of interaction involving economic, informational, and social exchange episodes, environmental variables within which interaction takes place, power and dependence. Relationships are considered to be influenced by expectations and/or intentions of partners, grounded in past experiences in interactive exchanges and adaptations, including bonding, (Hakansson, 1982; Moller and Wilson, 1988).

The interaction approach considers relationships as a continuity of exchanges rather than as a single discrete transaction, the product of buyer and seller interaction (commonly measured as dyads), and extended to its network status, recognising the complexity of multiple stakeholders and relationships, treated as a resource (Anderson, Hakansson, and Johanson, 1994; Turnbull, Ford and Cunningham, 1996).

Collaborative relationships used in the marketing and purchasing literature may also be acknowledged as working relationships, or personal relationships in the CAR literature (Table 2.3). West (1997) has suggested that purchasers of advertising could be divided into smaller clients (by budget) who sought ad hoc projects, and those who sought more collaborative relationships. With projects, clients gain new ideas and learn what differences agencies can offer, whereas collaborative relationships offer more commitment, requiring less co-ordination (West, 1997).

The working relationship tends to be acknowledged in most models for maintaining or switching CAR, but its relative importance is mixed, with Wackman et al. (1986) finding it the most important for maintenance in the US, whereas Verbeke (1989) found personal relationships unimportant for the Netherlands. Kaynak et al. (1994) found personal relationships to be important for high context societies such as Turkey. The conceptual study by Johnson and Laczniak (1990) of CAR make type of relationship implicitly important by treating it as the dependent variable, arguing that co-operation is associated with communication style. Michell and Sanders (1995) found attitudes and policies toward suppliers (indicative of type of relationship) as important for account maintenance.

2.12.2 Performance factors

Performance factors were found to be significantly associated with loyalty (Wind, 1977), competency (Doney and Cannon, 1997; Sirdeshmukh et al., 2002), but not reputation (Ganesan, 1994; Doney and Cannon, 1997). Conceptual models that justified performance, in terms of attraction, are drawn from Anderson et al. (1994), Dwyer, Schurr and Oh (1987), Moller and Wilson (1988). Heide and Miner (1992), Mishra, Heide and Cort (1998) and Spekman and Strauss (1986) discuss performance ambiguity or difficulty in assessing performance (from which its importance can be inferred).

A further model proposed by Wetzels et al. (1998) for predicting relationship strength examined the antecedents of specific commitment to a relationship, in terms of their effect on the intentions of remaining in a relationship. Both technical quality, functional quality, and dependency and trust were suggested by Wetzels et al. (1998) as antecedents to commitment to explain organisational loyalty that tend to add support to supplier differentiation as a force in maintaining relationships. Technical quality involves what is received from the service (Gronroos, 1990). Functional quality involves the manner in which the service is delivered (Gronroos, 1990). Dependency is defined by Kumar et al. (1995) as the need to maintain a relationship with a partner to achieve goals. Each of the independent variables can be considered as performance-related, since they offer benefits to the buyer.

Previous studies of CAR have focussed either on selection decisions (e.g., Cagley, 1986; Lichtenthal and Shani, 2000; Verbeke, 1989; West, 1997), maintenance, loyalty and/or longevity (Davies and Prince, 1999; LeBahn and Kohli, 1997; Michell and Sanders, 1995) or switching account behaviour (Doyle, Corstjens and Michell, 1980; Durden et al., 1997; Henke, 1995; Michell, Cataquet and Hague, 1992). With the last cohort, client dissatisfaction with performance was consistently the most important factor believed to cause switching behaviour, although agencies tended to shift the burden of blame to other factors beyond their control. The agency selection literature (Cagley, 1986; Cagley and Roberts, 1984; West, 1997; Lichtenthal and Shani, 2000), although not focussing on maintenance of relationships, offers support for the importance of performance factors, with account responsibility factors as prominent, such as quality of people in meeting the client's needs, integrity, stability of agency, but also creativity factors of the agency. In the latter paper, the Webster and Wind (1972) model of buyer seller behaviour was applied to CAR, in which individual and group factors relating broadly to aspects of performance were found to be relatively more important than organisational and environmental factors. In the literature on maintenance, Michell and Sanders (1995) identified account performance as key, with performance divided into productive interaction and creative quality by LeBahn and Kohli (1997), whilst Verbeke (1989) found creative quality crucial.

Since relational exchange relies on future benefits (Nevin, 1995), the importance of the relationship and tasks performed should be an important influence on the behaviour of parties.

2.12.3 The importance of the relationship

The importance of the relationship was measured by either the importance of the purchase or order value, or TSI. The former were acknowledged by Anderson and Weitz (1989), Moller and Wilson (1988), Spekman and Strauss (1986), Storbacka, Strandvick and Gronroos (1994), Stuart (1993), and Wind (1977). TSI was found significant with long-term orientations (Ganesan, 1994; Spekman and Strauss, 1986), as joint investments that were found significantly associated with supplier status (Gassenheimer et al., 1995), or as relationship costs and benefits that were found significantly associated with trust and commitment (Morgan and Hunt, 1994). Other proxies of TSI were interdependencies (not found by Mohr and Spekman, 1994 to be significant for partnership success), and bonds conceptualised to predict longevity (Storbacka et al., 1994). Collectively, this provides ample support for including importance of the relationship in the proposed model.

From the CAR literature, Davies and Prince (1999), Kaynak et al. (1994) and Verbeke (1989), showed that transaction costs, with dependency on the relationship, were contributors of maintenance. In the latter study, adaptation was assumed to increase interdependence, more likely with experience. Other signals of the importance of the relationship included size, associated with larger agencies able to switch creative teams if required (Michell, 1988).

According to Halinen (1997: 69), existing bonds (that may be reflected by attraction, trust and/or commitment) intervene in the parties' assessment of their outcomes of interaction and thereby serve to moderate the value of individual exchanges in their relationship. Bonds that develop between the customer and service provider may serve as effective exit barriers, holding relationships intact, even under levels of stress. Bonding could help explain a zone of tolerance, conceptualised by Zeithaml et al. (1993).

2.12.4 Experience

Experience was justified in models conceptualised by Moller and Wilson (1988) for determining co-operation, and Storbacka et al. (1994) for determining longevity, but although found to be significantly associated with trust (Anderson and Weitz, 1989) and loyalty (Wind, 1997), was not associated with a long-term orientation by Ganesan (1994). Experience usually refers to either general experience or focal experience relating to a specific relationship, and its importance is also explained by learning that is recognised by interaction models (Anderson et al., 1994; Wilson, 1995). Although Doney and Cannon (1997) found that tie-in age did not

impact on trust, a comparative study by Davies and Prince (1999) found that longevity of US and UK CAR were associated with the duration or tie-in age of the existing relationships. Using exchange theory, they argued that bonding (through personal relationships, switching costs and associated transaction costs) increased with interaction experience. Therefore, experience in the relationship is another factor to be examined in this study.

2.12.5 The environmental context

Supported by the resource based view, the environmental context is associated with improving competitive advantage (Jap, 1999). The environmental context is also prevalent in the purchasing and IMP literature. This is conceptualised by Moller and Wilson (1988), Powell (1990), and Stuart (1993), and found significant in some marketing models (e.g., Ganesan, 1994). Uncertainty also relates to opportunistic behaviour (associated with performance ambiguity), found to support either the need for long-term orientations (Spekman and Strauss, 1986), co-operation and fairness (Heide and Miner, 1992), or commitment (Morgan and Hunt, 1994).

According to the IMP Group, environmental factors define the market situation in which interaction takes place through the network of parties involved in exchange (Anderson et al., 1994; Hakansson, 1982). These contextual factors include dimensions of the market structure, such as market concentration. Both Ganesan (1994) and Turnbull and Valla (1986: 171) recognise the perceptions of the environment facing decision-makers has a major influence on the marketing strategies of suppliers and how they might react in relationships that might differ from the actual environment they face. Although the latter study was the determination of international strategies in supply, perceptions about the market environment were flagged as an important influence.

The CAR literature also suggests that environmental conditions are important for relationships. Wackman, Salmon and Salmon, (1986) and Campaign (1993) have suggested the lifespan of accounts can be significantly influenced by environmental and structural changes. Evidence by Doyle et al. (1980), Buchanan and Michell (1991), Michell and Sanders (1995), Halinen (1997) and Davies and Prince (1999) suggest that agencies are vulnerable from environmental changes. Kaynak et al. (1994) found that quick reactions to environmental change (represented under the factor efficiency/adaptation) was an important contributor for agency selection. Beltramini and Pitta (1991) have suggested that familiarity may have an important bearing on relationships, in

which tasks might be distinguished between new, based on a changing strategy, to routine. The proposed model examines factors associated with market risk: volatility in the market that require changes to marketing strategies.

2.12.6 Organisational factors

Organisational factors relate to contractual form (formalisation and centralisation) found to explain relational behaviour (Haughland and Reeve, 1993). These might also impact on communication factors, found to explain trust and commitment (Morgan and Hunt, 1994) or partnerships (Mohr and Spekman, 1994), or conceptualised to support interorganisational dependency (Dwyer, Schurr and Oh, 1987), all of which suggest relationship continuity and tolerance.

Drawing from an IMP perspective, Halinen (1997: 25) refers to organisational factors and individual or group factors in her 'a priori' process model of relationship development, building on Hakansson (1982). Organisational factors impinge on the ability and freedom of the client contact in their roles with their agencies, and are referred to as internal environmental factors in the proposed model.

2.12.7 Personality of individuals

Research by Sharlicki, Folger and Tesluk (1999) suggests that individuals may vary in how they behave under pressure from extreme situations. Critical incidents may impact on their perceived control, showing variations in response. This may be related to how close they feel pressures are shared, so again indicate the strength of the relationship.

2.13 Making sense of the justice paradigm with prior models

Since the focus of this research is on the dependent variable of tolerance, it would appear (intuitively) that the justice literature would be relevant, (supported in section 2.2) and so the examination of models will tend toward this. More recent research has combined relational exchange with a justice perspective to explain relationships (e.g., Tax, Brown and Chandrashekar 1998; Sirdeshmukh et al., 2002), sometimes combined with social exchange and TCE (e.g., Dwyer, Schurr and Oh, 1987; Gassenheimer, Houston and Davis, 1998). Sollner (1999) argues that commitment arises from inputs that include transaction specific assets and attitudes (e.g., trust), whereas outputs involve performance and relationship justice.

Both Sollner (1999) and Gassenheimer et al. (1998) focus on distributive justice as an explanation for commitment and tolerance respectively, whereas Tax et al. (1998) examines all forms of justice. According to Tax et al. (1998), trust and commitment develop from previous experiences, including outcomes of complaint handling. Common to all the models based on a justice perspective is that justice is an explanation (output) for stakeholder behaviour that tends to rely on different measures of how values might be represented. In the Tax et al. (1998) model, justice is served if conflict is resolved fairly.

According to Gassenheimer et al. (1998), tolerance is identified from the net value based on relational distance of exchanges between buyer and seller. Relational distance is based on a trade-off between the economic and social exchanges, in which more social value implies more tolerance, whereas more economic value implies more intolerance. Whilst conceptually appealing, it implies a negative relationship between each set of exchanges that is inconsistent with other research. Although Nielsen (1996) found no relationship between soft asset and hard asset investments (broadly equivalent to social and economic exchanges), Dwyer et al. (1987) suggest economic and social exchanges build together as interdependencies increase. More cogently, it is suggested that the Gassenheimer et al. model would lead to some spurious conclusions about intolerant groups. For example, a client involved in very long-term relationships would be deemed apparently intolerant according to the premises of the model if the cause of the LTR was purely based on TSI (economic bonds). Another criticism is that the model does not explain how negative experiences might be factored into the model. Moreover, the need to adapt, in recognition of the dynamics of the environment, are not discussed. Although the Gassenheimer et al. model is the only relationship model that actually examines tolerance (as a dependent variable) it can be discounted for these reasons. Having acknowledged these criticisms, the theoretical foundations of the model, using fairness, compliments the justice perspectives of buyer-seller literature.

The IMP perspective acknowledges complexity in relationships, but makes empirical testing challenging. If a strict symbolic interactionist approach is applied, as advised by Turnbull et al. (1996), interaction can only be understood in terms of each specific situation. On this basis, each relationship must be treated as unique, so generalisability of findings and hence practical guidelines for managerial decision-making are limited.

In comparing the purchasing, marketing and IMP perspectives, the marketing literature is perhaps most appropriate for focussing on the micro aspects of constructs of trust, commitment and dependence, and to show how they are related. Olsen and Ellram (1997) suggest that many of these articles (e.g., Morgan and Hunt, 1994; Heide and Miner, 1992; Ganesan, 1994) provide only limited advice for practitioners wishing guidance on how partners should be chosen. This study can seek to improve on this by examining characteristics associated with tolerance.

A recent relational exchange model by Sirdeshmukh et al. (2002:21) recommended that investment in building trust should be used selectively according to how trust builds value in explaining loyalty in relationships. Trust creates value by relational benefits derived from interacting with service providers who are operationally competent, benevolent toward consumers, committed to solving exchange problems, and reducing exchange uncertainty. Since not all relationships would be equally productive, the implications are to prioritise parties according to their behaviour.

2.14 Building a model of relationship strength for examining tolerance

The dependent variables

Whilst retaining many of the core elements from the models in Tables 2.2-2.3, the proposed model differs in other respects. First, it is assumed that the outcome of relationship strength need not be restricted to longevity, but can be more broadly examined in terms of client behavioural and attitudinal response styles. These dependent variables have already been discussed in section 2.4, although it is felt necessary to explain why other variables were ignored from the model.

2.14.1 The ambivalence of satisfaction

According to Hogan and Armstrong (2001: 13), although satisfaction has been the focal construct of many models of interorganisational change (based on SET), this is likely to reduce as scholars continue to improve how to measure value and performance derived from their relationships. For example, customer satisfaction and switching barriers were considered important for a defensive strategy, with satisfaction often used as a dependent variable, often considered sufficient to promote retention (although this showed no significance for intentions to stay in the Wetzels et al. (1998) study. Whilst perceived satisfaction is largely based on actual experience of a service within the relationship (Westbrook and Reilly 1983), switching

costs may prevent dissatisfied customers from defecting to a competitor, and so may appear loyal (Gronhaug and Gilly, 1991). Storbacka et al. (1994) have argued that negative commitment may be confused with loyalty due to bonding (such as TSI, and lack of perceived alternatives). Switching barriers include search, learning and emotional costs, cognitive effort and risk factors. Both Jones and Sasser (1995) and Reichheld (1996) have shown that switching is prevalent in consumer markets, despite high ratings of customer satisfaction. This would suggest satisfaction is not a sufficient condition for bonding customers in relationships that might be applied to B2B marketing. Accordingly, bonding is treated as an appropriate set of independent variables by TSI, the importance of the relationship, and performance attraction, whilst satisfaction is not used as a dependent variable in the proposed model.

The independent variables

2.14.2 Perceived alternatives

Second, perceived alternatives are not directly measured, but considered in terms of their performance. Social exchange suggests that the importance of exchange is dependent on performance relative to alternatives (Thibaut and Kelly, 1959) and is acknowledged in several buyer-seller models (e.g., Storbacka et al., 1994). Perceived alternatives can arise from either purposeful differentiation or natural differentiation. Purposeful differentiation (PD) is when an organisation has control and intent to distinguish itself from otherwise viable alternatives. Natural differentiation (ND) is when organisations appear to be locked in (dependent) on another within a relationship. ND arises from lack of choice, as a consequence of the prevailing market structure in an industry. Anderson and Narus (1984), and Heide and John (1988) suggest that clients increasingly depend on a supplier when outcomes are important, highly valued; and exceed those obtained from the next best alternative, since this will restrict their choice. Pfeffer and Salancik (1978) and Ganesan (1994) suggest that lack of alternatives are a primary cause of dependency.

In terms of advertising, agencies have some control in how they may differentiate themselves based on their reputation (in pitching) at the start of their relationships, and in performance (when in an established relationship), hereafter referred to as performance attraction factors (PAF). Contrary to many previous models of buyer-seller alliances, the domain of PAF is considered to be multidimensional. The importance of various dimensions of PAF are first determined, and then measured on the basis of the perceptions of past agency performance. PAF, as a set of differentiating opportunities, should be distinguished from natural

differentiation. Thus natural differentiation may arise from lack of buyer choice, such as qualifying as the only agency available in a given locality. Under the proposed model, purposeful differentiation is reflected by PAF, since it restricts perceived alternatives. Also, natural differentiation is considered to be factored in to client' responses when judging the importance of various dimensions of PAF. In other words, a relationship is more vulnerable if a valued dimension can be improved on by another alternative agency (suggesting that importance would be raised compared to no alternative).

2.14.3 Performance versus reputation

Third, perceptions of actual performance are recognised as a strong attraction in maintaining relationships as part of the proposed model, in lieu of reputation. A reputation can be defined as a bundle of attributes, and interrelationships between them, shared amongst a group of individuals such as the professional community (Kallinikos, 1986). A business reputation applied to CAR' s may be defined as the opinions held by clients about specific focal ad agencies. Since reputation may be difficult to shift within a community of clients, it could be viewed as a source of differential advantage, building trust between collaborative partners. According to Young and Wilkinson (1989: 114), trust may refer to a general reputation of an organisation, or specifically to the experience of the representatives (reflected by general or individual trust respectively). It is recognised that reputation is multidimensional.

Reputation, as perceptions of attraction, might vary according to the different needs of their clients. For example, a reputation for international experience might be important for those seeking to extend their campaigns in international markets. It is expected that reputation will be gradually replaced by actual performance as experience with the agency in a relationship unfolds. It is for this reason that actual performance is probably a better term to use than reputation for analysing the maintenance of relationships, whereas reputation may serve as a useful means of assessing the agency at the beginning of a new relationship.

2.14.4 Other issues

Fourth, client beliefs about the type of relationship expected that are predicated on the purchasing, IMP and RCT literature, are added to the proposed model. Since this relates to general beliefs rather than the specific beliefs about the focal agency, it is examined as an input rather than an outcome or response (as inferred by, say, the Ganesan model).

Fifth, in relation to environmental factors, these are split into internal and external in the proposed model, with external factors corroborating those of Ganesan (1994). Internal environmental factors represent personal relationships, in which behaviour is within the discretion of the client organisation. Personal relationships create a kind of social or psychological dependency on the relationship. These may be distinguished from external environmental factors (in which client behaviour is considered to be somewhat controlled by their external circumstances).

Sixth, in addition to refining the earlier models that explain relationship strength, the model put forward a multidimensional approach. For example, performance is examined in terms of several variables. It should be noted that objective measures of TSI are examined by experience.

Using terms from the above models of relationship strength, leads to the final proposal in Figure 2.1. It was evident that a more fine-grained model was required at the agency-client level to reflect the dynamics of changing exchange value.

2.15 The proposed model

The model specifically predicts that six factors influence the relationship strength associated with client tolerance (the generic dependent concept). Client tolerance refers to the balance of destructive and constructive responses relative to the critical incidents that may harm or help a relationship. Specifically, relationship quality is measured by intensity and direction of the negative and positive critical incidents. These are then compared to the direction and intensity of client responses. The magnitude of these incidents and the consequent responses are examined against the independent variables to identify predictors of tolerance.

Relationship importance is based on (1) perceptions of performance attraction, (based on experience, and/or reputation in the absence of focal experience), (2) transaction specific assets or investments, and the strategic importance of advertising to the client. Other factors affecting relationship strength are (3) beliefs about type of relationship expected indicating the strength of their interorganisational roles, and the state of the environment, including personal characteristics. External environmental forces (4) refer to the conditions in the wider environment that the client finds itself in, such as the economic and competitive conditions. Internal environmental factors (5) refer to client discretion and effort required in making

changes to relationships. Finally, how the client reacts under pressure (6) is examined. The six main hypotheses for testing independent variables are presented in chapter 3, derived from Figure 2.1.

Discovering what the client feels generally about relationships relates to client discretion, whereas perceptions of performance are somewhat more influenced by the agency, whilst state of the external environment may not be in the control of either party. The model aims to integrate both controllable and more exogenous elements that might affect client responses.

Since exchanges are based on value, perceptions of equity (fairness) are based not only on the importance of the relationship, but also factors that will affect that value. From the model in Figure 2.1, these involve client beliefs about relationships, and environmental factors that provide an explanation as to how performance ambiguity and opportunism are managed by the client. The next sections outline the role of opportunism and causes of ambiguity before justifying the hypotheses in chapter 3.

2.16 Uncertainty, opportunism, and the importance of trust

According to Sollner (1999), parties examine their relative contributions for deciding relationship justice and fairness, and their commitment to relationships (in terms of positive intentions and investments). According to Gundlach, Achrol, and Mentzer (1995), a disproportional commitment from one party leads to norm conflict. Uncertainty of future behaviour of another party is associated with norm conflict, so encouraging opportunistic behaviour (Heide and John, 1992).

The effectiveness of CAR, as an exemplar of business service alliances, is how to deal with uncertainty. Uncertainty increases the prospect of performance ambiguity, opportunism, conflict, and breaches of relationship justice or fairness. The previous theories of justice from section 2.2 offer a cohesive explanation for tolerance behaviour, with implications for pre-empting relationships that are faltering before they are terminated. The previous paradigms of interorganisational motives suggest that uncertainty can be managed in different ways, such as the forestalling of opportunism or leverage of core competencies to retain exchange value. Both learning and institutional theory suggest that organisations can adopt behaviour from the practices of others for dealing with uncertainty (Di Maggio and Powell, 1983).

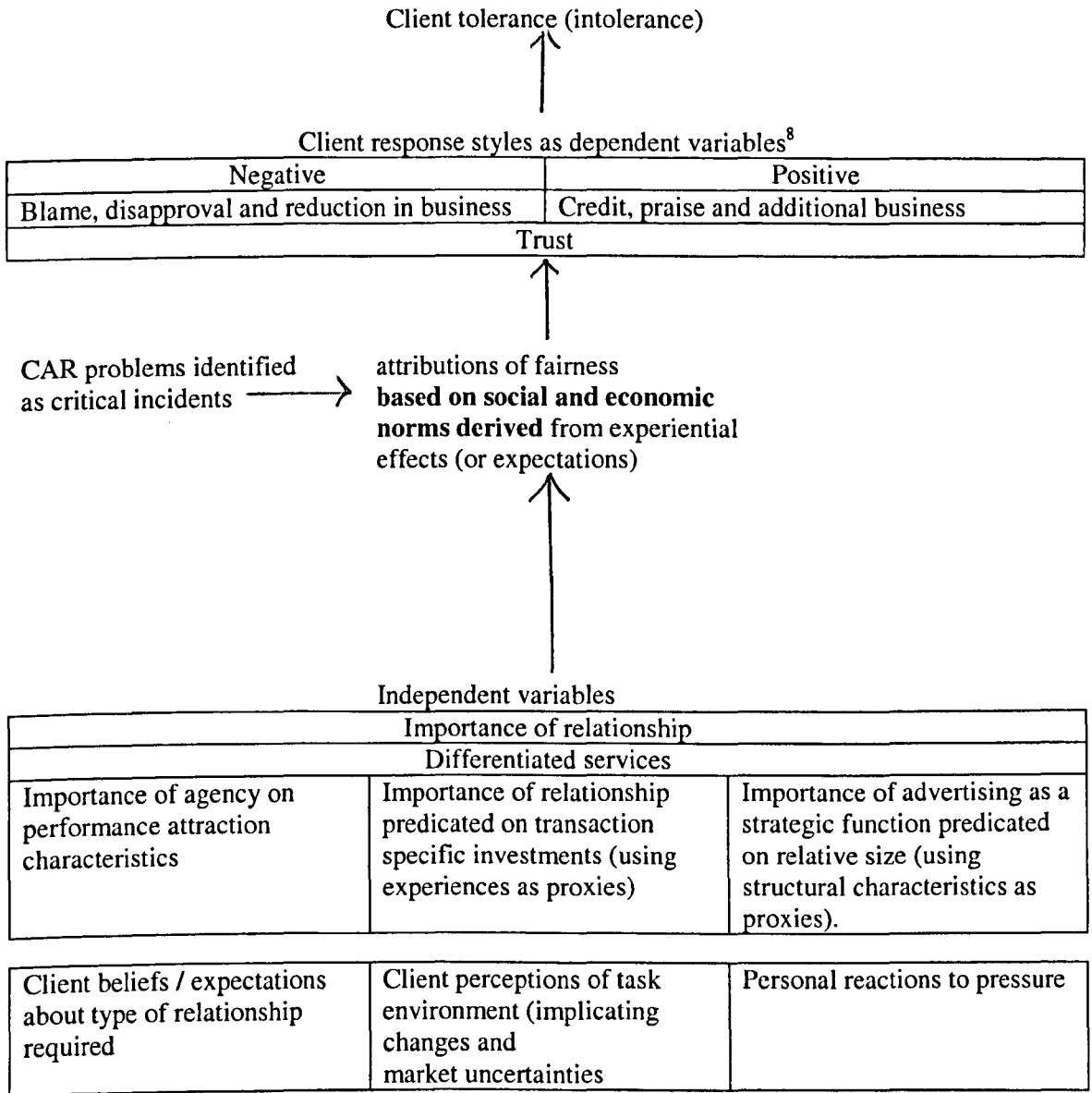


Figure 2.1: Proposed model of tolerance indicators to service quality problems

⁸ These response styles are the dependent variables of the proposed model that were justified from sections 2.4-2.8.

Uncertainty and opportunism are of particular interest for understanding how the responsibility and authority for managing the relationship is governed. According to Levin and Lafayette (1990), contracts between clients and their agencies tend to specify and control working procedures (behaviour), but rarely specify marketing outcomes (i.e. results expected). This may reflect the difficulty in making judgements about the fairness of their agencies based on distributive justice alone, preferring to make judgements in terms of interaction and procedural qualities. This difficulty leaves the client open to opportunistic behaviour from the agency.

Haugland (1999) suggests that alliances may be exposed to opportunism and uncertainty arising from bounded rationality, in which long-term buyer-seller relationships rely on the use of relational norms. According to Bradach and Eccles (1989), a high level of trust between partners can reduce the motive for opportunism, reducing the need for tight governance and control such as a reliance on formal contracts, with reduced monitoring costs (Mills, 1990; Barringer and Harrison, 2000; Child, 2001). By creating value through providing relational benefits from competent, benevolent service providers, exchange uncertainty is reduced (Doney, Cannon and Mullen, 1998; Sirdeshmukh, Singh, and Sabol, 2002). Similarly, Sako (1992) identified competence trust (confidence in an exchange partner's competence in carrying out specific tasks) as a component of trust essential for a co-operative long-term manufacturer-supplier relationship. Due to the difficulty in specifying and monitoring contracts (Mills, 1990: 36), trust serves as a generic governance mechanism in transactions (Thorelli, 1986), thereby reducing transaction costs.

Ring and Van de Ven (1992) suggest norms of equity may help create trust. Relational exchange theory emphasises the importance of developing social norms and building trust (MacNeil, 1980). However, norms of equity are more difficult to achieve when there is performance ambiguity, since exchange value between partners may become equivocal.

2.17 Causes of performance ambiguity

The importance of cementing equitable norms is indicated by the uncertainty of whether both agency and client share common views on what constitutes advertising effectiveness, and arises from the difficulty in linking and proving the effects of advertising on marketing objectives. This uncertainty has been attributed to frequent account switching of CAR (Verbeke, 1989). Performance ambiguity can develop further from the temporal gap between the execution of an advertising task or assignment and its subsequent effect on overall business performance that

makes evaluation difficult. Performance ambiguity may occur from incompatible motives between agency and client associated with agency theory problems. Ellis and Johnson (1993) suggest the traditional reward system that can help align the agency to the client is not directly linked to agency performance that could encourage perceptions of opportunism (such as lack of effort or skills). Further, despite ideas being tangibilised in documentation (e.g., briefing procedures, call reports, review meetings, pre-production forums), the service acts of planning, production and delivery of advertising knowledge and creativity are effectively intangible, causing a certain amount of uncertainty as to what to expect. Therefore, performance ambiguity may also occur inadvertently, through differences in knowledge between client and agency that is not shared that may result in strong perceptual differences in norms of equity. The client needs knowledge about the agency's personnel and procedures in order to be assured of the agency capabilities (i.e. that the attraction factors "sold" in the pitch are justified) and to ensure compatibility to the client's needs and preferences.

When clients are faced with high performance ambiguity (as characterised in advertising), psychosocial outcomes may be used partly as a substitute for strict performance measures, thereby contributing significantly to the overall assessment of a relationship. Psychosocial outcomes refer to the affective assessment, or perceived satisfaction, of a relationship (Anderson and Narus, 1990). This, in turn, is deeply influenced by the perceived fairness, reciprocal understanding of, and concern for each other's needs, and interpersonal trust (Moller and Wilson, 1988: 8). The maintenance and development of business relationships may be left, in part, to the preliminary impressions of the agency's perceived attraction that is shaped by actual experience over time.

2.18 Summary

This chapter offers a rationale for the seven dependent variables used in the study, from which tolerance is determined. To ensure a firm understanding of tolerance in relationships, the seven variables are justified on the grounds of covering attitudes, voice, and behaviour over both the most negative and most positive experiences. Trust, considered to reflect both sets of experiences, is identified from sources both within and outside the relationship experience, suggesting personality as a potential contributor of tolerance.

Since the focus of the study was the most negative and positive experiences of CAR, the service

recovery literature was consulted. The question of fairness was identified for understanding tolerant clients in these exchange relationships, terms taken from the interorganisational justice literature.

The major theoretical paradigms for explaining the need for interorganisational relationships were identified from the extant buyer-seller channel models of relationships that measured or predicted some measure of business strength. Such measures include co-operative or collaborative relationships, partnerships, loyalty based on intentions to remain, commitment and/or trust, long-term orientations and longevity and share of pie, considered as proxies of tolerance. The paradigms of relational contract theory, resource dependency, social exchange theory and transaction cost economics were identified as most popular, from which the main independent factors for building a model of tolerance were derived. The precise independent variables used to represent each factor were assisted by reference to the CAR literature, described in chapter 3.

The buyer-seller models were examined mainly from a B2B perspective, since the B2B literature shares greater prominence with relationship marketing than for consumer marketing. Having reviewed the models for prevalent patterns, the major independent factors associated with relationship strength were considered to be type of relationship, performance factors, importance of the relationship and transaction specific investments, environmental and organisational factors. These are summarised in the proposed model of tolerance (Figure 2.1).

Types of relationship referred to the beliefs or preferences of the client about relationships in general that would shape their purpose and intent. These included whether they believed in collaborative, relational exchanges and relationship characteristics that would help forge closer ties, or create better opportunities for networking and bonding. Performance factors include both technical quality and functional quality. The importance of the relationship was identified by either strategic function predicated on purchase value or the extent of transaction specific investments (TSI).

Perceptions of the external environment had previously been linked to uncertainty and volatility. Organisational (or internal environmental) factors represent the discretion allocated to clients in their roles driven by their organisational structures that influence both communication and decision-making. Finally, how clients react under pressure might indicate a need for control

that may be construed as a measure of their personality.

The model of tolerance builds on, and extends, prior models used to explain the strength of the relationship, and provides reasons for basing tolerance on fair value rather than simply satisfaction. Specifically, the model offers a rationale for dealing with uncertainty. Tolerance can be explained by clients seeking to avoid opportunism when exchange value is uncertain or disappointing.

Table 2.2: Literature review of buyer-seller models based on purchasing, marketing and IMP perspectives⁹

Author	Objective	Buyer-seller arrangement	Data collection methodology	Theories used	Dependent - variable(s)	Independent variable(s)	Main findings
Spekman and Strauss (1986)	Test variables that may affect buyer's concerns for establishing long-term relationships	Perspective of purchasing managers, as customers	Mail survey drawn from a cross-section of major industrial sectors	Extension of TCE with political economy (Stern and Reeve, 1980), and RD (Pfeffer and Salancik, 1978)	Concern for long-term planning needs and strategic vulnerability	TSI, importance of purchase (based on economical value and reliability, and perceived uncertainty)	TSI, importance of reliability, and perceived uncertainty both contribute to long-term planning and strategic vulnerability (but not importance of economical value)
Dwyer, Schurr and Oh (1987)	Demonstrating interorganisational dependence	Generic buyer-seller model	Conceptual model	RCT (MacNeil, 1980), and SET (Thibaut and Kelley, 1959)	Commitment	Attraction, communication, power and justice, norms and expectations	Explains interdependence, conflict and adaptation
Moller and Wilson (1988)	Offers an eclectic understanding for explaining co-operative relationships based on interaction behaviour [behind purely economic motives]	Buyer-seller dyad	Conceptual, based on pluralism of buyer-seller research	IMP (interaction/networks) (Hakansson, 1987, Johanson and Mattsson, 1987), TCE, RD, and SET (Pfeffer and Salancik, 1978)	Type of interaction mode (co-operative v competitive) based on performance, bonding, and adaptations	Environmental context (such as competitive intensity), task characteristics (based on importance, performance, frequency and innovativeness of exchange), interaction experience of buyer and interaction strategy of supplier	Not applicable, since conceptual model

⁹ The majority of studies are B2B relationships. Other studies that only cover a fraction of the relationship have also been omitted from the Table, but may be attributed elsewhere.

Table 2.2: Literature review of buyer-seller models based on purchasing, marketing and IMP perspectives

Author	Objective	Buyer-seller arrangement	Data collection methodology	Theories used	Dependent variable(s)	Independent variable(s)	Main findings
Anderson and Weitz (1989)	To test factors that support long-term relationships	Industrial channel dyads of manufacturers and their sales agents	Survey of agencies about their principals (clients)	SET, RCT, TCE and IMP	Expectations of continuity of the relationship, trust and communication	Dependency (or imbalance), communications, importance of the relationship (stakes) and tie-in age	Continuity characterised by high trust, older relationships and higher importance, with dependency imbalance showing negative effect. Trust is enhanced with open communication, tie-in age, and goal congruency
Anderson and Narus (1990)	Examines a variety of factors influencing satisfaction	Distributors and selected manufacturers	Mail survey	SET	Trust and satisfaction	Dependence, communication and co-operation	Communication affects co-operation, co-operation affects trust and functional conflict, trust influences satisfaction of exchange (all positively)
Heide and John (1990)	Examines how parties become closer in relationships	Uses OEM agents and their suppliers	Mail survey of dyads	RCT, and TCE and RD	Relationship closeness (measured by continuity of expectations, verification effects, joint action), and specific investments	Investments by buyer and seller, and performance (including technology) ambiguity	Investments generally positively increase relationship closeness, with ambiguity tending to decrease expectations of continuity, but increase verification effort. Adaptation can protect TSI against opportunism (lack of control) in a relationship
Heide and Miner (1992)	To identify level of reciprocal co-operation between buyer and seller (as a proxy measure of fairness)	Industrial OEM's and component suppliers	Mail survey of key informants using dyads	Uses Prisoner's Dilemma	Likelihood of reciprocal co-operation, measured by four dimensions of flexibility (or customised exchange), willingness to exchange information, shared problem solving, and restraint of power (avoidance of opportunism)	Expectations of continuity, performance ambiguity, (level of effort required to assess supplier performance)	Expectations of continuity has a significant effect on co-operative behaviour, in terms of all four scales, with length of relationship having no effect on any, and performance ambiguity having only a negative effect on customised exchange

Table 2.2: Literature review of buyer-seller models based on purchasing, marketing and IMP perspectives

Author	Objective	Buyer-seller arrangement	Data collection methodology	Theories used	Dependent variable(s)	Independent variable(s)	Main findings
Stuart (1993)	Tested factors influencing supplier partnerships	Purchases across broad section of manufacturing industries	Mail survey of purchasing executives	Purchasing literature used	Degree of partnership leading to competitive advantage	Competitive pressure, importance of purchased inputs, and purchasing capability (philosophy based on committed resources)	Supplier partnerships lead to long-term gains in cost reduction and product quality improvements
Haughland and Reeve (1993)	To demonstrate that relational contracting exists	Producers, exporters and importers	Personally conducted interviews of multi-chain dyads	Uses TCE and RCT	Contractual outcomes (cohesion and satisfaction)	Independent contractual norms (reliance, solidarity, mutuality) and contractual form (formalisation, centralisation)	Formalisation (but not centralisation) positively associated with contractual norms. No direct association between contractual form and outcome such as channel cohesion.
Moorman, Deshpande and Zaltman (1993)	To identify factors that influence trust in professional service relationships	Users of market research services	Mail survey	Trust literature consulted	Trust (as a measure of confidence in firm's ability)	Interpersonal factors that include integrity, willingness to reduce research uncertainty, confidentiality, expertise, tactfulness, sincerity, and timeliness	Integrity, willingness to reduce research uncertainty, confidentiality, expertise, tactfulness, sincerity, and timeliness all positively influence trust
Anderson, Hakansson and Johanson (1994)	Conceptualises development of dyadic business relationships to capture embedded context. Demonstrates constructive and destructive effects on networks	Focal dyad's immediate suppliers and customers, and those connected to it in exchange, that constitute a network.	Conceptual models posited about types of networks affecting relationship outcomes, using case studies	IMP perspective, SET, and RD	Implicitly perceived attractiveness of exchange partner (as a network identity), and commitment	Implicitly resource and activity leveraging (heterogeneity, mutuality, learning, and co-operating) and actor competence through the connected relations of the network (as an environment)	Anecdotal evidence of conceptual models provided by case studies and substantive validity assessments of constructs that supports the conceptual framework

Table 2.2: Literature review of buyer-seller models based on purchasing, marketing and IMP perspectives

Author	Objective	Buyer-seller arrangement	Data collection methodology	Theories used	Dependent variable(s)	Independent variable(s)	Main findings
Morgan and Hunt (1994)	Test how successful relationship marketing requires trust and commitment	Automobile tyre retailers	Two-wave mailed survey	RCT and TCE	Switching propensity and co-operation as antecedents, (amongst others) to commitment and trust	Relationship costs and benefits, shared values, communication and opportunistic behaviour	All antecedents support trust and commitment which, in turn, demonstrate link with successful relationships (instead of power to condition others)
Ganesan (1994)	Identify factors associated with long-term orientation	Retailer buyers and sales representatives	Mail survey of antecedent factors and characteristics of each relationship	TCE	Long-term orientation	Environmental uncertainty, TSI, reputation and retailers experience of seller	Uncertainty, diversity and TSI associated with interdependence between channel members
Mohr and Spekman (1994)	Tested model of characteristics of partnership success	Dealer feelings of computer manufacturers	Mail survey	TCE, SET, (Anderson and Narus, 1984), and RD (Pfeffer and Salancik, 1987)	Success of partnership (measured by satisfaction and dyadic sales)	Partnership attributes (commitment, co-ordination, interdependence and trust), communication (quality and participation), and conflict resolution techniques (joint problem solving)	All independent variables significantly associated with at least one dimension of partnership success except interdependence (non-significant)
Storbacka et al. (1994)	Links customer service (via value) to relationship strength and longevity	Generic customers and supplier of services	Conceptual model only	Service quality and customer satisfaction	Relationship strength and longevity	Value (from service quality), commitment and bonds, satisfaction, alternatives and experiences (of service episodes)	Loyalty occurs with negative, positive, or neutral commitment (Storbacka et al., 1994: 28)

Table 2.2: Literature review of buyer-seller models based on purchasing, marketing and IMP perspectives

Author	Objective	Buyer-seller arrangement	Data collection methodology	Theories used	Dependent variable(s)	Independent variable(s)	Main findings
Gassenheimer Calantone and Scully (1995)	Tests for factors that predict lead suppliers from others	Managers of dealerships of office furniture	Mail survey about their manufacturers (as sellers)	RCT, TCE, and SET	Relationship quality, based on whether leading supplier status, measured as share of dealers' purchases	Norms of relationship closeness, based on extendedness, flexibility to adapt, and joint investments, satisfaction, and TSI	Joint investments and TSI positively linked to leading supplier status, but satisfaction is negatively linked (possibly due to their structural dependency)
Gundlach, Achrol and Mentzer (1995)	To assess links to norms and long-term orientations	Behavioural simulation of manufacturers and distributors (using students)	Survey	SET	Norms and long-term orientations	Credibility of commitments	Credibility of commitments is positively related to use of governance norms, which in turn are positively related to long-term orientations
Wilson (1995)	Conceptualises integrative model	Buyers and sellers from different countries (IMP Group)	Interviews with 878 buyers and sellers in 318 organisations from 5 countries	IMP Interaction models (Hakansson, 1982, Ford, 1990)	Various, but commitment, trust and co-operation are three of most prevalent	Interaction involving power/dependence, co-operation, experience and the environment (Hakansson, 1982, Ford, 1990)	Trust and social bonds considered more important at earlier stages of relationship, with adaptations, structural bonds, commitment and co-operation more important for relationship value
Nielsen (1996)	To identify how different types of switching costs (soft and hard assets) are associated with relationship outcomes	Manufacturers, distributors of components and raw materials	Mail survey, with test items borrowed from various authors	TCE and SET	Switching costs (soft, social or human, and hard, structural, or physical assets)	Trust, co-operation and exposure (strategic vulnerability)	Switching costs positively associated with co-operation and strategic vulnerability, based on soft and hard assets respectively

Table 2.2: Literature review of buyer-seller models based on purchasing, marketing and IMP perspectives

Author	Objective	Buyer-seller arrangement	Data collection methodology	Theories used	Dependent variable(s)	Independent variable(s)	Main findings
Doney and Cannon (1997)	Tests for factors associated with collaborative buyer-supplier arrangements	Industrial manufacturers about their suppliers	Mail survey about their market and supplier relationships	Interorganisational trust	Trust, purchase choice, and anticipated future interaction	Characteristics of supplier (reputation and size); supplier relationship (tie-age), salesperson (expertise and power), and salesperson relationship (likeability and similarity), performance variables, and experience	Size, customisation, salesperson expertise, likeability and similarity, and frequency of interaction, (but not tie-in age) impact on trust
Tax, Brown and Chandrashekar (1998)	Test effect of perception of resolving service failure	Customer-service provider, based on four services	Mail survey	Justice literature (equity theory)	Trust and commitment	Relational commitment and fairness in problem solving	Resolving complaints should consider both economic and emotional costs (i.e., distributive and procedural / interactional justice) in shaping trust
Gassenheimer Houston and Davis (1998)	Develops conceptual model of tolerance based on net value of relational distance of exchanges	Designed for business-to-business relationships	Not applicable	Distributive justice, SET, and TCA	Leads to tolerance (via fairness and exit)	Social and economic value and relational distance	Assumes TCE relates to economic motives, social exchange to social motives, with relative balance indicating tolerance

Table 2.2: Literature review of buyer-seller models based on purchasing, marketing and IMP perspectives

Author	Objective	Buyer-seller arrangement	Data collection methodology	Theories used	Dependent variable(s)	Independent variable(s)	Main findings
Wetzels, de Ruyter and Van Birgelen (1998)	To identify relationship between service quality, trust, and dependence on intentions to stay	Business customers of service engineers of an office manufacturer	Mail survey	RCT, RD, and service quality	Intentions to stay	Technical and functional quality, trust (benevolence and honesty), and dependency	Trust (benevolence) and affective commitment influences intention to stay more positively than calculative commitment
Homburg and Garbe (1999)	Examined how different elements of quality of industrial services affect trust, commitment, and satisfaction	Purchasers of industrial services (machinery and OEM)	Field interviews and mail survey	SET	Trust, commitment and satisfaction	Structural quality, process quality, and outcome quality	Process quality was greatest contributor of trust, commitment and satisfaction
Jap (1999)	Examines whether strategic outcomes are achieved by resources (based on co-ordination and differentiation through idiosyncratic investments)	200 buyers and suppliers of four manufacturing industries	Longitudinal survey, based on two fixed time periods	Resource based view	Strategic outcomes (profit and competitive advantage)	Environmental factors, organisational properties and interpersonal beliefs	Both co-ordination and idiosyncratic investments positively related to strategic outcomes, with environment and interpersonal trust offering a partial contribution
Sollner (1999)	Tests input-output model of commitment	Sales engineers of manufacturers or services, based on cross-section of industries	Mail survey	IMP, justice literature, and TCE	Relationship performance and justice	TSI and trust (as inputs)	Attitudinal inputs (norms reflecting trust rather than TSI) are positively significant with perceived justice of supplier
Sirdeshmukh et al. (2002)	To identify how trust might be used selectively in relationships	Consumer attitudes about two industries providing experiential services	Mail survey of consumers	Service quality and justice literature	Value and loyalty of relational exchange	Trust in policies and front-line employee behaviours based on competence	Trust conditionally enhances value and hence loyalty, suggesting investment in trust-creation strategies should be selective

Table 2.3: Literature review of client-agency (CAR) models based on advertising perspectives

Author	Objective	Buyer-seller arrangement	Data collection methodology	Theories used	Dependent variable(s)	Independent variable(s)	Main findings
Doyle, Corstjens and Michell (1980)	To identify importance of factors in switching accounts	UK failed CAR taken from 1976-7.	Mail survey of 84 matched pairs of clients and their agencies	Advertising literature	Switched accounts	5 factors identified: dissatisfaction with agency performance, changes in client policies, changes in client management, changes in agency management and changes in agency policies	Clients rated dissatisfaction with agency performance first, but agencies rated factors beyond their control first (i.e., changes in client policy)
Wackman, Salmon and Salmon (1986)	To identify crucial attributes for maintaining a CAR	Clients of US firms	Mail survey, with attributes separated on an 'a priori' basis	Implicitly SET, and marriage literature	Satisfaction with agency and creative work	4 attributes considered: relationship factor, work product factor, work pattern factor, and the organisational factor	Dissatisfaction with the personal relationship of account services staff was a principal reason for relationship problems, followed by charging fairly
Verbeke (1989)	As above	Above study replicated in the Netherlands	Replication of survey with refinements	TCE, IMP and CAR literature	Overall performance satisfaction with agency	6 factors identified to explain overall satisfaction with agency: transaction costs, quality, personal relationships, research, clarity of assignments, and range of services offered. Additionally, agencies inflate perceptions of their performance relative to clients	The significant factors were quality (such as quality of creative work) considered most important, transaction costs (e.g., agency organises meetings efficiently) second, and research (third). Personal relationships were not important

Table 2.3: Literature review of client-agency (CAR) models based on advertising perspectives

Author	Objective	Buyer-seller arrangements	Data collection methodology	Theories used	Dependent variable(s)	Independent variable(s)	Main findings
Johnson and Laczniak (1990)	To identify roots of conflict and dissatisfaction	Generic CAR	Conceptual model	Interorganizational relations and distribution channels	Satisfaction and effectiveness	Communication styles (participation, formalisation, standardisation, and intensity/reciprocity)	Co-operation proposed to be associated with participation, moderate formalisation, standardisation, and reciprocity
Michell, Cataquet and Hague (1992)	To identify importance of factors in switching accounts	US and UK failed CAR taken 1988-89	Mail survey of client perceptions	CAR literature	Switched accounts	As the 1980 study	Consistent with data set in seventies (1980), dissatisfaction with performance ranked most important, well ahead of client policy and client management
Kaynak, Kucukemiroglu and Odabasi (1994)	To explore the satisfaction of CAR in an advanced developing country	Turkish	Replication of mail survey by Verbeke (1989) for Turkish market	CAR literature	Overall satisfaction with agency	5 factors identified for explaining 74% of variance of overall satisfaction with agency: efficiency/adaptation, friendliness (trust), research capability, quality of creativity and responsibility	Personal relationships more important in a high context society, but efficiency/adaptation (several transaction costs) most important
Henke (1995)	To identify critical factors in switching accounts	US clients of big budgets	Longitudinal, two-wave telephone survey of 151 and 141 client perceptions	CAR literature	Agency switches	Satisfaction measures, tie-in age and levels of awareness	Comparison of switchers to non-switchers revealed significant differences, with greater satisfaction with creative skills than for media skills with switchers

Table 2.3: Literature review of client-agency (CAR) models based on advertising perspectives

Author	Objective	Buyer-seller arrangement	Data collection methodology	Theories used	Dependent variable(s)	Independent variable(s)	Main findings
Michell and Sanders (1995)	To identify importance of factors in remaining loyal	UK CAR (>15 years)	Mail survey of client perceptions	Interorgan- isational management, buyer-seller relationship, and service encounter literature	Account loyalty	7 factors identified from review: account performance, general attitudes and policies toward suppliers, interpersonal characteristics, general processes involving suppliers, business environment, and organisational structure	Account performance most important, followed by attitudes and policies toward suppliers
Beard (1996)	To identify factors associated with role ambiguity of clients	Client perceptions of their relationship, and roles	Mail survey	CAR	Experienced role ambiguity	Clarity of process and goals, satisfaction with relationship and performance, conflict, and time spent in focal relationship	Clients experience high goal and process clarity. Role ambiguity (goal and process) was found inversely associated with good personal relationships
LaBahn and Kohli (1997)	To identify reasons for successful on- going relationships	US manufacturers of consumer packaged goods and industrial goods	Mail survey of clients and their agencies	CAR	Client trust and commitment	Service behaviour (agency accessibility and assertiveness), working relationship (productive interaction) and agency performance (creative quality)	Service behaviour (agency accessibility and assertiveness) increase working relationship (productive interaction) and agency performance (creative quality). Agency performance (creative quality) increases client trust and commitment

Table 2.3: Literature review of client-agency (CAR) models based on advertising perspectives

Author	Objective	Buyer-seller arrangement	Data collection methodology	Theories used	Dependent variable(s)	Independent variable(s)	Main findings
Durden, Orsman and Michell (1997)	To identify importance of factors in switching accounts	New Zealand failed CAR	Mail survey of client perceptions	CAR literature	Switched accounts	As the 1980 study	Consistent with the 1992 study, dissatisfaction with performance was ranked most important
Halinen (1997)	Conceptual development of CAR process model for theory building	One in-depth CAR	Case study research	IMP Group	Development of relationship	Contextual factors (environmental and company), interaction processes (based on communication through assignments, and adaptation), relational infrastructure (personal relationships and norms), perceived outcomes, and bonds of attraction (based on expected exchange) due to capabilities	Not applicable
Davies and Prince (1999)	To identify structural factors that may signal and support longevity	US and UK CAR	Archive data	SET and ecology	Trust, commitment and longevity	Adaptation processes via learning, rewards and investments (dependency), personal relationships, and legitimacy (reputation)	Longevity associated with most structural factors (size and tie-in age of relationship) supporting model

Chapter 3: The hypotheses

3.1 Introduction

Borrowing terms from the interorganisational theories and justice literature, a series of hypotheses are constructed, built on the independent factors for testing tolerance in the previous chapter. Revisiting the proposed model of tolerance from Figure 2.1, these factors relate to the importance of the relationship, client beliefs (or preferences) about their general types of relationships, external and internal environmental factors and personal characteristics. Each hypothesis for each set of performance factors, environmental factors and personality factors relate to an attribution effect (implying whether norms of equity in exchange are achieved or violated). Additional expectancy effects are hypothesised for several factors¹.

Hypotheses relating to the importance of the relationship are dependent on performance attraction, existing transaction specific investments and the importance of advertising as a strategic function. Performance factors that add or detract value from exchange are based on the creative process and the service function. Hypotheses relating to client beliefs about relationships are concerned with their opportunities and willingness for exchange, based on single sourcing, likeability, longer-term relationships, compatibility of working styles, and degree of informality with interaction.

Hypotheses also relate to perceptions about the external environment. These include market conditions, level of competitive intensity, potential for product attraction, and degree of changes to marketing strategies. Hypotheses about the internal environment include client discretion granted in reaching decisions and degree of effort required in making changes to the relationship. Hypotheses relating to personal characteristics examine how clients react under pressure and over broader experience.

The Independent variables for testing tolerance

3.2 The importance of the relationship

According to Figure 2.1, this is dependent on (1) performance attraction, (2) existing TSI and interfirm dependencies, and (3) the importance of advertising as a strategic function.

¹ In accordance with exploratory research, most hypothesis tests are treated as two-tailed.

3.2.1 Performance attraction

Scant attention has been given to identifying multidimensional aspects of attraction in the buyer-seller relationship literature. Halinen (1997: 59, 241) defines attraction as a future orientated interest in exchange arising from expectations in either economic or social reward-cost outcomes. These costs to the client may arise from either the opportunity costs attributable to the existing investment foregone in the prior agency, if a switch takes place, or the perceptions of future value returns relative to other agencies, whether functional, economic or psychosocial, (Halinen, 1997: 228).

Motivation to maintain a relationship arising from these reward-cost outcomes is known as bonding (Wilson, 1995), in which relational bonds keep clients in and agencies together in relationships. Attraction arises from investment in the relationship due to social bonds (e.g., strong, informal personal relationships) and economic bonds based on business exchange (e.g., investment in adaptation processes, including imparted inter-firm information or knowledge, Crosby, Evans and Cowles, 1990: 71; Comanor, Kover, and Smiley, 1981: 432). Collectively, these costs culminate into increasing switching costs of ending an old relationship, and the perceived risks of starting a new relationship. As Mattsson (1983:4) and Johanson and Mattsson (1986: 247) suggest, if these bonds are strong, relationships will not easily be terminated. Client attraction to an agency may encourage investment initiative to revive a stressed relationship. Consequently, it may be considered to affect tolerance levels.

Uncertainty of future performance arises from performance ambiguity leading to possible opportunism, changes in exchange value, and a perception of lack of shared norms of equity. Tolerance is increased if equity can be easily determined from the experiential effects consistent with past exchange, (or decreased if based on raised expectations, based on the future).

H1: Client tolerance is associated with agencies that demonstrate competency in performance from past exchanges (but intolerance if expectations rise, on account of experiential effects) irrespective of relationship stress, (i.e. challenged by critical incidents).

Performance is tested by competencies using the variables a-l (pages 78-84) that include both service elements and technical competence.

3.2.2 Specific dimensions of performance attraction

What dimensions of performance attraction should be specifically included? Halinen (1997:

242-244) refers to agency capabilities; and identified their range of specialisation, their reputation for high quality creativity, vision and ideas (innovative orientation) and their price levels in relation to these capabilities as determinants of attraction. Price is considered to be more of a hygiene factor in the proposed model, and so is included in the inventory of critical incidents rather than as an independent variable. The rationale for this is that rarely are agencies sought for their lowest charges (unless advertising is considered to be a cost rather than an investment).

Most studies of CAR have relied on *perceptions* of competency for ascertaining client dissatisfaction in their relationships. However, it is suggested that perceptions of competency are likely to rely on *surrogates* of competency for vast periods of a relationship. This is attributed to the general difficulty clients have in gauging the effectiveness of advertising, in terms of creating sales, Devinney and Dowling, (1999). Even sophisticated clients who have the know-how are not able to evaluate this contribution with certainty due to the incremental way advertising builds the brand that is explicit in much of the discussion on hierarchy of effects (e.g. Batra, Myers and Aaker, 1996). Hence it is argued that for sustained periods of a relationship, the client must rely on process-related issues of competency. In evaluating industrial services, Homburg and Garbe (1999) found that process-orientated service² had a stronger impact on commitment than outcome-related service, supporting this view. Additional research in service quality and organisational justice literature (e.g., Clemmer and Schneider, 1996) outline the importance of process and interaction. This is further reinforced by Wackman et al. (1986/7) that identified work patterns (e.g., communication and co-ordination) as a growing weakness of agencies identified by clients as their relationships progressed. Therefore, many of the items chosen to fit the performance construct relate to process issues.

Low standards of creative work have been shown to contribute to agency switching and relationship conflict (Doyle et al., 1980; Durden et al., 1997; Michell, 1984a, 1987; Michell, Cataquet and Hague, 1992; Verbeke, 1989). In view of the discussion above about the importance of process, creative work is examined in terms of empathy to creative changes, strategic thinking, and access to creative teams. (Effectiveness Awards was later deleted³, whilst proactivity, and interpretation of briefing were added after conducting depth interviews).

² Service process is similar to the concept of functional quality explained by Gronroos (1990).

³ Effectiveness Awards are the only outcome-based item from this list, which was later dropped from analysis, based on client perceptions raised during field interviews.

Both Wackman et al. (1986/7) and Beard (1996) found client satisfaction with agency personnel as the most important factor of agency performance, implicating the importance of good personal relationships, with emphasis on interactions. Agency personnel can offer knowledge, interpersonal skills and creativity (Alvesson, 1993). The quality of agency personnel, may be an important competitive tool. Collectively, these factors support previous studies (Kahkonen, 1990: 16). Lichtenthal and Shani (2000) and Henke (1995) have argued that agencies may well overestimate the importance of creative ability instead of serving the unique needs of each client, as the relationships progress, implicating the importance of the service function over time. Service performance is also based on interpersonal behaviour that demonstrates integrity, stability, consistency, and empathy towards the client. In examining factors affecting commitment in relationships, La Bahn and Kohli (1997) found that clients seek business results *and* service.

The creative process

Since advertising is a creative process that is difficult to evaluate, some clients will feel structure behind how creativity is managed to be important, as found by Michell (1984b). This might be industry specific, e.g., retail accounts. It is important this structure is tangibilised as evidence. The *immaculate conception* of the end product may be demystified (and treated with more respect by clients) if a clear structure is offered on how it was developed. It is suggested this may be achieved by research, use of proprietorial models, or by demonstrating procedures or processes, with evidence offered by Effectiveness Awards.

(a) Recency of Effectiveness Awards

The IPA Effectiveness Awards show recognition of creative talent. Evidence may be shown by the number of recent awards won, emphasising the recent track record because personnel can move quickly in the advertising business. These awards demonstrate case histories of the contribution of advertising to business success, encouraging agencies to develop improved standards for evaluating advertising (Moriarty, 1996). The recency attached to awards is pertinent since fresh ideas must be derived, not reliant on past campaign success. Henke (1995) found that Effectiveness Awards (as a cue of *general* creative reputation) may be a signal of creativity that is so important at the beginning of relationships, but this declines over time with client experience, in which the importance of *specific* client performance increases. According to Helgesen (1994), Advertising Awards should be used with caution, since unless marketing effectiveness is demonstrated with research, they will serve little more than to promote agency

staff careers rather than the client's business.

(b) Intensive research culture

Ryan and Colley (1967) noted that an aggravating practice of agencies is not learning the client's business thoroughly, duly given high importance in agency switching by Michell (1986/87). Research should resolve this problem. Research is the only way for justifying the agency strategy and creative product (Rothenberg, 1999). Evidence of a research culture may take many forms, such as asking searching questions for creative development, (e.g., product interrogation, as at WCRS, Valance, 1999), or as evaluative research in testing concepts and ideas exhaustively, as a foundation for accountability (Broadbent, 1997). However, clients are apt to judge on style as much as content, or use research too narrowly (Zaltman and Moorman, 1998/9). Research might also offer a safe path to follow, but not a spectacular one. Previous findings have yielded mixed results. For example, Cagley (1986) showed that clients considered the ability of the agency to handle marketing research the least important attribute in agency selection, Henke (1995) found research skills to be moderately important in evaluating agencies, whilst Verbeke (1988/89) and Kaynak et al. (1994) found research to be the third most important factor to explain client evaluation with their agency. Kaynak et al. (1994) found the importance of advertising research to vary significantly between market sectors that might contribute to the mixed results.

(c) Use of proprietorial models (PM)

An agency can tangibilise its offering by demonstrating models unique to that agency that can help assist in the selling of their ideas, and in justifying their reasoning in advice given (Meyer, 1996). For example, the Foote Cone Belding agency has been noted for its FCB grid for assisting in the creative positioning of products (Vaughn, 1980). PM also offer some insurance to risk-averse clients who need to justify their decisions internally. These models can assist in media choice and in creative development.

(d) Ability to offer international campaigns of quality

According to Helgesen (1994), agencies that belong to an international network may be considered attractive, since this can provide a competitive advantage to a client. Agencies might also be motivated by the strategic importance of an international campaign assignment. Such campaigns can provide an opportunity for an ambitious agency to develop their staff expertise

and use this for future pitching credentials.

(e) Accreditation to an independent quality standard

ISO9001 is reserved for firms that provide designs, including advertising. Few agencies have sought registration of ISO9001, a certification programme establishing requirements for quality assurance systems. One agency that has gained certification is Baublitz Advertising, York, PA., who believe promoting it will enable them to gain a competitive advantage. In one sense, it offers reassurance to clients about customer care with an intangible product (Gaboda, 1997:2).

Whilst this does not guarantee good creative ability nor media skills, it should enable the administration underlying these skills to be orderly and business like (Bossom, 1993).

Additionally, Ovretveit (1993: 65) has argued that a high rating on audit or award assessment need not relate to service quality at a later date.

(f) Intensity of effort on account

If and when clients experience difficulties with their agencies, it is argued that evidence of effort exerted could soften client's behaviour. The importance of effort may be rationalised on the basis of reciprocal behaviour associated with equity theory or expectancy theory (Vroom, 1964). However, this depends on whether effort is believed to lead to proportional output.

(g) Integrity in offering advice

Kellaway (1996) discusses the general problem of failing to meet promises, or exaggerating claims and subsequently failing to deliver. This is a proxy for interpersonal trust, i.e. separate from trust emanating from the basis of the remaining service performance factors to be discussed. This involves evidence that an agency has the client's destiny at heart which can be manifested in a number of ways. The agency has to be honest, and this might be demonstrated by offering impartial advice that amounts to a degree of independence from the client, but nevertheless grounded in the client's business, i.e., using knowledge of the client's business as a platform for making independent judgements. Only then will there be confidence in the quality of advice offered by the agency. The agency treads a narrow tightrope between appearing too aloof (removed from the clients wavelength) and too protective towards the client, by always agreeing with them. Integrity may be preferred to written contracts that are often impractical due to the difficulty in negotiating how long a job will take, together with the high mobility of staff.

(h) The number of creative proposals

According to the random theory of creativity (RAC), originally proposed by Gross (1972: 84), the odds of arriving at a winning or successful creative idea is enhanced by generating a series of creative ideas instead of one. According to Rossiter and Percy (1997:188) this success rate or batting average is about one in six. Due to the likelihood of "locked in " thinking associated with ideas emanating from a single source (single creative member of staff), it is advised to use several sources to offer variety.

(i) Access to number of creative teams⁴

Therefore, following the reasoning above, several independent creative teams are advised (preferably drawn from a wide range of accounts from a single agency) to reduce the mind from being blocked. RAC theory assumes that a big breakthrough idea is related to the variation around the number of creative ideas produced, and appears to be an application of law of numbers. However, it could be criticised for treating creativity as a 'black box', without ascertaining the conditions under which creativity is encouraged. Creative motivation might arise from both a concentration and sufficient relaxation for ideas to flow that require a focus of energy and immersion in the client's business. The enforcement of knowing, as creative staff, that you are internally competing with other creative teams may create additional stress and switch these people off. Due to these concerns, it is expected that clients might be equally divided about their needs on this.

Submission of more than one creative team is also a signal of investment in the relationship. Some clients, such as Andy Mee of Sega Europe become frustrated by having limited options in the way of a single execution (Dye, 1997:24).

(j) Stability of key management of account teams

The people-intensive nature of the advertising process means both agencies and their clients significantly influence the perceived quality of the service and hence the whole business relationship (Normann, 1991:17). This has implications for how the account team is managed, when changes in personnel are made on either side, especially if key players leave, who are valued and considered instrumental to the relationship. Doyle et al. (1980: 21), Michell (1987:

⁴ Since variables (h) and (i) are closely linked, a decision was reached to choose only one from the later analysis.

32), and Michell (1992) have suggested personnel changes may give rise to break-ups in the relationship. These personnel changes may change the norms and patterns of behaviour (Halinen, 1997) and reduce the level of inter-firm knowledge between the parties, and make the partner less attractive. This may require clients having to re-educate new agency teams on corporate culture, markets, products and strategies at a considerable cost. La Bahn and Kohli (1997) suggest continual re-education is likely to reduce productive interaction.

Krackhardt and Hanson (1993) discuss the problem with bow-ties, when the central figure or knot controlling two groups decides to leave. According to Burt (1982), Brass (1984), and Ibarra (1993), actors centrally placed within organisation-wide webs of interaction have greater control over relevant resources and enjoy a greater range of benefits and opportunities unavailable to those on the periphery of the network. Applied to client-agency relationships, it would suggest that stability of *key* members of the account teams is important because key staff have access to, and can affect, strategic resources to others within relationships. Thus the ability to manage the stability of the account team is identified as a dimension of agency attraction and may become more important as a relationship develops due to individuals becoming more deeply entrenched in interpersonal relationships.

According to Collins and Porras (1994), stability of management is a key characteristic of visionary organisations and corporate longevity. For example, Beard (1996) reckons that clients often complain about turnover of agency staff. Frankel (1976) suggests creative management are highly mobile, based on frequent mergers and break-ups, combined with their creative reputation for winning awards. The key to retention is ensuring they are suitably rewarded including the autonomy to analyse work in a meaningful way that reflects their professional self ideals, and therefore not subjected to rules. Another problem is the availability of personnel to the accounts at the time of selection, in which matching interests and aptitudes may be stretched.

When direct personnel contacts in the account management of the client team are lost, there is a danger that existing equity built up in trust may erode, possibly arising from:

-a change in management style, such as that requiring a shift from long term strategies to short-term project assignments). This may no longer be compatible with the philosophy expected of the other party,

-shifts in responsibility or leadership, with greater geographical distance between agency and client. Thus frequency of contact is reduced, causing uncertainty about roles and expectations with a tendency towards more reserved communication

-greater formal control and accountability over marketing costs, e.g., the setting of invoice limits on creative planning

-a shift in size of assignment from a lead agency to a minor role, in which investment initiative by the agency may shift to other clients (Halinen, 1997: 125).

-a reduction in the strength of position in the client's nets, so reducing attraction (Halinen, 1997: 294).

(k) Constant information on account status

The combination of TCE that aims to reduce opportunism, together with learning theory suggesting knowledge is a strategic resource, suggests that reliability of information flows at the interorganisational level may be important. The volatility of changes that may affect the value of exchange suggests information should be readily transparent and accessible. This is examined by the variable constant information on account status. Michell and Sanders (1995) and Michell (1987) have argued that frequent and regular contact is linked to performance effectiveness and relationship maintenance. Professor Leonard Berry, quoted in Zemke and Schaaf (1990: 179), discusses the indifference in customer service levels via poor communication, suggesting that it is important to avoid the feeling of silent treatment that can cause annoyance.

(l) Strength in strategic thinking

According to Shimp (1997: 250) advertising must arise from a sound marketing strategy that calls for a need to integrate all other aspects of marketing communications. Strategic thinking requires the agency to derive campaigns that reflect the underlying values of the client organisation based on previous heritage and future intent (hence conveying relevance and topicality with the target market). Although evidence of this might be extracted from examining proprietorial models that may help to justify decisions and signal a research or planning culture, it is the paramount quality of the core idea that can be built on over successive campaigns that is important. Central to this is the evidence from previous campaign successes, so reputation may

be a key ingredient. Michell, Cataquet and Hague (1992) found that '*agency not close enough to client's business*' and '*disagreement over advertising objectives*' (both broadly in line with strategic thinking) were contributory factors in nearly 60% and over 40% of account switches respectively between agencies and clients.

3.2.3 Existing transaction-specific investment

This involves specific investments already tied to the relationship that are of little or no value elsewhere. Consequently they involve opportunity costs (if reassigned on other accounts) and transaction costs (Comanor et al., 1981; Crosby et al., 1990; and Storbacka et al., 1994). Transaction costs would include risks of espionage of leaked market-sensitive data, and training costs involved in educating a new agency in the client's business culture, such as their modus operandi of work processes (La Bahn and Kohli, 1997). These invariably differ for each relationship that incur considerable risks to the client. Consequently many incumbent buyer-seller relationships will adapt their styles of working toward the needs of the other, as suggested by interaction models designed by the IMP Group.

Applying TSI to CAR suggests that clients become more dependent on agencies over time, through adaptation (Davies and Prince, 1999). Although experience could be measured by the length of relationship, reflecting organisational learning, careers in advertising are relatively brief, suggesting that the level of experience the client has held both in the focal agency and in agency relationships overall might offer useful alternative measures. Collectively, these also serve as a proxy for dependency: the looser the link, the less dependent the client with their agency. These experience factors are measured in the later model.

3.2.4 Importance of advertising as a contributor to the client's overall marketing strategy

Based on a reciprocity of benefits that explain maintenance of interorganisational relationships (Oliver, 1990), the higher the importance of the advertising function as a contributor to the marketing strategy of the client, the greater the steps taken to maintain the existing agency. If this importance to the client coincides with the impact on the agency's gross margin, there is likely to be reciprocal motivation from the agency constituting a good fit. When there is a poor fit in perceived strategic importance of advertising between agency and client, (e.g., advertising agency important to the client but not vice versa), there is a lack of reciprocal motivation or commitment. An agency that perceives it has a small role in the client's advertising may be loath to commit its best staff resources to that account. This may result in opportunistic activity and

supports work by Michell (1988) that lasting relationships are often matched on size. Matching signals the prospects of perceived equity between parties to the relationship, since both sides are likely to need each other and refrain from opportunism. As an agency or client grows, perceptions of asymmetry between client and agency may develop, encouraging opportunism and unfairness.

Literature on organisational behaviour (e.g. Oliver, 1990; Pfeffer and Salancik, 1978) has recognised that dominance of one party over another in organisational relationships can adversely affect the strength of relationships. Halinen (1997: 36, 224-225) recognises that the relative size of the agency business relative to their client or vice versa can influence how reliant or dependent a partner becomes on the other. Agency size is measured in absolute size and its share of the client's advertising business that provides an indicator of its importance of advertising to the client's strategy. The dominance one party exerts over another may arise from the relative importance to the future strategy of the client.

The role or breadth of the relationship, or range and number of activities (or tasks) can indicate the importance of the specific relationship. In the proposed study, it is based on the number of brands the agency is involved within a client relationship. A further indication is given by how business is allocated (Etgar, 1976). An agency may be hold solus status or be one of a roster used on the client's business. Thus client policy with respect to this influences the dynamics of the relationship. Thus a sole agency provider or a client in the top ten of an agency list of clients ensures priority treatment in effort and service, and may hold a greater variety of relationships. Consequently, it is expected that solus agencies would lead to more tolerance.

Overall, client tolerance (intolerance) is associated with relative interdependence based on size of past client investments and inter-firm nets (but intolerance if expectations rise on account of past investments) irrespective of relationship stress, (i.e., challenged by raised expectations of the future due to previous commitments). Investment in existing relationships is measured by the structural variables that serve as proxies for TSI and relationship importance, such as experience, size of accounts, relative amount of client's business, and breadth of role (based on parameters developed as indicators by Davies and Prince, 1999).

H2: Clients who are heavily invested in existing relationships are more likely to exert efforts to manifest tolerance (but intolerance if expectations arise with committed investments).

The proposed model therefore suggests that strong attraction brought about by performance (competence) is important but may be insufficient alone to ensure tolerance. Investments can be measured in terms of general client experience and specific experience to the focal relationship (as a proxy for transaction specific investments), or the agency's importance to the client's business (based on annual account billings, its proportion of the total client business, and its breadth of role brand exposure, or assignment of brands to agency).

H2.1: Clients who are more experienced in existing relationships are more likely to exert efforts to show tolerance (but intolerance if expectations arise with committed investments).

H2.2: Clients who have important accounts in existing relationships are more likely to exert efforts to show tolerance (but intolerance if expectations arise with committed investments).

3.3 Client beliefs about type of relationship

These beliefs indicate client values about their expectations from relationships (i.e., whether relational or transactional), indicating how interorganisational roles can influence tolerance. In a purely transactional mode, little investment would be made in the relationship by either party, so intolerance may be exhibited when negative critical incidents are experienced. Conversely, strong beliefs by the client in expecting relational exchanges in its relationships would suggest the agency is trusted to deliver its promises (since expectations are likely shaped on past exchanges), leading to more tolerance, despite negative critical incidents. Relational beliefs may confer perceived switching costs that help to explain loyalty by dissatisfied customers (Gronhaug and Gilly, 1991). Longer-term relationships are more likely built on norms of equity (Ouchi, 1980) that imply trust and compatible values.

H3: Clients that adopt specific beliefs about their inter-organisational relationships will be associated with norms of equity (inequity), leading to tolerance (intolerance).

Literature on networks suggests that stronger personal relationships develop through opportunities and willingness for exchange, and these are increased upon experience (reflecting strong convictions about (3.1) single sourcing and frequency of interactions, (3.2) likeability of agency staff, (3.3.) longer-term relationships associated with longevity, (3.4) compatibility of working styles, and (3.5) interaction style, or degree of informality (finding shared interests), (Ford, 1982; Davies and Prince, 1999). These personal relationships create further opportunities for adaptation of exchange, reflecting norms of equity and tolerance. Clients that believe in these convictions are more likely to reflect and/or acquire depth and quality in nets, leading to conditions encouraging tolerance. This is because there should be less uncertainty from

opportunism.

The importance of the relationship will be affected by the strength of interorganisational relationships involving the extent of these relationship nets. Central to this is the emergence of personal relationships supported by the frequency of contact/ interaction, open and critical discussion, signalling trust in agency staff, motivating the agency to work harder for their client, the learning potential and kudos available in being associated with another in a relationship, (Halinen, 1997: 110, 111). Further, such social bonds enable and motivate parties to learn to adapt through customised exchange to repair or restore conflict situations (Davies and Prince, 1999).

Relationship importance is dependent on networks, or the complexity of interfaces between agency and client organisations (relationship nets). Case study research shows that when the network of personal relationships is wide and intense, the scope for maintaining the relationship is strengthened (Halinen, 1997). The strength of networks can be measured by the frequency and number of staff involved in contact, the number of levels within the organisations, and the strength of each personal contact. Each of these may influence commitment, as each becomes more dependent on the other (Ford, 1982: 294, 296). The number of levels within an organisation may be influenced by the client policy based on their expectations of relationships. Hence an examination of how business is allocated between accounts. The number of levels is likely to be influenced by the allocation of the business (since this will affect size and importance), and experience based on long-term relationships. The strength of each personal contact is likely to be influenced by single sourcing, likeability, compatibility and informality.

3.3.1 Allocation of business

Organisations with multi-accounts may or may not offer exclusive contracts to an agency (exclusivity strategy), use several agencies for different accounts (fragmentation or mix'n match strategy) or use few agencies with one predominating agency.

The strength of each personal contact may have been developed from prior experiences (Halinen, 1997: 210) and may be influenced by how long they had known each other, together with much informality (since this encourages scope and frequency for interaction). Greater opportunities for this are believed to be with exclusive contracts awarded to agencies served by solus accounts (unless expectations are raised). Hence:

H3.1: Clients who believe in solus accounts will be associated with norms of equity (inequity) leading to tolerance (intolerance).

3.3.2 Likeability⁵

Likeability is referred to a commitment to a relationship that reaches beyond strictly economic reasons. A person from an agency who is liked by the client creates a social bond that can be used to expand relationships in the network, or expand the type of assignments offered, and those at the top level can reconcile problems (Halinen, 1997:107, 213). Bonding at a senior level can be critical to the continuity of a relationship (Hedaa, 1991: 120). Unfavourable personal relationships create difficult working conditions, sowing the seeds for relationship disenchantment.

H3.2: Clients who believe in the need for their agencies to be liked will be associated with norms of equity (inequity), leading to tolerance (intolerance).

3.3.3 Expectations for short-or long-term relationships (planning needs)

Michell and Sanders (1995) discovered that team traits were important contributors towards extending longevity. One trait is compatibility about the types of relationship required, in terms of planning needs. The propensity to invest in long-term relationships instead of discrete transactions are built on the foundations of TCE (Williamson, 1985) and relational exchange theory (Macneil, 1980; Lassar and Zinn, 1995). TCE is connected with governance procedures to avoid opportunism from interdependence of assets, whilst relational exchange implies shared business norms that enable better understanding in relationships to emerge over time, so reducing the need for formal governance (Maitland, Bryson, and Van de Ven, 1985; Spekman, Salmond and Lambe, 1997). Therefore, long-term planning perspectives of clients are associated with relational orientations and mutual respect with their agencies (since they are no longer treated as mere suppliers). The long-term perspective of relational exchange also implies an intention (or commitment) to invest to remain efficient within the relationship (Haughland, 1999). Hence trust is a key mode of governance in long-term relationships (Dwyer, Schurr and Oh, 1987; Macneil, 1980; Ring and Van de Ven, 1992). Additionally, most agencies are likely to prefer long-term relationships, since this allows them to plan their future business with more certainty. However, not all clients may require this. Some clients may regard advertising as

⁵ Likeability and informality originated from the depth interviews rather than literature review, as indicated in chapter 7.

mechanistically producing ads that are less likely to create long-lasting products. There is a culture fit between manufacturers of well known brands and the corresponding reputation of an agency. Here, it would be expected both sides would value the need for long-term planning to build the brand, and by association, for both partners to want to invest in the relationship. This might be contrasted with a client who wants to create sales and reduce costs on a trimmer budget. According to Johanson and Mattsson (1987:38), Hallen et al. (1991), and Moller and Wilson (1995: 27), mismatches in planning perspectives may be reconciled by adaptation.

H3.3: Clients who believe in long-term relationships will be associated with norms of equity (inequity), leading to tolerance (intolerance).

3.3.4 Compatible working style, (in terms of expected working roles in relationship)

According to social exchange theory by Thibaut and Kelly (1959), partners evaluate the value of others according to their satisfaction with their compatibility of goals relative to alternatives. Without compatibility in working style, it is unlikely both partners will be fully motivated and committed to the relationship. According to Jap (2001), constructive communication (such as constructive responses to client problems) and constructive work processes facilitate mutual understanding and confidence in parties, enhancing their ability to work together and achieve competitive advantage. Hence compatible work style is identified as a possible measure of value based on social cohesiveness. This would include compatibility in the beliefs about what function advertising should perform as a contributor to marketing strategy, since this would affect the role of activities allocated and expectations of the agency. When intentions between parties diverge from a lack of understanding, equity is more likely to be challenged, leading to intolerance.

H3.4: Clients who believe in compatible working styles will be associated with norms of equity (inequity), leading to tolerance (intolerance).

3.3.5 Degree of informality of contact in relationships

This reflects the style of interaction between client and agency. Since advertising materials can never be specified completely in advance due to the interactive, customised and ambiguous nature of the service, it follows that client interaction style is important for getting the best from the agency. How the service is offered to the client (Gronroos, 1990: 38), or interactive quality, will be instrumental in the level of party satisfaction. Formalisation is the degree to which formal communication and written procedures characterise the relationship (Pugh et al., 1968).

Formalisation can therefore help to clarify roles during interaction, or what is expected of whom (Buell, 1975). Parties need to agree on how time will be allocated to different duties within the relationship. Role discrepancy can cause conflict and relationship dissatisfaction (Frazier, 1983; Solomon et al., 1985: 109). Disagreements may lead to performance ambiguity, suspicion about equity, and distrust. Too much informality may lead to a lack of direction and role incongruity (e.g., with no written briefs) which can be abused by shifting blame or accommodating late changes from senior management. Lamons (1997:11) refers to this type of client as “a moving target”. Formalisation of roles may be important for CAR since both parties have frequent personnel shifts (Michell, 1986/7).

Control of interactions may either be formal contract, using documentation and procedures, or informally built. However, Lassar and Zinn (1995) found that formalising contracts was not associated with relationship quality between participants, suggesting the importance of alternatives such as using trust and relational norms. Informal control provides creative flexibility (Johnson and Laczniak, 1990). Formalisation of roles suggests that agencies are given a prescriptive role by their clients, discouraging open two-way communication and feedback that could extend their creative role and proactivity. Conversely, informality is more conducive for reciprocal communication (signalling a more balanced power distribution in the relationship), leading to perceptions of procedural and interaction fairness. With an open style, clients encourage a sharing of ideas and make information readily accessible. Collectively, this can provide constructive criticism of the other party, so re-aligning any wayward expectations from either party. But too much direction and discipline from the client might also demotivate creative staff (Frankel, 1976). Collectively, this would suggest the role of informality requires a two-tailed test⁶.

H3.5: Clients who believe in informality in relationships will be associated with norms of equity (inequity), leading to tolerance (intolerance).

3.4 External environmental factors

According to Pandya and Dholakia (1992), the attraction of an exchange depends on its relative utility value, which will vary over time. Clients are drawn into an exchange relationship with agencies by the need for specialized expertise that will help them meet their needs. A change in

⁶ Two-tailed tests also apply to H3.1-H.3.4 on account of potential rising expectations derived from specific beliefs.

the market environment will alter customer needs, the nature of the required expertise and hence, the value of the client-agency exchange. For example, faced with a recession, market confidence will drop, leading to some customers trading down. Clients may respond by cutting their advertising budgets. Agencies may then need to demonstrate their ability and/or willingness to offer more perceived value or prudence on their client spend. Agencies that do not adapt to environmental change to suit their clients become vulnerable. Adaptation is defined as the altering of processes or items of exchange to accommodate another party (Hakansson 1982). Clients make adjustments to environmental changes that require reciprocal adaptations by their agencies judged to be fair to restore exchange value. When adaptations are not reciprocated, exchange deteriorates relative to alternatives, leading to intolerance.

H4: Environmental factors may alter client needs, devaluing (or improving) the exchange, leading to intolerance, (or tolerance).

Further, if expectations are lowered (raised) with environmental pessimism (optimism), this leads to tolerance (intolerance). The combination of these effects suggests a two-tailed test.

Krantz and Schulz (1980) and Bateson (1985) suggest that client responses to changes in their environment are a function of their degree of perceived controllability during those changes, with perception of control influencing the way services are appraised. Bateson (1985) argues that this encompasses cognitive control, and that environmental factors may limit this, so reducing satisfaction. Applying this to this study, it is argued that when markets are more predictable and positive, cognitive control is increased, so affecting tolerance.

According to Halinen (1997: 26), the type of product exchanged and the nature of the markets are likely to condition the character of the business relationships and their development. When there is increased perceived risk in purchasing (as with performance uncertainty arising from intangibility, people intensity, customisation and interactive qualities, the client wants to reduce the risk (Gummesson, 1981: 111). Accordingly, uncertainty is one of the major reasons for explaining the willingness to build long-term relationships (Williamson, 1981).

Specific aspects of the external environment

According to Hannan and Freeman (1989: 105), organisations faced with changing environments are constrained by their finite resources (labour, capital, and know-how). Organisations cannot perform well in all activities. There must be a trade-off between tolerance

of widely varying conditions and capacity for high performance in any one activity. Further, investment in one activity means less for another, raising the issue of a need to be generalist (jack-of-all-trades, master of none) or a specialist (master of a few activities). Applied to advertising agency-client relationships, this raises the difficulty in adapting to strategic change. First, when clients find difficulty in coping, their anxieties may be passed down the line to their agencies. Second, agencies are more likely to commit mistakes under uncertainty arising from change, so testing their client's confidence in them. Third, greater uncertainty might lead to less investment in the relationship from both sides, leading to lower switching costs, and a greater propensity to show dissatisfaction from either side. Collectively, it is argued that changes in strategic direction or rate of change may affect tolerance levels. Both uncertainty and variability of environmental conditions may measure change. This may relate to the general market conditions, the nature of the competition, or the need to move into new strategic directions.

3.4.1 Bleak market conditions

According to Dye (1997), economic pressures on both agencies and their clients can cause stress. This may reduce tolerance. The consequences of an economic downturn may impose severe constraints on staff. Agencies frequently complain of too much responsibility given to junior clients with staff cut-backs. According to Phillips⁷ (1997), they may be ignorant of what standards to expect, or used as a filtering mechanism without the authority to give approval. There is a resentment by clients that agencies may be beginning to outsource too much creative work to keep costs down (Dye, 1997).

An economic recession or a stock market crash can increase business uncertainty and make it difficult to restore trust, affecting expectations about future co-operation with their business partners, so changing business norms and tightening cost control. Case study research between agency and client by Halinen (1997: 158-160) showed how falling client sales from deteriorating business conditions affected business norms (in which the client became more cautious, cancelling proposed campaigns after ten years of consecutive media campaigns), which influenced the decline in the relationship. Therefore, macro-environmental trends (e.g., a recession) can weaken a relationship (Halinen, 1997: 274). In another relationship, Halinen

⁷ Nick Phillips, previous Director General of the IPA, cited in Dye, 1997.

(1997: 171-172) showed how the Finnish recession appeared to delay advertising plans, with more rigorous cost control, in terms of approving invoicing and billing the client.

An economic downturn calls for different needs from the client, such as more rigorous cost control, accountability, and closer governance. Such changes require adaptation from the agency to restore equity, such as more efficient media spend, better transparency of working processes. For a wider discussion on the importance of adaptation in exchanges, refer to Brennan and Turnbull (1999) and Davies and Prince (1999).

Alternatively, if expectations are lowered based on unfavourable market conditions, this should improve tolerance.

H4.1: Poor market prospects leading to devalued (improved) exchange leads to client intolerance (tolerance).

3.4.2 The severity of client competition

According to Frazier and Rody (1991), high levels of competition are likely to reduce the willingness of an organisation to accept and adapt its behaviour to suit another's points of view in an interfirm relationship. Conversely, with more favourable competitive conditions, disagreements are less likely to become major causes of contention (Assael, 1968). Aldrich (1975) has suggested that intensive competition is associated with greater governance and cost control. This suggests there will be less tolerance for mistakes, with a likelihood of a reduction in advertising.

Evidence of the effects of competition on tolerance might be considered from the agency perspective. It is widely acknowledged by practitioners that the agency industry is over-supplied. This might fuel clients to be less tolerant with their agencies, and agencies more tolerant with their clients. For instance, the need for agencies to pitch for free, combined with the abuse and exploitation by some clients, arises from the rigours of oversupply (Jones, 1997) and causes much distress to agencies. Abusive practices include client intentions to (1) squeeze out free advice and consultancy, with no intention of picking an agency, (2) clients merely reassuring themselves with a quality control check of their incumbent agency, with no intention of realignment, and (3) using an excessively, long short-list of agencies, so dramatically reducing the chances of winning the pitch (Jones, 1997).

Competitive intensity might reduce the resources the client can work with, in which clients may demand short-term solutions for their brands. This requires considerable agency adaptation, if the agency has already invested in longer-term solutions toward brand building that may be considered sunk costs, irrespective of demotivation to creative staff. Consequential breaches of equity may arise on either side.

Alternatively, if expectations are lowered based on an unfavourable competitive climate, equity might improve, raising tolerance.

H4.2: Severity of client competition leading to devalued (improved) exchange leads to client intolerance (tolerance).

3.4.3 Potential product attraction (or propensity for attracting customers)

The intrinsic quality of a product will affect its ease of relative demand in the marketplace. Some products (e.g. sports leisure goods) have a greater potential to attract customers than others, whilst others will require greater marketing efforts. Therefore it is proposed that intrinsic qualities will affect client tolerance. However, the direction of tolerance can be argued in either direction. Limited product attraction might affect tolerance negatively if the client feels agency mistakes will have a greater likelihood of failure. It may affect tolerance positively if the limited intrinsic attraction at the product category level is factored in, when evaluating their agency (i.e., if clients lower their expectations).

H4.3: Clients whose products offer limited propensity for intrinsic attraction may show more intolerance (tolerance).

3.4.4 Effects of new tasks and/or changes to marketing strategies

Drawing on the IMP interaction model of relationship development (Moller and Wilson, 1988), the degree of innovation in tasks of interaction was considered to be an important determinant of relationships. For instance, this innovation may arise from the need for new markets or new product development. Most of the previous models reviewed in Tables 2.2-2.3 did not consider this.

Due to the customised needs of agency services, and client expectations, agencies need to have both market and product knowledge for successful planning. The ability to offer this depends,

in part, on the task complexity and degree of innovation connected with the assignment. For example, new strategies (involving new markets or new products) increases the risk for both client and agency (Michell, 1984a: 50). Not only does unfamiliarity bring about role ambiguity, causing a reduction in effort or investment that may encourage short-termism and opportunism, leading to perceptions of inequity, but can also make it difficult to evaluate performance and can incur considerable ex-post (transaction) costs in communicating new information, renegotiating contracts, and co-ordinating activities to reflect changing circumstances. Clearly, a key danger is failure to adapt. It is suggested this may affect client tolerance.

New needs or new situations will emerge in which the parties to a relationship will need to continually re-evaluate their attraction. Changes in the client's marketing strategy might either weaken or strengthen relationships (Halinen, 1997: 273). New strategies may emerge that give rise to new needs. Therefore, it is necessary to examine how new strategies might lead to lower or higher tolerance.

Effort brought about by strategic change raises the inputs (staff time and capital) by the client, so expecting the agency to make reciprocal adaptations. If and when expectations are not met, equity is breached, leading to intolerance. Alternatively, strategic change brings uncertainty, in which a 'risk averse' client might prefer to offer the 'benefit of the doubt', benefiting from the security of 'the better the devil you know'. For example, switching agencies might be considered prohibitive to avoid transaction costs in searching for, and re-educating, alternative agencies. As Hopes and Postrel (1999) argue, greater strategic novelty precludes simple repetition of past behaviour, creating uncertainty as to what should be done, with the likelihood of glitches. Glitches are gaps in knowledge that lead to impaired performance that could have been avoided had each party been aware of what the other needed to know.

However, the resource based perspective suggests that strategic changes may provide unpredictability of future outcomes that provide incentives for parties to develop closer ties with specific investments in the relationship (Jap, 1999).

H4.4: Clients facing changing, unfamiliar strategies will increase their need for reciprocal effort (familiarity) in exchange as clients become more anxious (or co-operative) implicating more intolerance (tolerance) with existing relationships.

3.5 Internal environmental issues

Since clients hire agencies to acquire scarce resources, or to create unique outputs in combining their resources, it follows that clients seek fair value in return. Thus:

H5: Relationship value is predicated on a reciprocity of norms (of fairness) based on how work is allocated and responsibilities shared that is influenced by not only discretion granted but effort expended.

Both latitude or discretion and effort required in making changes are referred to as aspects of the internal environment in the proposed model.

3.5.1 Client discretion (decision-making latitude / authority to make decisions at local level)

Decisions involving choice of agency, their maintenance and type of assignments may be decentralised to an individual subsidiary, or centralised from Head Office or elsewhere, as in the case of some multinationals. The client who has regular contact with their agency may hold little discretion in how they operate or serve sanctions, when felt appropriate. Clients may be unwilling to accept central policy decisions when they feel they know best, and it is proposed this may have a profound effect on the relationship. For example, 'a not invented here' syndrome can ruin any expected synergy that should arise from an integrated, standardised advertising campaign. Evidence from case histories (Halinen, 1997: 143) suggests that clients are less committed to a relationship if other parties selected the agency. Conversely, they are more willing to counter criticisms if they had a stake in its origin, or in its future role. It is proposed that the less discretion allocated to contact staff in decision-making, the more difficult it will be to reconcile differences when they arise.

The level of decision-making discretion allocated to a client may have negative or positive effects on the client agency relationship. A client faced with difficulty in change at the local level may consider organisational procedures and interaction as unfairly restrictive, and if this simply does not meet their needs for control, giving result to vitriolic relationships. This can generate a self-fulfilling prophecy, which simply forestalls a change. Alternatively, if the client organisation is attributed with blame, recognition of less discretion at local level may encourage the client to make every effort to repair any stress in the relationship (perhaps on the grounds they have little choice in the matter). This suggests two-tailed tests of significance.

H5.1: If clients have maximum (minimum) discretion in the governance of their agencies, norms of fairness prevail (are breached), leading to tolerance (intolerance). This is because agency opportunism can be more easily discouraged, with client opportunism assumed unlikely (since it would lead to agency demotivation).

3.5.2 Effort required in making changes to relationship

From the previous justice literature (Adams, 1965), it is expected that effort expended should be reciprocated as a measure of fairness between agency and client (based on the justice paradigm). Demonstrated effort might signal a willingness and commitment arising from interdependent investments, and the expectations of a future together. However, few changes might reflect a difficulty, due to the lengthy reporting or protracted procedures of governance, in which the client might feel their control is lost, suggesting procedural injustice, leading to intolerance. More effort in making changes to a relationship also indicates that the client is, or has, used tighter governance procedures reflecting an absence of trust, or insufficient trust to allow the agency to develop their role in the relationship. Much effort might indicate frequent changes having taken place, in which business norms are hard to establish, creating the conditions for less tolerance.

H5.2: If client effort is matched (unreciprocated) by the agency, norms of fairness will prevail (are breached), leading to tolerance (intolerance).

3.6 Personal characteristics

3.6.1 Internal pressures

The literature on consumer complaint behaviour (hereafter referred to as CCB) suggest demographics have only a modest effect on response styles adopted (Gronhaug and Zaltman, 1981; Singh, 1990). Intuitively, personal factors of decision-makers in a business-to-business context may be less appropriate than for consumer markets. However, advertising is an intangible service created by professionals. The difficulties in the performance ambiguity of such intangibles would suggest that how clients respond to pressures should be investigated. The hypotheses build on the previous theories of justice, TCE, agency theory, social exchange, and learning.

Due to the influence of people in the advertising process and outcome, it is proposed that personal characteristics of clients may influence tolerance. These characteristics can be subdivided in to (6.1) composure of individual client, based on their ability to reflect before reacting under pressure; (6.2) patience in achieving results/returns; and (6.3), experience of the

client. Recall that the agency-client relationship must contend with competing demands from internal clients representing shareholders (represented by internal clients as the client's boss). Under normal conditions, the client represents the shareholders. These variables involve the intraorganisational interface, insofar as client behaviour is constrained by pressures from their internal environment. If unreasonable pressure is put on the clients to achieve results, this pressure may be transferred to their agencies. The extent to which this pressure is transferred to their agency is proposed as a function of perceived fairness motivated by threats of performance ambiguity from their agencies. Perceived fairness is how the cause of the pressure is attributed between the agency and others. Clients need to be perceived as fair-minded to achieve reciprocal commitments from their agencies (without which they can assume they are exposed to free-riding, demotivation and general lack of effort).

H6: If pressure is unattributable (attributable) to the agency, clients will hold back (transfer) that pressure from (to) their agencies, reflecting tolerance (intolerance).

The client therefore justifies their actions based on indicative norms of fairness (since an implicit norm expected from the agency is to continually make their client look good). The client embraces the agency to help it perform its own internal marketing. Pressure can be applied to clients based on future results (H6.1) or from past results (H6.2).

H6.1: If pressure based on future results is unattributable (attributable) to the agency, clients will hold back (transfer) that pressure from (to) their agencies, reflecting tolerance (intolerance).

H6.2: If pressure from past results is unattributable (attributable) to the agency, clients will hold back (transfer) that pressure from (to) their agencies, reflecting tolerance (intolerance).

In measuring composure (H6.1), clients reactions to job pressures are determined. In measuring patience to achieve results (H6.2), reactions to disappointed results are determined, implying that with more intense pressure the greater the need for short term results.

The perceived effect of the advertising problem and how much the agency is attributed with the cause of that problem might be somewhat subjective, reflecting the relative sophistication of the client. It is suggested that a client's locus of control (i.e., extent to which the client believes their results (and destiny) are within their control may well influence these perceptions, and hence their behaviour.

3.6.2 Broader experience

As previously stated, learning to manage performance ambiguity is partly a function of knowing how to deal with uncertainty and unfamiliarity that can only improve with experience. Organisational experience includes both familiarity with a specific partner and other experience acquired outside the focal relationship, from similar relationships, industries or advertising tasks (Hakansson, 1982). According to Lindmark (1989, 2-3), the process of learning from experience develops a partner's capabilities. This learning experience can develop from experience with the focal relationship. The ability to assess the compatibility of each others needs and capabilities with a better understanding of market or product know-how about the partner's culture, enables it to adapt responsively, or to engage in persuasion which accommodates a compatible working relationship. Learning experience can also arise from other agency or client relationships, and so the number of prior relationships can also be influential. Finally, experience of dealing with specific individuals or personalities, perhaps in a prior relationship, might aid understanding between each partner in a relationship.

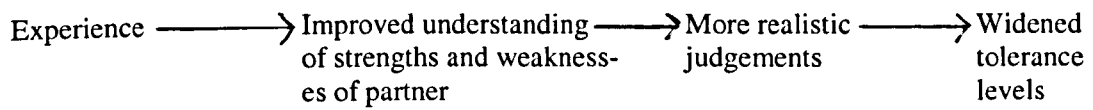


Figure 3.1: Proposed influence of experience on tolerance levels

(Source: conceptualisation by author, 1997)

From Figure 3.1, experience creates the conditions in which there is a greater opportunity for learning, promoting understanding, creating realistic objectives, so reducing stress within the relationship. Widened tolerance levels refer to the willingness and ability to accept a greater range of agency behaviour, reflected in client response styles. Over time, past experiences are likely to improve trust.

Experience, particularly of the focal relationship will increase inter-firm knowledge. Inter-firm knowledge improves the potential for understanding the needs of each party better, which enables decisions to be better accepted throughout the client organisation (Beltramini and Pitta, 1991: 158).

According to Levinthal and Fichman (1988:365), the probability of terminating a relationship, or hazard rate, gradually declines as the relationship develops over time. Wilson and

Mummalaneni (1986:52) discuss how commitment strengthens, arising from multiple interactions involving successful exchanges and incremental investments made over time. This investment would include the interchange of assets, information and social benefits as well as any contractual terms, creating more interdependence between both parties. This behavioural commitment, based on evidence of maintenance of the relationship, serves as a relational bond (Dwyer et al., 1987:19). Inexperience in assigned tasks within a relationship creates additional risk for the parties concerned, but this may be compensated for by additional adaptations by the agency.

However, a client who is unfamiliar in dealing with agencies may feel more emotionally secure in maintaining the status quo, so extending a relationship beyond a purely economic rationale. Additionally, experience can affect relationships adversely (Moorman, Zaltman, and Deshpande, 1992). Moorman et al. (1992) suggest opportunistic behaviour might arise from the trust earned in previous assignments. Clients might become more cynical or hard-nosed, particularly if there are signals that agencies are behaving complacently or opportunistically towards them. Alternatively, as clients become more familiar with the agency, they might become more confident with the know-how and expertise of their agencies, and feel creativity is institutionalised (Davies and Prince, 1999; Halinen, 1997: 280). Rising expectations might also lead to increased likelihood of dissatisfaction (Moorman, Zaltman, and Deshpande, 1992).

Collectively, increased experience may actually reduce tolerance. According to Leonard-Barton (1992), core capabilities can become core rigidities, inhibiting innovation. Davies and Prince (1999) develop a performance theory of account longevity. Their theory revolves around the joint ability and motivation to use strategic resources effectively and to sustain exchange value arising from effective adaptation to changing environmental conditions. This adaptation is strongly influenced by organisational learning from all stakeholders. The theory discusses learning that is both a contributor of adaptation and maladaptation. Exchange value might be weakened by if and when clients perceive they can learn from their agencies sufficiently to dispense with them, so leaving their agencies redundant. Despite Grayson and Ambler (1999) replicating the study of Moorman, Zaltman, and Deshpande (1992), few signs of adverse effects were found. Clearly there is no consensus on how experience impacts on relationships, but may depend upon characteristics of different phases of the relationship. Therefore, due to the potential positive and negative effects of experience on tolerance, the effects of experience on tolerance requires a two-tail hypothesis.

To summarise, clients that share more experience in their relationships will be more tolerant with their agencies, since they will have learnt how to accept some inequity. Alternatively, it might be assumed that experience encourages cynicism and resilience against agency arguments, so reducing tolerance. Experience may be measured either in terms of the focal agency or in relation to general agency relationships.

H6.3: With broader experience, clients feel more (less) in control, reacting more tolerantly (intolerantly) toward critical incidents.

3.7 Summary

This summary examines how the hypotheses (as shown in the list below) tie together in relation to clients making judgements about the fairness in exchange value. The importance of the relationship relates to the way clients evaluate their agencies on the basis of experiential performance (or reputation, in the absence of experience), client experience and what they have invested in the relationship.

Beliefs about relationships indicate a willingness to extend exchange beyond discrete transactions that create additional opportunities for creation of interfirm nets and personal relationships to develop.

Overall, tolerance is considered to be associated with fairness in exchange value that may fluctuate over the relationship. Client needs may alter how fairness is perceived according to environmental conditions that affect exchange value. Environmental conditions may be considered either within or outside the control of agencies that may impact on tolerance.

Exchange value is also measured in terms of norms of fairness, in which client discretion and efforts are expected to be fairly allocated. The final set of hypotheses examine how clients behave according to the pressures exerted on them, and by their levels of experience in dealing with this. To retain a sense of fairness, it is likely that client reactions to these pressures will depend on whether they are attributable to their agency or not.

3.8 List of hypotheses for testing tolerance

H1: Client tolerance is associated with agencies that demonstrate competency in performance from past exchanges (but intolerance if expectations rise, on account of experiential effects) irrespective of relationship stress. (i.e., challenged by critical incidents).

The specific competencies tested are recency of Effectiveness Awards, intensive research culture, use of proprietorial models, ability to offer international campaigns of quality, accreditation to an independent quality standard, intensity of effort on account, and number of creative proposals that are later eliminated after the qualitative research. (Additional sub-hypotheses identified from the later qualitative research are described in chapter 7). These additional variables are proactivity in injecting fresh ideas, correct interpretation of briefing, empathy to creative changes, and consistent work processes in lieu of external accreditation (H1.5). These additional variables are asterisked below.

Abbreviated sub-hypotheses are:

H1.1: Client tolerance is associated with agencies that perform well in achieving recent Effectiveness Awards from past exchanges (but intolerance if expectations rise).

H1.2: Client tolerance is associated with agencies that are known for an intensive research culture from past exchanges (but intolerance if expectations rise).

H1.3: Client tolerance is associated with agencies that are known for the use of proprietorial models from past exchanges (but intolerance if expectations rise).

H1.4: Client tolerance is associated with agencies that are known for offering international campaigns of quality from past exchanges (but intolerance if expectations rise).

H1.5: Client tolerance is associated with agencies that are known for their accreditation to an independent quality standard from past exchanges (but intolerance if expectations rise).

H1.6: Client tolerance is associated with agencies that show intensity of effort on account from past exchanges (but intolerance if expectations rise)

H1.7: Client tolerance is associated with agencies that demonstrate integrity from past exchanges (but intolerance if expectations rise).

**H1.8: Client tolerance is associated with agencies that show proactivity in injecting fresh ideas from past exchanges (but intolerance if expectations rise).*

**H1.9: Client tolerance is associated with agencies that perform well on correct interpretation of briefing from past exchanges (but intolerance if expectations rise).*

H1.10: Client tolerance is associated with agencies that offered access to a number of creative teams from past exchanges (but intolerance if expectations rise).

H1.11: Client tolerance is associated with agencies that offer plenty of creative proposals from past exchanges (but intolerance if expectations rise).

H1.12: Client tolerance is associated with agencies that show a stable key account management from past exchanges (but intolerance if expectations rise).

**H1.13: Client tolerance is associated with agencies that conform to consistent work processes from past exchanges (but intolerance if expectations rise).*

**H1.14: Client tolerance is associated with agencies that show empathy to creative changes from past exchanges (but intolerance if expectations rise).*

H1.15: Client tolerance is associated with agencies that provide constant information on account status from past exchanges (but intolerance if expectations rise).

H1.16: Client tolerance is associated with agencies that demonstrate strength in strategic thinking from past exchanges (but intolerance if expectations rise).

H2: Clients who are heavily invested in existing relationships are more likely to exert efforts to show tolerance (but intolerance if expectations rise with committed investments).

Investments can be examined in terms of transaction-specific (TSI) assets and importance of advertising in the relationship as follows by H2.1-H2.2:

H2.1: Clients who are more experienced in existing relationships are more likely to exert efforts to show tolerance (but intolerance if expectations rise with committed investments).

TSI is indicated by general client experience in agency-client relationships and specific client experience restricted to the agency-client relationship.

*H2.2: Clients who have important accounts** in existing relationships are more likely to exert efforts to show tolerance (but intolerance if expectations rise with committed investments).*

**The agency's importance to the client's business is based on size of account (annual account billings), its proportion of the total client business, and its breadth of role brand exposure, or assignment of brands to agency (derived from questions 16-20).

H3: Clients that adopt specific beliefs about their inter-organisational relationships will be associated with norms of equity (inequity), leading to tolerance (intolerance).

This is because there is greater opportunities for interaction and open discussion leading to a greater sense of fair play. The beliefs tested are need for solus agency accounts, likeability, preference for long-term relationships, compatible working style, and degree of informality in relationships.

H3.1: Clients who believe in solus accounts will be associated with norms of equity (inequity) leading to tolerance (intolerance).

H3.2: Clients who believe in the need for their agencies to be liked will be associated with norms of equity (inequity), leading to tolerance (intolerance).

H3.3: Clients who believe in long-term relationships will be associated with norms of equity (inequity), leading to tolerance (intolerance).

H3.4: Clients who believe in compatible working styles will be associated with norms of equity (inequity), leading to tolerance (intolerance).

H3.5: Clients who believe in informality in relationships will be associated with norms of equity (inequity), leading to tolerance (intolerance).

In terms of environmental factors:

H4: Environmental factors may alter client needs, devaluing (or improving) the exchange, leading to intolerance, (or tolerance).

H4.1: Poor market prospects leading to devalued (improved) exchange leads to client intolerance (tolerance).

H4.2: Severity of client competition leading to devalued (improved) exchange leads to client intolerance (tolerance).

H4.3: Clients whose products offer limited propensity for intrinsic attraction may show more intolerance (tolerance).

H4.4: Clients faced changing, unfamiliar strategies will increase their need for reciprocal effort (familiarity) in exchange as clients become more anxious (or co-operative) implicating more intolerance (tolerance) with existing relationships.

H5: Relationship value is predicated on a reciprocity of norms (of fairness) based on how work is allocated and responsibilities shared that is influenced by not only discretion granted but effort expended.

H5.1: If clients have maximum (minimum) discretion in the governance of their agencies, norms of fairness prevail (are breached), leading to tolerance (intolerance).

H5.2: If client effort is matched (unreciprocated) by the agency, norms of fairness will prevail (are breached), leading to tolerance (intolerance).

Personal characteristics:

H6: If pressure is unattributable (attributable) to the agency, clients will refrain (transfer) that pressure to their agencies, reflecting tolerance (intolerance).

H6.1: If pressure based on future results is unattributable (attributable) to the agency, clients will hold back (transfer) that pressure from (to) their agencies, reflecting tolerance (intolerance).

H6.2: If pressure from past results is unattributable (attributable) to the agency, clients will hold back (transfer) that pressure from (to) their agencies, reflecting tolerance (intolerance).

H6.3: With broader experience, clients feel more (less) in control of events, reacting more tolerantly (intolerantly) toward critical incidents.

Chapter 4: Overview of methodology

4.1 Introduction

Chapters 4-6 explain the research methodology. This chapter is concerned with justifying the chosen research strategy, explaining why alternative options were not chosen. This outlines the rationale for using both qualitative and quantitative research, including the purpose of sampling and processes involved in the survey. The research objectives are tested by both depth interviewing and survey analysis. During depth interviewing, supportive techniques such as the critical incident technique (CIT) are used, previously used on service encounters. The benefits of CIT are discussed for collecting non-routine experiences, with CIT preferred to collecting service attributes in relationships. The manual coding of incidents is justified, supported by interpreting the previous literature on service quality. The survey methodology involves justifying the sampling process, the refinement of the survey questionnaire based on structure and layout, ensuring its content covers the research objectives, and outlining the preferred mode of delivery. Analysis of survey data is based on identifying tolerant and intolerant groups from using discriminant analysis (DA), whilst accounting for the critical incidents experienced. Research is evaluated on the basis of its compatibility of theory to observation, generalisability, verification, and relevance. Chapters 5 and 6 then discuss the qualitative and quantitative research methods in detail. Chapter 5 describes the protocol of the interviewing, how data was collected, and procedures used in applying the CIT. Chapter 6 describes the structure and design of the survey instrument, including pre-testing, piloting, and analysis of non-response error.

4.2 The research strategy

According to McGrath (1982) it is necessary to choose a compromise amongst generalisability of findings, precision of measurement of behaviour, and realistic context. Whilst laboratory experiments offer the greatest opportunity for precision of measurement, they are unlikely to offer a realistic context since they are conducted under artificial conditions. Whilst sample surveys might offer the greatest potential for generalisability of findings, they are subject to the difficulties of questionnaire design and interview error. Although relying on surveys alone can compromise the precision of measurement, pre-testing and piloting can reduce these effects. Further, using surveys in combination with other means of data collection can reduce these problems to a minimum. Field studies, as case studies and observation, may offer a realistic context for studying behaviour but are often impractical for achieving representative sampling where cost and time resources are limited, thus limiting generalisability. Field studies also offer

less opportunity for isolating variables in comparison to laboratory experiments and simulations. Collectively, it would appear that all research strategies yield comparative benefits and limitations, with no single strategy holding universal appeal over all others. Therefore, it is necessary to adopt a multi-method approach that combines the benefits of several strategies that do not share the same weaknesses, as advised by Greene, Caracelli and Graham (1989). For example, Lazarsfeld and Wagner (1958) suggest that exploratory interviews that can expand insight into a problem should precede the construction of questionnaire instruments.

From a general perspective, the aim was to combine the benefits of using a phenomenological approach with the positivist approach. The phenomenological approach was used for collecting critical incidents about clients in their agency relationships. This required ascertaining their good and bad experiences, how they reacted toward these experiences, and their outcomes. To gain richer insight into specific conflict situations, a selection of in-depth interviews were conducted. Whilst the positivist approach is of most benefit in quantifying data to reveal patterns of behaviour for testing hypotheses (Guba and Lincoln, 1994), the phenomenological paradigm can offer richer explanations as to why those patterns exist. Benefits of a positivist approach include statistical objectivity, causality, association, and generalisability.

However, the context of human behaviour is probably best understood by a phenomenological approach. To study relationships, it is useful to study both good and bad times rather than at one point in time, since this can offer more generalisability to the study.

Due to the originality of the topic of studying tolerance in the relationship management and wider management literature, an exploratory approach was required. In order to gain credibility with research findings, generalisability of the findings was an objective. Whilst field studies such as in-depth case analysis would offer great insight into the context of relationships, time and resource constraints would have limited the sample size, and hence question the generalisability of any findings. Whilst laboratory experiments would offer maximum control over manipulating variables, the natural setting and commercial pressures of business organisations do not conventionally provide an opportunity to control conditions for manipulating variables. Finally, archiving records (a technique considered by Yin, 1989) is impractical because the nature of the topic, tolerance, is built on behaviour and incidents that are not readily available as formal, discrete records. Instead, a survey was conducted that enabled a sufficient sample size to be generated that could be statistically analysed and offer some degree

of generalisability. To provide a realistic context and serve justice to the contents of the survey design and questionnaire, depth interviews were used on a smaller sample of UK clients and agencies that supplemented an initial literature review. According to Bryman (1998:131-151), qualitative research and quantitative research can compliment each other in several ways. Rossman and Wilson (1994) observe that supporting the agenda for a survey is a classical way. By combining the benefits of both qualitative and quantitative research, and adhering to research protocols, the aim was to achieve academic rigour in data collection.

4.3 Establishing the research domain

The first stage of the research is to specify the issues and boundaries of the study. This amounts to establishing the research domain. These steps involved in this stage include understanding the problem, determining the main issues for research, and model development. Understanding the problem amounts to explaining why this is an important area for research, and for whom. To ensure there is a novel angle attached to the research, it is necessary to ensure the research contributes to existing research findings. This, in turn, requires a systematic literature search of the study domain. Model development requires identification of independent and dependent variables for study. Independent variables were generated from the literature review on relationship marketing and particularly on managerial issues in advertising. Here partnerships, inter-organisational linkages, and alliances were key words for starting searches. The domain of the research was further refined and corroborated by depth interviews.

Once variables were identified to capture the research domain, hypotheses were developed. Hypotheses were first tested by examining findings from the depth interviews and supported, modified, or rejected by quantitative research, based on the survey findings.

4.3.1 Establishing dependent and independent variables

These were established from both literature sources and empirical data. Response styles, as dependent variables, were largely captured from the literature but supported by qualitative research. Independent variables were predominantly derived from the literature, with concepts subsequently refined from the qualitative research and tested with the quantitative analysis. For example, in deciding how the performance variables might best be measured, previous empirical models were referred to. Applying the weighted SERVQUAL model to this study would necessitate measuring three aspects of performance. These aspects involve the expectations of

performance in agency selection minus the perception of performance upon the service encounter experience weighted by the importance attached to each dimension of agency performance for differentiating agencies during the selection process. This would be practically difficult to conduct since respondents would be subjected to three sets of statements representing dimensions of performance that would unnecessarily increase interviewer fatigue, and increase non-response error. Accordingly, Cronin and Taylor, (1992) have suggested it is sufficient to examine variables that are considered important alone.

Specifically, it is predicted that if clients both value the dimensions of performance examined and hold high perceptions of their agency on these, they are more likely to adopt constructive response styles when confronting service quality problems at the service encounter. A compromise between pedantic efficacy and response rates was decided. Qualitative research is used to identify a relevant list of performance variables considered important by clients. In the next stage of the research design, a different sample of clients then evaluate agencies on each of these variables based on their performance during both good and bad times reflecting the service encounter.

4.4 Data collection and analysis of qualitative research

4.4.1 Sampling process of the pre-survey phase

Since advertising executives were the sampling frame for the interviews, gaining access was considered an initial obstacle, so the sampling method was first geared towards convenience. Although the study was primarily concerned with client attitudes and behaviour toward their agencies, agency viewpoints were also collected to gain greater insight of client perceptions and broaden the research domain. Examining perspectives from the other side of the research focus is a comparative qualitative technique advised by Strauss and Corbin (1998: 94). To condense as many interviews within a short time scale, there was a need to ensure that time was not wasted in continuously soliciting applicants. Accordingly, it was considered that a recognisable trade body would bring credibility to the research effort. The IPA representing over 250 agencies¹ was contacted for their permission to sponsor the research by first approaching agencies instead of the researcher direct. Eight names were offered, from which six agreed to participate.

¹ According to records of information centre, IPA as at 1989. The current membership, as at March 2002, is 213 members.

The need for convenience was supplemented with the need for gaining a fair representation of types of agencies in general. Many of the agencies appearing on the IPA short-list were large, London-based agencies. It appeared from the formative stages of interviewing that the culture of London agencies might be very different from smaller, local agencies or even regional agencies. Strauss and Corbin (1998) advise researchers to capture variation in any sampling, from which a richer theory may emerge. They argue that events and sites should be chosen that can maximise similarities and differences in the findings (ibid, page 211). Accordingly, to gain variation in the sampling as recommended by Strauss and Corbin (1998: 209), agencies were chosen that were taken from both the City and country, comprising of both large and small agencies. Sourcing from the BRAD register, four regional agencies agreed to participate, located in the Derby. Notts. Staffs area. These Midlands agencies were sought to give a balanced perspective toward examining CAR, since most of the IPA agencies selected were large and located around London. However, the promotional material of the Midlands agencies showed that they supplied similar ranges of marketing services to their London rivals, and held a mixture of both large and small clients. On this basis, it was felt that the Midland contingent would complement the findings. The remaining agencies were selected from referrals during the interviews. At this stage, the sampling philosophy can be said to be convenient, purposive, and emergent.

In selecting clients, a sampling interval was taken from Client BRAD, subject to specific constraints. Clients had to hire the services of advertising agencies rather than conduct advertising in-house. They also had to hold significant budgets (above £250,000) to ensure sufficient motivation in the study. Since perspectives from both agency and client were taken, dyads would have been ideal. However, it occurred early on in the interviewing that this would be difficult due to the commercial sensitivity behind the research topic. However, one client volunteered access to their agency, which was duly well received. Sampling of clients and agencies continued until no further critical incidents arose, and response patterns began to duplicate, reaching theoretical saturation, as suggested by Glaser and Strauss (1967: 61-62). Since no new incidents arose from the last few interviews, this was an indicator of saturation.

4.4.2 Data analysis of qualitative research

The researcher decided not to use computer software to analyse the transcripts taken from the depth interviews. There were two main reasons for this. First, whilst it is acknowledged that these programmes can assist the analysis of large volumes of data by identifying common

themes, they only provide support. There is still a need to interpret and make sense of the data. There is a consensus of opinion that software cannot replace the brain of experienced qualitative researchers (Gordon and Langmaid, 1988: 138). Second, an experienced researcher is likely to pick up on points that may be ignored by computer programmes, such as temporal sequences and processes (Catterall and Maclaran, 1998: 215). In studying relationships, temporal aspects have been recognised to be important (e.g., Davies and Prince, 1999). Computer analysis was therefore reserved for the survey data.

4.4.3 The CIT

Research questions during interviewing enquired about typical routine protocols of clients, in terms of how they responded to critical incidents. According to Strauss and Corbin (1998: 133), these represent what people do or say.

The critical incident technique (CIT) was used as a springboard for the qualitative research, as an interpretative device for studying individual behaviour (Chell and Adam, 1994). The CIT is a method used for collecting and classifying critical incidents concerning human behaviour in defined situations, generally used for assessing activities which are critical for successful performance of a task (Flanagan, 1954: 328-329).

4.4.3.1 Previous research using the critical incident technique

According to Flanagan (1954: 328), the CIT is an outgrowth of the research blunder associated with the Aviation Psychology Program during WW2 in which the cause of pilot failure was explained in clichés and stereotyping without being specific enough to serve as a practical screening process. From this, a more systematic procedure was adopted for recording and identifying the specific or critical activities or events that defined success or failure. Although the CIT should be considered as a flexible set of principles in governing data collection to suit the context (Flanagan, 1954: 335), one approach is by reporting narrative records of extreme behaviour that is particularly effective or ineffective in achieving a given activity (Flanagan, 1954: 338). The critical incident technique (CIT) has been used widely in diverse disciplines, including the selling process (Edvardsson, 1988) and in banking (Olsen and Thomasson, 1992). More recently, CIT has been applied as a quality measurement tool in measuring service quality. Bitner, Booms and Tetreault (1990) examined a convenience sample of clients in high contact service areas, such as airlines, hotels, and restaurants. Bitner, Booms and Mohr (1994) examined

critical service encounters from the employees' viewpoint using a similar procedure to Bitner et al. (1990).

Previous research on relationships using CIT has been previously used by Butler (1991) to measure trust and by Chell et al. (1991) for distinguishing between different business owners, according to how they developed or maintained their business ventures. However, it has not been used for studying advertising agency-client relationships.

4.4.3.2 Benefits of the CIT approach

Whilst details of how CIT was used are revealed in the next chapter on qualitative research, the benefits of CIT are briefly discussed here. First, CIT enables the researcher to build up an understanding of cognitive, affective, and behavioural elements relating to critical incidents (Chell, 1999: 56). This supports the choice of dependent variables insofar as credit and blame refer to attitudes; praise and disapproval are dimensions of affective response; and additional business and reduction in business are behavioural elements.

Second, according to Chell (1999: 55), CIT is advantageous over unstructured interviewing because it allows the ability to focus and probe respondents. It is more practical than participant observation since contact time is not wasted, waiting for incidents to happen. However, the downside is that the context is developed entirely from the respondent's perspective. According to Chell (1999:55), to enhance the authenticity of self-reports, checking is required. This can be conducted by referral to relevant documentation and/or gaining multiple perspectives (i.e., interviewing several respondents at the same site) for cross-validation. Accordingly, several of the depth interviews covered in this study involved more than one respondent² This supports the objective of achieving generalisability. A further benefit of CIT is that it can be used for collecting data from multi-site locations that can help affirm generalisability. Further, the CIT is an appropriate technique for uncovering turning points in relationships concerning advertising. In advertising, there is likely to be less routine decision-making arising from more customisation, so creating an environment in which critical incidents are likely to be more frequent in comparison to standard services. Additionally, research conducted by Andersson and Nilsson (1964), Ronan and Latham (1974) and White and Locke (1981) concluded that information collected by this technique is both reliable and valid. Finally, The CIT was

² The effort to use multiple perspectives is explained in chapter 5.

preferred to a comprehensive listing of all service quality attributes because a lengthy questionnaire would be required that would exceed the customers willingness to answer. According to Edvardsson (1988), a number of problematical or positive service contact experiences are unlikely to be captured by a listing of all service quality attributes, whereas critical incidents remain in the long term memory of the consumer.

Stauss (1993) suggests that attributes may not always be made concretely explicit, and so cause measurement errors. For example, the general attribute “unfriendliness of staff” does not point to what specific behaviour customers perceive as unfriendly, whereas an initial episodic examination allows this to be incorporated in to constructing more specific incidents. For example, Bitner, Booms and Tetreault (1990) found that the level of supplier response to problems was the significant factor which affected customer satisfaction or dissatisfaction. This would suggest that asking which features (or attributes) of suppliers’ services which are most important may not distil a full explanation of service quality. Customers explain critical incidents in their own language that are concrete, which can then be used for determining a more concise picture of the determining factors in the service quality experience. For these reasons, the episodic character of service encounters was encouraged at the exploratory stage, in which narratives were generated about service encounter experiences that materially affect satisfaction.

4.4.3.3 Coding of categories of incidents

According to Flanagan (1954: 335), a classification system is an important stage of the CIT. There are several techniques that can be used to classify or code the incidents experienced. These may be derived deductively (from existing theories or guided from past research) or inductively. One inductive approach is the template, described by Crabtree and Miller (1992). This method can be described as iterative content analysis, in which classes or codes of data are successively verified by additional researchers or experts. This approach involves dividing the transcripts equally between researchers and an expert panel (such as a group of academics) that can code the incidents independently. Inter-rater comparisons provide a measure of reliability, based on the Kappa coefficient of agreement (Cohen, 1960). One obstacle in using this method is the sourcing of an expert panel with sufficient knowledge of the subject domain. This could not be easily found to validate the coding. In lieu of this, the researcher examined how previous research into service quality had been coded as a guide for classifying the critical incidents. This is shown as a deductive classification in chapter 5. Based on this knowledge, the

researcher then used action research to classify the critical incidents. The classifications were refined and verified as part of the process of pre-testing and piloting the total questionnaire.

Coding of critical incidents was achieved by first analysing paragraphs of transcribed text, specifically in relation to questions about the kinds of critical incidents experienced. It is then possible to compare experiences across cases (interviews) to qualify categories of incidents. Coarse-grained labelling and categorising of critical incidents were first developed from first impressions upon reading the transcriptions for the first time. At this stage, comparisons are difficult, so labelling may be more intuitive than analytical. Labelling can then be refined upon reflection and absorption of the whole set of transcriptions together. The aim of integrating qualitative data is to improve understanding and in the construction of relational statements for building theory, Strauss and Corbin (1998: 145). By comparing incident by incident on the basis of similar properties (e.g., not meeting expected deadlines), the descriptions of specific incidents were reduced to sets of *relational statements* that could be used as more general explanations for representing incidents that might be similarly grouped. Relational statements were extracted from the narratives of incidents upon reflecting and fine-tuning the categories and labels of incidents. The final list of categories of incidents were selected upon the advice by Strauss and Corbin (1998:147) that categories should be central, frequently mentioned [via interview], clearly understood [not forced], and explain variation in data.

4.4.3.4 Validating the list of incidents

In accordance with Strauss and Corbin (1998: 159), the list of incidents was examined to ensure it explained the majority of cases. A second way was to show the list as part of a pre-test to another group of expert informants for comments on its generalisability and completeness.

4.5 Survey research

4.5.1 Sampling of the survey

The sampling method adopted for the survey was based on the May version of client BRAD. An interval sample was used to collect names, addresses, (and phone numbers in case of telephone reminders) of the likely key informants. BRAD represents a reasonable cross-section of market sectors, in which the list could be broken down into several sub-sectors (e.g. financial services, automotive). Sub-sectors were somewhat aggregated for convenience of analysis, arising from the way response rates fell across the sectors, and the spread of sectors that are

prominent advertisers³. Sectors were also aggregated according to their associated risk profiles that were considered might influence client tolerance. The industrial sector includes manufacturing and business-to-business services, although office and IT are listed as separate sectors, but lumped together for analysis. Industry and automotive accounts are associated with commercial risk from relatively few buyers and derived demand. Financial services are associated with selling intangibles, with risk associated with an uncertainty of deferred benefits (such as investments, pension returns). The leisure sector includes travel and luxury that are both discretionary and therefore risky in an economic downturn. IT is associated with the volatility of short life cycles. Pharmaceuticals is aggregated with cosmetics because they are both associated with long lead times before any significant return on investment (so high financial risk). Emerging from the interviews, retail accounts were found to be different from most accounts insofar as they were generally fast-moving and service-orientated, rather than creatively focused. Although not an initial hypothesis, it was felt it was necessary to compare responses between sectors to support the generalisability of findings. Additionally, any sector differences might shed additional light on influences of client reactions previously unconsidered, providing insight in explaining client tolerance.

4.5.2 The structure and design of the questionnaire

The survey protocol was to split this into (1) a re-drafting phase, (2), a pre-test, and (3), a pilot test. Each of these phases, including implementation, is examined further in chapter 6. Guided by an extensive literature review of agency-client relationships, combined with the findings from the qualitative interviews and drawing on personal experience, several drafts of the questionnaire were compiled. These drafts incorporated successive refinements in content, wording, and layout order before the formal pre-testing stage that required external comments. The pre-testing involved assessing the logic and clarity by examining the structure and order of phrasing the questions, and editing out any redundancy found. The questionnaire design is therefore influenced by both deductive and inductive methods of enquiry.

The objectives of the questionnaire, consistent with the hypotheses, were to (a) identify the type and level of critical incidents experienced by clients (b) how clients reacted to these incidents, (c) how the independent variables were associated (and probably influenced) their reactions, given the incidents experienced. The questionnaire was piloted on a significant number of

³ Responses are analysed in the chapter covering implementation of the survey.

respondents to develop construct validity and to weed out redundant questions. It was also used to test the wording of each question to aid understanding. A split run test was used by offering several versions of the questionnaire for piloting in order to detect differences in feedback, including response rates. For an overview or flowchart of the phases, refer to Figure 4.1.

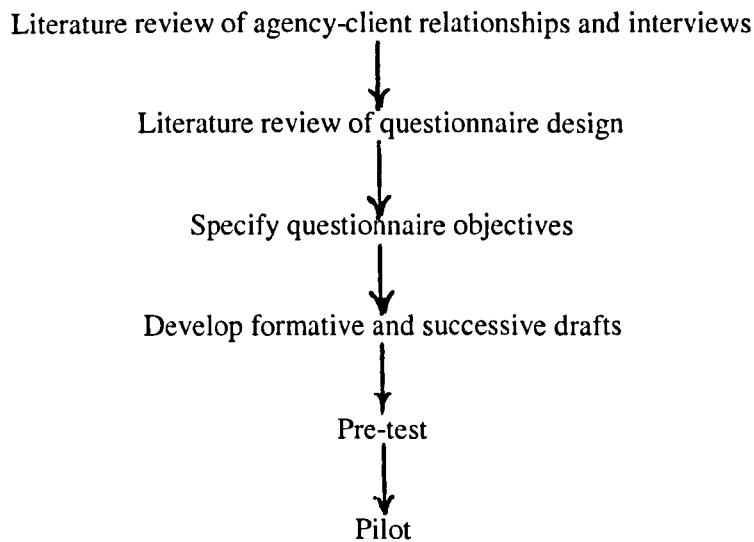


Figure 4.1: processes involved in questionnaire design

The questionnaire is split into several sections, arranged according to similarity of content, based on the rudiments of design specified by Dillman (1978). Section A asks for clients to choose from a predetermined list of critical incidents. This list was derived from the previous qualitative interviews. These questions were designed to identify both negative and positive critical incidents that they have experienced in their relationships. These incidents provide an indicator of how the relationship is progressing. Section A also examines how clients responded in their relationships, based on data for measuring the tolerance within the relationship (i.e., the dependent variables). Section B examines independent variables considered to be associated with tolerance. This section includes details of various dimensions of the performance or competence of a chosen agency (or reputation, if no experience); and environmental forces. Sections C and D also examine independent variables. Section C examines the role of general beliefs about relationships. Section D examines agency investments that indicate the size of relationship investment and experience.

4.5.3 Response measures used

Independent variables from Section B and general beliefs about relationships from Section C were measured by seven point likert scales. Thus the majority of independent variables (except investments) were based on a consistent measuring scale to facilitate comparisons in analysis. Likert scales were considered an appropriate scaling technique for measuring the intensity of feelings based on the extent of agreement to a mixture of positive and negative statements. Attitudinal statements referred to the independent variables of the study. Seven-point scales are popular in marketing research. Seven-point scales were considered adequate to capture sensitivity in the directionality of responses without being overly elaborate. Whilst likert scales have been criticised for their lack of precision (Churchill, 1991: 428), response options are unlikely to be significantly unequal in magnitude, so tend to be assumed as interval scales (Kumar and Day, 1995: 257). Additionally, response categories were supplemented by percentage ranges to establish a standard of comparison that can improve response validity.

It was not possible to capture investment data by likert scales, since likert scales are predominantly used for assessing agreement with attitudinal statements. Respondents selected from a range of predetermined investment features, including billings, share of advertising business, and extent of brand involvement with an agency. These ranges were refined on the basis of pre-tests. Open-ended questions were considered most suitable to capture levels of client experience.

4.5.4 Mode of delivery

Having established the survey as one choice of research strategy, the next decision was to choose amongst the various modes of delivery. This choice included e-mail, face-to-face, postal, and telephone.

Although e-mail appeared to be an attractive option, at the time of conducting the research, a significant number of businesses did not visibly offer e-mail addresses with their main addresses. According to a study by Tse et al. (1995), e-mail does not improve response rates above mail. Tse et al. (ibid, 1995), suggested that e-mail (1) is a relatively new mode of communication (2) is less convenient to reply than for mail (since a personal computer is required), (3) breaches confidentiality, (4) lacks regular reviewing by recipients of messages. The researcher would add that there is a tendency for many busy decision-makers to rapidly

delete unsolicited messages. All of these were considered to contribute to non-response. Hence e-mail was avoided as the main mode of collecting survey data for the first wave of replies. Incidentally, although this option was used in a follow-up wave to track down non-respondents, it was largely ineffective for improving response rates.

Face-to-face interviews would have been ideally suited to capture the context with an unlimited budget, but cost and time resources made this prohibitive (Neuman, 1994: 242-245). Telephone interviews can be more cost-effective than face-to-face interviews for reaching subjects that are geographically dispersed. However, the researcher had previously experienced problems with accessibility of business subjects on the phone, often explained by their busy work schedules and priorities, leading to much telephone tag. Faced with a limited budget, the additional vehicle of voice-mail boxes, commonly used by businesses to screen out unsolicited calls, meant that telephone interviewing was no longer a practical option. The issue of confidentiality may also be important for this study. In a study of reactions to data disclosure, Long et al. (1999) found that consumers felt more comfortable in answering self-completion questionnaires to those completed by others.

Having considered all options, the postal mode of delivery was chosen. This was considered the most sensible option for obtaining a reasonable response rate within a limited budget for subjects geographically dispersed.

Length of questionnaire V response rate

The intention was to make the questionnaire as long as necessary but as short as possible to capture the domain of the study. Although a lengthier questionnaire would affect response rates, an eight-page questionnaire was considered necessary to serve justice for testing the various hypotheses.

4.5.5 Data analysis of survey

A variety of data analysis techniques are used, with further details and results reported in Chapter 8. The data analysis first reports descriptive statistics, including the mean scores and standard deviations of each variable. Next, purification of the data involves tests of normality, exploratory factor analysis to examine the structure of the constructs, and alpha analysis to assess internal consistency.

A distinctive feature of this analysis is the development of grouping variables by examining various ways of grouping clients according to their range of responses to the dependent variables. Subsequent multivariate analysis involves multiple discriminant analysis as a means of testing relationships between the independent variables and grouping variables that represent tolerance. Grouping variables are first defined by decision rules that conceptualise tolerance (the 'a priori approach') and supplemented by cluster analysis. The grouping variables used for developing client subgroups are then screened to reduce the findings to a manageable amount.

4.6 Canons for evaluating the research

According to Gortner and Schulz (1998) and Popper (1959), these are theory-observation compatibility, generalisability, verification, and relevance. Theory-observation compatibility is first achieved by comparing matrix summaries of qualitative data to the hypotheses and literature review, and later by the survey findings. The aim and approach towards achieving generalisability has already been mentioned in an earlier section, and so will no longer be discussed here. In verification, there is a need to evaluate research by making judgements on validity, reliability, and credibility of the data (LeCompte and Goetz, 1982; Miles and Huberman, 1994).

Validity can refer to one of many forms (Churchill, 1991). Content validity represents how adequately a particular domain of study (or content) is sampled, and is therefore concerned with sampling accuracy. The quality of the sampling process is discussed in the forthcoming chapters. Content validity also requires that all the variables that embody the domain of study are covered in the analysis. Whilst this cannot be derived numerically, it can be judged subjectively (Nunnally, 1978: 91-94). The appeal is generally based on clarity of rationale and presentation. To the researcher, the validity of much qualitative research relies on the clear definition of terms and objectives, a systematic process in collecting the data, a set of tools for facilitating comparisons and judgements that rely on both logic and intuition, similar to quantitative studies. Although it may be possible to measure precisely the validity in quantitative studies, there is still a need for validating qualitative studies. To verify adequacy of the research process and to support credibility, the procedures used in collecting and refining the data at each stage of the research process should enable future researchers to replicate a similar or modified study, if required. For example, documentary evidence of transcriptions of data are available and cross-referenced in the text in chapter 7. Details of changes made to the questionnaire design, such as discrepancies during pre-testing, are reported to allow the reader to

follow the logic of how the data was developed and questions refined.

Construct validation examines whether measurement of a specific item (or attribute) properly measures the concept of interest in terms of both magnitude and direction. To achieve this, factor analysis was used as a means for simplifying and classifying the data into a number of components, and dimensions per component. Factor analysis was verified as an appropriate technique by the Kaiser-Meyer-Olkin measure of sampling adequacy. Data was further purified by examining internal consistency, a measure of reliability that measures the extent to which items that supposedly measure the same concept inter-correlate. The conventional indicator used for measuring the internal consistency of a set of items is known as Cronbach's alpha (Sekaran, 1992). This was used for each item to assess the fit to components, and revisions made where necessary.

Convergent validity is the extent to which findings from different sources and/or methods indicate similar meaning of a construct (Kerlinger, 1973), sometimes referred to as triangulation. In this study, it is the extent to which previous studies from the literature review are consolidated by both the qualitative and quantitative findings. The findings were also re-interpreted by trade experts to shed further insight into how and why variables affect tolerance. Gliner (1994) has suggested triangulation can help to judge fairness and rigor of a research project.

Reliability of the findings (in terms of meeting similar findings with a matched sample) can only be abstracted from comparisons between the interviews and survey (since different respondents were used that gave broadly similar findings) and triangulation. It is accepted that there is a need to conduct similar studies to support this study. A common limitation recognised by many researchers in relationship marketing that conduct cross-sectional research (at a point in time) is the temporal need to conduct longitudinal analysis that can help explain some of the dynamics of relationships that might otherwise be lost. Whilst this is not longitudinal research (insofar as data was not systematically collected over purposive time periods) the questioning about good and bad times of a relationship that featured in the questionnaire permit the use of respondents covering a broad time period. The intention was to capture perspectives in time that is not normally procured from one survey. Overall, the research findings should be verified by both the phenomenological and positivist research paradigms.

4.7 Summary

This chapter begins with outlining the research strategy that justifies a multi-method approach for collecting data. Although exploratory in scope, the study establishes the research domain and variables used based on a disciplined literature review. After developing the main parameters of a model from which to test tolerance, hypotheses are tested by both depth interviewing and survey analysis. The main objectives of the depth interviews are to collect critical incidents and to establish the important parameters considered associated with tolerance from interviewing both key informants from client organisations and advertising agencies. It was decided to continue interviews until no further new incidents emerged. To ensure refinement of the layout and structure, the process of questionnaire design needed to be split into a redrafting phase, a pre-test, and a pilot test. The coverage of the questionnaire appeared consistent with the research objectives. Section A covers RQ1, the identification of the critical incidents in service quality encounters that affect agency relationships; and RQ2, how critical incidents affect client reactions (to derive tolerance). Sections B-D cover RQ3, what independent variables are associated with tolerant clients (based on client reactions to critical incidents experienced). Mail was justified as the preferred mode of delivery to respondents.

A distinctive feature of the analysis is the development of grouping variables. Clients can be grouped as either tolerant or intolerant depending on decision rules conceptualising tolerance, or by cluster analysis of responses, based on how they react to the range of designated dependent variables. After inputting grouping variables into a DA representing the dependent variable(s), tolerant and intolerant groups emerge. The findings are successively screened to establish qualifying factors and groups.

For research evaluation, several canons were identified. Compatibility of theory with observation is achieved by establishing concordance between findings from using mixed approaches. Generalisability is based on sufficient sample sizes from which statistical inferences or relationships can be drawn. Here, the survey serves this purpose. Verification of the qualitative and quantitative research requires validity and credibility. Validity requires a clarification of research objectives, a systematic and justified data collection process, and appropriate analytical tools for the job. To support credibility, the procedures used in collecting and refining data at each stage of the research process are reported. Such procedures enable researchers to understand the methodology of past studies. Further support to compatibility is offered by reinterpreting findings by triangulation.

Chapter 5: Qualitative methodology and procedures

5.1 Introduction

This chapter is concerned with the procedures involved in using depth interviews that set the agenda for a postal survey. The first stage of the empirical work involved qualitative research, interviewing clients in order to develop a list of critical incidents in service quality. The next stage (examined in the next chapter) involved a survey using this inventory of critical incidents on a larger sample of clients, in order to test quantitatively a number of hypotheses.

The stages in the qualitative, exploratory stage are outlined in Table 5.1. Clients and agency representatives were issued with a covering letter outlining the research objectives. Depth interviews were conducted with key informants representing 11 client organisations and 14 advertising agencies. They were asked to report on any negative or positive critical incidents recalled from a recent relationship. Respondents also indicated how their responses might escalate with service recovery failure. Finally, respondents were asked for factors (prompted from a research guide) considered important for showing tolerance in their responses. Interviews were transcribed. Critical incidents were coded and, with important factors identified, used as inputs for a postal questionnaire. The research guide was used flexibly to account for additional factors not previously considered. Interviews involved constructing activity maps representing all contact points of client-agency interaction to facilitate data capture.

5.2 The covering letter

A covering letter preceded a series of depth discussions, inviting participation to a research study (appendix A). The purpose of the covering letter was to establish whom to contact once agencies and client organisations had been chosen, to ensure understanding of project objectives, and to establish a protocol for conducting interviewing. The letter outlined the objectives and main sections intended during the interviewing so that those interviewed could be better prepared, and less alarmed at any nasty surprises reducing rapport.

5.3 Rationale for using research guide

A research guide was developed to direct the agenda of the depth discussions (appendix B). It was a set of briefing notes to provide some structure and consistency to the depth discussions, using semi-structured interviewing. The intent was to use the research guide as a working

template rather than as a rigid enforcement of questioning. Questions were designed to uncover contact points of interaction between client and agency, to discover a range of both negative and positive critical incidents, a set of responses to these incidents, and to uncover variables likely to be associated with tolerance. These variables included sections under performance, the environment, client beliefs about relationships, and investments. As the interviews progressed, respondents were encouraged to offer advice about additional issues not previously considered that could be added to the original list of variables.

The research guide was split into four sections:

- (1) the kinds of contact points that occur between clients and their agencies, from the start of a campaign to its completion,
- (2) a list of extreme points or critical incidents raised by either agencies or their clients, that caused particular dissatisfaction or satisfaction,
- (3) the typical order of client responses to these incidents, graduating from mild irritations at one extreme, to serious breaches of duty at the other extreme,
- (4) and the variables that affect tolerance levels under several broad headings derived from a literature review.

Thus the main purpose of the depth interviews were twofold: first, to develop an inventory of critical incidents, and second, to help refine the research hypotheses, i.e. the set of independent variables that might be considered to influence client tolerance.

In order to maintain quality of the qualitative procedures, it is necessary to establish external reliability that enables replicability of the findings (Le Compte and Goetz, 1982). According to Seale (1999 : 141), Le Compte and Goetz (1982) suggest that external reliability can be improved by providing a full account of those who offered the data, a discussion of the theories influencing the research (here limited to a discussion of the research techniques used), and a detailed methodological reporting so the study could be replicated.

5.4 Those who provided the data

Initial approaches were made by covering letters with key decision-makers in charge of a portfolio of accounts, and in particular, those holding most influence and knowledge about the

accounts. Key decision-makers within the agencies tended to be at Director or equivalent level, and in charge of business planning (stages 1-2, Table 5.1).

Having identified key informants representing account teams (stage 3, Table 5.1), they were sent an indicative agenda in preparation for the depth discussions (stage 4, Table 5.1). During the depth discussions, they were asked to describe any critical incidents they had experienced within any of their relationships, with the unit of analysis being contact between clients and their agencies (stages 5-7 of Table 5.1). For this study, agencies are defined as organisations who offer key and core advertising services (i.e., not specialists such as media shops, direct mail or P.R. consultancies). Where clients hire the services of more than one agency, the main agency (as measured by size of business) was taken as the area of interest. Clients are defined as customers who have entered into a formal agreement with agencies to manage an advertising campaign for one of their main products or brands. Finally, they were asked for typical client responses to critical incidents and whether specific variables influenced their tolerance (stages 7-8 of Table 5.1).

Table 5.1: Summary of exploratory phase of research

Phase	Purpose of contact
Initial introductory letter with Account Director or equivalent in charge of business planning, possibly one level beneath main board.	<p>(1) Establish who to contact and protocol (with covering letter, rationale for study, time, and venue, etc).</p> <p>(2) Outline study objectives.</p>
After covering letter	<p>(3) Establish account teams. Ideally 3 to 4 representatives of specialist functions on several accounts, e.g., Account Supervisor or Director, Media Planner or Director and Account Planner/ Researcher or Director.</p> <p>(4) Offer indicative agenda for account teams, in preparation for interviewing them.</p>
Interviews supported by research guide during depth discussions with account teams	<p>(5) Establish contact points per key informants on accounts. Ideally construct activity map representing all contact points for each account, and verify contact points on each map and overlay individual response to produce a master map.</p> <p>(6) Establish critical incidents over last 3 years. These may arise from an existing or previous relationship with a client.</p>

(7) Probe for agency/client responses as an input for the survey, including the typical continuum of client responses.

(8) Invite comments on the influences of tolerance as an input to the questionnaire for the next research stage. More detailed probing required.

Repeat procedure for clients about their relationships with their agencies

Notes: Arguably, client feedback is more important because the survey is aimed at the clients.

Account selection

Whilst representatives at Director level were preferred, e.g., the Account Directors, Creative Directors, Media Directors, Planning Directors and possibly representatives from Traffic, they were not always available, willing or accessible. Heide and John (1990) suggest that key informants should be contacted to ensure they hold both the ability and willingness to supply data. To achieve this, senior to middle management was sought. In the agencies, these generally involved an account supervisor, a media planner and an account planner/ researcher. Typically, they were collectively responsible for a range of accounts. From these qualifying respondents, critical incidents were derived that were considered to cause particular satisfaction or dissatisfaction with relationships. The aim was to extract a broad range of client experiences from each agency and client respondent. When asking about dissatisfying experiences, Frankel (1976) suggests that it is not sensible to use a scale including extreme negative terms such as “worst” because the incidence of these occurring will be scarce, and where they do occur, the present agency would probably have been terminated. Moreover, agencies may be reluctant to comment on accounts which are in jeopardy, and would probably feel more comfortable discussing “least best situations” or “least best relationships” (Frankel, 1976). This would suggest some respondents may be reluctant to report actual experiences. Accordingly, probing was conducted sensitively in an attempt to record actual rather than ideal experiences. Probing can also establish the causes of these problems, including awkward customers (referred to as “jay customers” by Lovelock, 1994). When discussing sensitive information, Bradburn and Sudman suggest the use of proxy reporting on behalf of others for sensitive information. Accordingly, reluctant informants were encouraged to reveal more about recent experiences of others than necessarily discussing the sensitivity associated with their own incumbent agency. These approaches were used to get more data from respondents.

5.5 The samples interviewed

14 agencies and 11 clients (advertising managers) were interviewed. The sampling frame for the depth interviews was derived from trade sources and snowball referrals. Aaker et al. (1995) discusses the need to develop credibility with the semistructured approach. For the agencies, trade sources included approaching the Institute of Practitioners in Advertising. After briefing their Director-General, a list of 8 agencies was obtained, with 6 agreeing to be interviewed. Another six agencies agreed from a speculative mailshot of ten. As recommended by Aaker et al. (1995: 176), advice was sought for recommending other agencies to contact to build up the sample, in which two referrals were gained that included one client-agency dyad. The response rate of agency interviews to enquiries was therefore 70%. Clients were only sent mailshots. Names and addresses for both sets of mailshot were supplied by consulting BRAD. The response rate for clients was eleven positive replies, or 55% of those contacted.

5.6 The depth discussions

The dates of each interview with each respondent, together with their organisational titles, and background are shown in appendix C. Several of the clients are brand leaders, with a balance of manufacturers and service providers (appendix D). Many of the agencies have brand leaders as clients, with a balance of large London and smaller regional-based agencies (appendix E). The majority of interviews took place between September-October 1997. Interviews lasted from one hour to about four to five hours.

5.6.1 Justification for the depth interviews

Depth interviews were preferred to alternative techniques such as focus groups because:

- (1) The topic necessitated the discussion of failed relationships that might be taken personally by some respondents. The larger the group (as with focus groups), the more likely conversations would be restricted.
- (2) Depth interviewing allowed relatively longer interviews to be conducted where respondents were willing. This enabled more detailed comments to be tape-recorded and transcribed than would have been possible with a larger audience of people concerned about the use of management time. Detailed comments are useful for relationship episodes in which responses and successive interactions could be precipitated from specific incidents.

- (3) The smaller numbers of interviewees associated with depth interviews enabled more senior staff to be approached that had the specialist knowledge (such as business planning) and broad experience of relationships required for this study.

5.6.2 The interviewing process and content

Semistructured depth interviews were preferred to non-directive interviews to provide more control over the range of topics discussed. This tends to be more effective with busy executives and experts (Aaker, Kumar, and Day, 1995:176).

According to Patton (1980: 198), there are three kinds of interviewing based on how interviews are structured. These are the informal conversation interview, the general interview guide approach and the standardised open-ended interview. The first assumes only a basic check-list of items to discuss, so there is less control over the structure, but may be best suited to purely exploratory research where little is known about the research area. The third involves asking a set of standard questions, retaining the exact wording for each respondent. This allows maximum control over response variation but rather restricts the flexibility in any adaptation required to suit the respondent's background. The general interview guide approach rest on a general check-list of questions to cover with the actual wording not determined in advance, allowing some flexibility in order and wording of questions (Patton, 1980). The latter was adopted because it was discovered that agencies wanted to discuss some issues in more detail, so restricting the issues that were actually covered in the interviews. However, everyone discussed critical incidents, the main objective of this stage of the research.

Apart from this, several procedures were adopted, associated with the characteristics of action research adopted from Stringer (1996: 41, 61-62). These were:

- (1) Obtaining different perspectives of relationships with interviewing both agencies and clients, multiple perspectives were achieved.
- (2) Maintaining a neutral position with the respondents by not adopting an overt client or agency perspective through expressing one's own views. In acknowledging the social situation in which data was collected, the researcher status is clarified and researcher bias is reduced, believed to be additional requirements for establishing external reliability (Seale, 1999:140).

- (3) Probing and prompting to add clarity to their explanations, providing a richer understanding of what is happening (Stringer, 1996:63).
- (4) Transcribing all interviews, using audiotape, to ensure accounts were both detailed and accurate, as advocated by Stringer, (1996: 64). Lincoln and Guba (1985) advocate this to preserve the raw data for internal reliability. Behavioural coding can be facilitated because researchers can stop and reanalyse taped protocols at own pace. Taped interviews allow freedom of interviewer to concentrate on the interview instead of being distracted by writing (and thus looking away from the participants when they are talking). Bolton and Bronkhorst (1996: 45) reckon that removing eye contact (more likely when interviews are not transcribed, since this necessitates writing) may signal to respondents to stop speaking and so increase interviewer bias.
- (5) Collecting important documents from both clients and agencies, as part of triangulation, to add verification to the process.
- (6) Holding venues at the agency or client premises to avoid an unfamiliar environment. According to Stringer (1996: 74) this encourages them to be more honest and forthcoming because they are more comfortable talking on their own territory.

5.7 Activity mapping as a tool for uncovering critical incidents

It is a challenge to record an inventory of all types of critical incidents that are representative of service encounters between agency and client. This challenge can be facilitated by using procedures for jogging the memory and stimulating discussion points. One approach is activity mapping. This involves charting the activities and service encounters of all participants, providing a comprehensive picture or flowchart of all key linkages between client and agency. A major benefit of this technique is the identification of which stages of the advertising process seem to produce the most criticism and errors. Analysis was facilitated by taped interviews, and later transcribed in accordance with Patton (1980:249). These were then verified with the respondents to ensure interpretation was accurate. Several blueprints were used to identify periods or episodes of satisfaction or dissatisfaction at any of the activities in connection with the service encounter. Activity mapping was used to establish the contact points between each agency and their clients. According to Levy (1992: 53), a mapping methodology is a kind of flow chart of all activities from start to finish, providing a launch for stimulating discussion

about where all the critical points might occur, e.g., re-work, misalignment on strategy, etc. Thus activity maps are used to identify all responsibilities of members who come in contact with either party. It is unlikely an organisation chart would show this information, and even if it did, would only serve to indicate the hierarchical structures, ignoring what Krackhardt and Hanson (1993) recognise are important relationships within the informal organisation. The complete process involves interviewing each agency account team member (i.e. each Director) using perceptual blueprinting or activity maps to identify all activities chronologically, from start to the finish of a campaign that focal members are involved with and which serve as contact points with the client.

Each account member individually constructs individual maps of activities that can then be overlaid to provide a comprehensive snapshot of all activities. The eventual result is a supplier activity map that should represent a consensus for the account team (stage 5 of Table 5.1). Randall and Senior (1992: 19-20) suggested that detailed activity maps from different stakeholder perspectives provide the key activities of those involved at each stage (Figure 5.1). For example, Mondrosi, Reid and Russell (1983) developed a flow chart of activities in creative decision-making. Each member was asked how their output contributes to the input of the next stage of activity. This can highlight sources of quality problems, which might arise from poor co-ordination or role ambiguity.

Ideally, this exercise should be repeated for the all client members involved for each account and overlaid to provide a final client activity map. This will include representatives from the client organisation who have contact with agency. They are likely to include the Advertising Manager and the Brand Manager. This will help identify similarities and differences which might reflect a poor understanding of the contribution from their partners (Randall and Senior, *ibid*, pp 48-49). Although interviews were conducted with several members of account teams, a selection of staff covering each strategic area of advertising was not easy, with only two Creative Directors (or equivalent) interviewed. This was somewhat compensated for by interviewing seven managing directors and/or chairpersons, and ten other account directors (appendix C). It was felt these would have sufficient organisational stature and experience to share their creative knowledge about incidents they were familiar with. However, constructing several maps from each agency and client was not possible due to the constraints on their time, and so only maps for selected accounts were produced, where asked. To encourage authentic responses, it was explained that there are no right or wrong answers. After constructing each

map, these were verified with each member. A summary of the stages in data collection is provided in Figure 5.2, based on Randall and Senior (1992: 47).

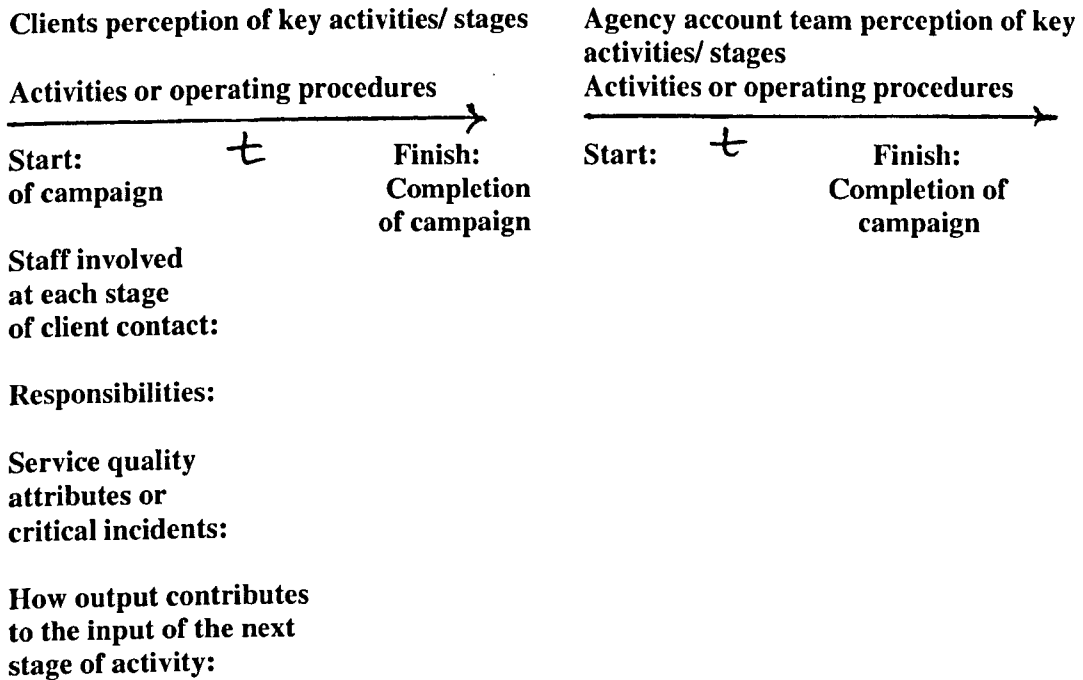


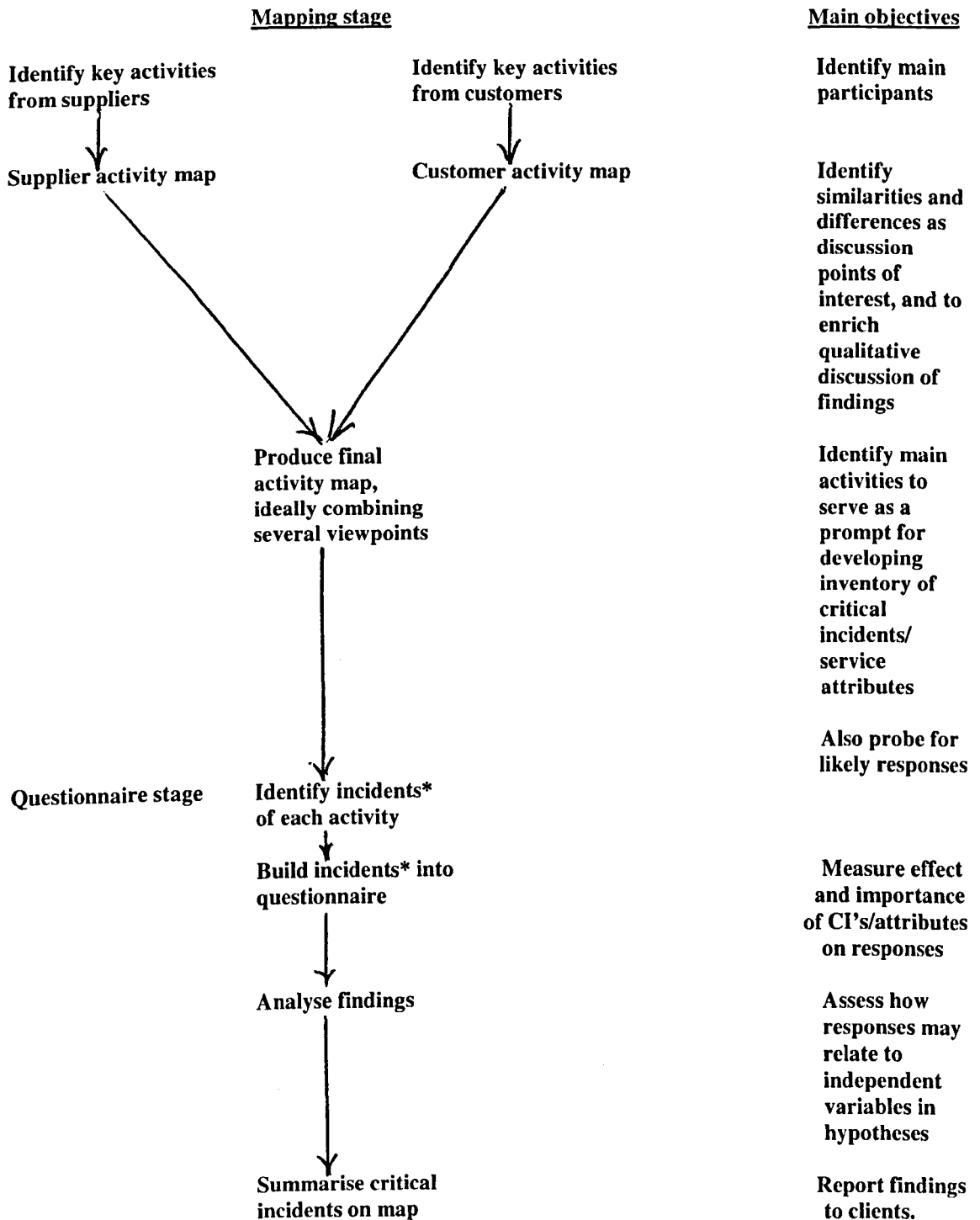
Figure 5.1: Perceptual blueprints or activity maps for client and agency account team

Having created separate maps or blueprints, these were condensed into a single master activity map that described the key activities at different stages. These activities were used for stimulating discussion for recalling and determining an inventory of critical incidents (Figure 5.2). However, due to the difficulties in recruiting multiple members of account teams, the mapping technique was somewhat restricted to specific individuals that nevertheless contributed to the overall process of understanding where and why critical incidents were most likely to occur. The activity mapping helped to indicate at what stage of each activity critical incidents occurred, and who was involved. At this stage, respondents were not forced into responding from a given list.

5.8 The critical incidence technique (CIT)

Incidents were collected from customers who were asked to recall situations in which they experienced very satisfying or dissatisfying impressions of their service providers, as advised by

Stauss (1993). To reduce the prospects of under-reporting of negative incidents, respondents were assured they would not be harmed by it, as suggested by Flanagan (1954: 341).



**Note that service quality attributes may be substituted for critical incidents here.*

Figure 5.2: Mapping stages of data collection

5.8.1 Using questions adopting the CIT

The following questioning was used for clients about their agencies for identifying critical incidents during the exploratory stage, as suggested by Neuhaus (1996, p 299), and then appropriately re-addressed to agencies about their clients:

“Think of a time when, as a customer, you experienced a particular satisfying or dissatisfying interaction with your agency. Did you have some goals or ambitions concerning this? Were they met? Please describe the incident in all details. What exactly made you feel so satisfied / dissatisfied with the interaction?” (The last question attempts to find the cause of the incident¹.)

Stauss (1993) offers the following additions:

“Where did the incident take place?

How did you or how do you intend responding to the incident?”

To ascertain how different incidents were associated with different strategic functions (i. e., creative, media, account management), the first question was supported with the aid of an activity map. The second question asked for details of responses to the incidents, or response style, as shown by questions 5-9 of the research guide (appendix B).

After interviewing, data was recorded and transcribed. Data which were not critical incidents were screened out. By adopting the suggestions by Bitner, Booms and Tetreault (1990), only those critical incidents that met 4 minimal criteria were retained:

¹ An alternative approach to evaluate supplier performance is offered by Ovretveit (1993: 105-109), in which service quality attributes might be derived. Within this, two additional questions are pertinent:

“Give some suggestions for your suppliers as to what they could do to improve their service to you,” (Ovretveit, 1993:107). *“What do you think prevents your suppliers from giving you a better service?”* (Ovretveit, 1993:108). However, the difficulty in using service quality attributes was raised in chapter 4, so critical incidents were the preferred option.

The incident must:

- (1) include direct contact between the service provider and the customer,
- (2) be very satisfying or dissatisfying from the customer's view,
- (3) be a discrete episode,
- (4) provide sufficient detail to be understood by the researcher. Keveaney (1995) screened out vague comments describing critical incidents in her study of services. It was rationalised that vague comments might indicate inaccuracy.

The following criterion was added:

- (5) Ideally, the incident should also be strategic, i.e. related to task related issues (e.g., media, creativity) and propensity to alter business in an important way; i.e. in which response styles are significant, e.g., propensity to switch, or alterations to the business contract. Commitment should also be measured.

Data analysis was verified with decision-makers, in accordance with Neuhaus (1996). Data was examined by actors, departments, functions and periods against evaluations, including relationship impairment.

5.8.2 Avoiding over-reporting and under-reporting of critical incidents

There are several potential difficulties in collecting critical incidents from the research guide that may encourage their over-reporting or under-reporting. These difficulties are associated with (a) the period of recall of critical incidents, and (b) the need to desensitise the nature of critical incidents and responses to them.

(a) Deciding the period of recall of critical incidents.

One of the problems in extracting information from respondents on past events is an assessment of their memorability. Memorability is improved by both marketing cues (e.g. aided recall techniques) and involvement with the experience or the subject matter, in this case an event or incident. According to Bolton and Bronkhorst (1996: 43), low involvement, low frequency events give rise to cognitive difficulties leading to response errors, whereas high involvement items are likely to be remembered for a longer period of time before memory decay. In using critical incidents, it is expected that high involvement would be present because of the context of the topic or event, i.e. event saliency. First, the definition of critical incidents indicates their

high degree of salience or high level of importance to the informants. Sudman and Bradburn (1974) argue that forgetting is linked to time elapsed and event saliency. Saliency is determined by the uniqueness of the event, the economic and /or social costs or benefits and any continuing consequences of the event (Sudman and Bradburn, 1982: 42.). Advertising agency interactions are likely to be unique insofar as relationships are dynamic, highly customised with high financial dependencies at stake (potential costs or benefits may be significant).

Second, critical incidents are basically about dramatic experiences of under-achieving, or over-achieving expectations, associated with *active processing* that is likely to extend the period of recall. In applying the service quality paradigm (Parasuraman et al., 1985) to critical incidents, by definition, indicates that expectations of customers are not matched by supplier performance, and there is a significant gap between expectations and subsequent performance. This gap between expectations and perceptions at the service encounter gives rise to dissatisfaction and a lack of role or script congruence between service providers (suppliers of the service) and customers. What is likely to be remembered is determined by the size of the gap at either side of the evaluation spectrum, represented by Figure 5.3. Critical incidents have been adapted by the author to a model of mindlessness based on the discussion by Langer, (1978). If shortfalls are severe, or expectations substantially exceeded, the consumer will rationalise why the experience happened at the time of the incident, so improving the prospect of *active processing*, correlated with memorability.

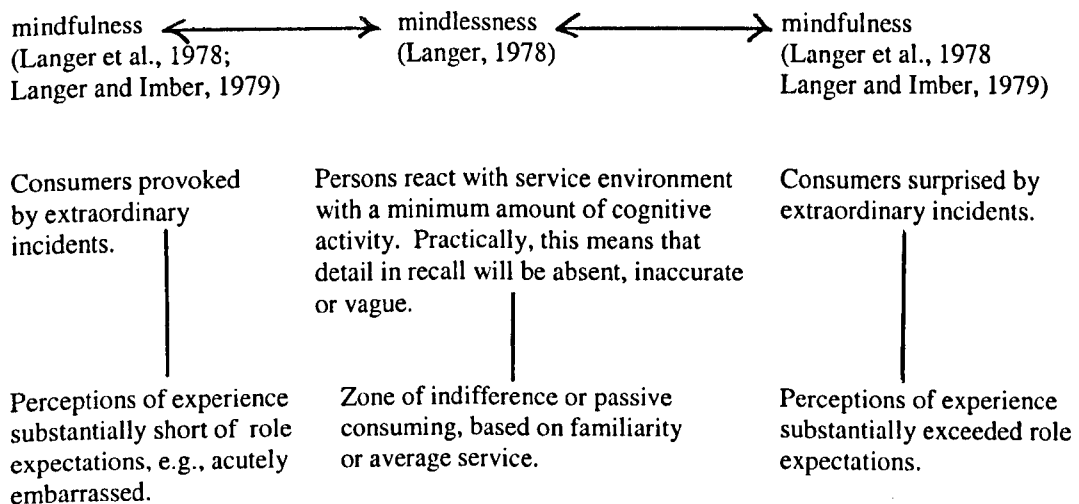


Figure 5.3: Application of memorability to the service encounter and evaluation process

Collectively, these circumstances would support a highly involving situation. The upshot of this is that extending the period of recall should not have a dramatic effect on response error arising from associated behaviour with forgetting, (i.e., under-reporting). Flanagan (1954) suggests that in using the critical incident technique, this period of recall can stretch as far as ten years. Critical incidents, due to their gravity, tend to remain in the long-term memory of customers, so reducing the chances of inaccurate reporting arising from memory relapse or confusion of events. This is supported by Stauss and Hentschel (1992), who reported in a survey that 19.4% of all negative incidents had occurred more than 10 years ago. Sudman and Bradburn (1982: 21, 43), rather more cautiously suggest periods of over a year can be used for highly salient topics. However, Sudman and Bradburn (1982, *ibid*) suggest that the researcher's desire for a longer time period coincides with the selection of a time period to achieve the most accurate recall, in which three years is offered as an appropriate time period. In talking to practitioners in advertising, they feel ten years is far too long, bearing in mind the fast moving nature of the advertising business. For example, an account manager may change accounts, job roles, or even agencies, every few years. Clearly, under these circumstances it would not be practical to measure a ten-year period. At the other extreme, Sudman and Bradburn (1982: 44) suggest that substantial overstatements will arise (telescoping) under highly salient behaviour if the time period is too small. To ensure incidents were not too recent or too distant that might affect the quality of reporting, all incidents below six months and beyond three years were avoided. According to Flanagan (1954: 340), the likelihood of the incident being remembered clearly and therefore reported accurately can be verified from the richness of the narratives of each incident, with vague reports interpreted as possibly being inaccurate. Therefore, a consequence of incidents that are too distant would be vague or incomplete reporting that cannot be verified by additional respondents.

(b) Desensitising the nature of critical incidents and responses to them.

Sudman and Bradburn (1982: 55) suggest that open questions are better if the subject matter or question is interpreted as threatening (e.g., socially undesirable behaviour). Open responses were requested both from the research guide and when introducing new critical incidents in the pilot testing and in the survey.

Questions considered uneasy to answer are likely to involve respondents underreporting their behaviour (Sudman and Bradburn, 1982: 71). At the end of the questioning, respondents were

asked about whether questions used were unclear or difficult to understand. For example, question 10 of the research guide asked which of the questions would make *most* agencies/clients feel uneasy in answering. The aim of this projective technique of proxy reporting was to make the question appear less threatening. This technique helped to refine the research brief as interviews progressed, contributing to response validity.

5.8.3 The relative importance of negative incidents

Mizerski (1982) and Weinberger, Allen and Dillon (1981) report that unfavourable product information has a much greater influence on consumer decision-making than favourable information. This might also apply to information on client-agency relationships. Unfavourable information that is passed on by members of an account team (rather than first hand information based on actual experience) may be more influential in subsequent developments than favourable information. The point of this is that not all attitudes about relationships will be judged on first hand knowledge but some on the basis of others and hearsay. This is particularly so when there is more than one client working on a product or series of brands. On this basis, unfavourable incidents are more likely to carry more weight in overall evaluations of the agency and subsequent behaviour. This disproportionate influence of unfavourable information forming impressions (Anderson, 1965), and responses (Reynolds and Darden, 1972) may be related to a number of theories. Feldman (1966) has suggested that information may be related to surprise or shock, and therefore hold more influence on overall evaluations. A second theory is based on social norms, where unfavourable information may be less attributed to the characteristics of the stimulus (whether product or service). Using the Fishbein and Raven expectancy value theory (1962), unfavourable information is more likely to be related to the object of belief (in this case, service of the agency). However, if the respondent has first hand experience (i.e., experienced both favourable and unfavourable incidents) there is less reason to suggest unfavourable incidents will have a greater impact on responses than favourable ones.

5.8.4 Classifying the critical incidents

As mentioned in chapter 4, coding was impressionistic, but required a working knowledge facilitated by a deductive analysis of the literature. The C.I. approach suggests that classification on existing models (e.g., using tangibles, reliability, responsiveness, assurance and empathy) based on the SERVQUAL model (Parasuraman et al., 1985: 47) may not be appropriate. To guide the classification, this study examines the cause (source, type), course (activities of the

supplier and consumer to solve the problem) and results (in terms of the relationship with the customer) as suggested by Edvardsson (1988).

A deductive classification of critical incidents

The CIT has previously been used to examine a variety of favourable and unfavourable incidents at the service encounter. These include the customers' perspective (Bitner, Booms and Tetreault, 1990), the employees' perspective (Bitner, Booms and Mohr, 1994), as a typology of service failures and recoveries (Kelley, Hoffman and Davis, 1993; Hoffman, Kelley and Rotalsky, 1995) and for determining sources of communication difficulties in service encounters (Nyquist, Bitner and Booms, 1985). Research into critical incidents in services has usually been industry-specific (Bitner et al., 1990; Bitner et al., 1994; Kelley et al., 1993; and Hoffman et al., 1995). Although the categorisation of critical incidents varies, some common patterns emerge in how data is analysed. Kelley et al. (1993), replicated by Hoffman et al. (1995), used a recovery classification (Table 5.2), in which the original main groupings borrowed from Bitner et al. (1990) were treated as service problems per se; rather than response failures. Bitner et al. (1994) used a similar classification based on supplier responses to service quality problems. Critical incidents were classified into three major groups: employee response to service delivery failures, response to customer needs and requests (such as dealing with special requirements or responding to customer errors), and unsolicited employee actions (i.e., that were not part of their script, such as rude outbursts, Table 5.3).

Only Keaveney (1995) has investigated a cross-industry study, but this was restricted to switching incidents. Whilst incidents were restricted to customer service encounters by Booms et al. (1990; 1994), the classification by Keaveney (1995) included any relevant interface between customers and suppliers. This included both responses to failed service (as with Bitner et al., 1990) and failed service encounters and core service failures under a broader classification (Table 5.4). Thus researchers differ as to whether organisational (supplier) responses should be treated as the only basis for classification of critical incidents; some feeling it is part of a wider category of service problems.

Investigating the customer satisfaction and CCB literature leads to a further option for classifying the data: the subsequent client response styles to the critical incidents. Note that Keaveney treats critical incidents as specifically attributions of switching behaviour, inferentially the only client response style. Thus critical incidents are treated only as negative by

Keaveney (1995), unlike the studies by Bitner et al. (1990 and 1994), since these both consider satisfying and dissatisfying experiences. Bitner et al. (1990; and 1994) do not investigate client response styles; it is not part of their research agenda. However, Kelley et al. (1993) and Hoffman et al. (1995) examine retention. Both Keaveney (1995) and Singh (1990) classify

Table 5.2: A classification of organisational responses (as retail recoveries) by Kelley et al. (1993) or Hoffman et al. (1995)

<u>Acceptable recovery strategies:</u>	<u>Explanation</u>
Discount as compensation.	On products or services supplied.
Correction prompt and courteous.	Correct error with nothing added.
Manager/employee intervention	Staff (other than contact staff) involved to resolve problem. e.g., where front-line employee is not empowered to recover from failure.
Correction plus	Extra service or compensation provided, in addition to correction of original failure.
Replacement	For core service failure in an agency context, re-work could be applied (or key staff replaced at customer's request)
Apology	Both content and process important (way apology is delivered).
Refund	*Coupons used instead in the Hoffman et al. (1995) study.
<u>Unacceptable recovery strategies:</u>	
Customer initiated correction	Customer resentment for initiating service failure
Credit	Customer resentment at being tied to service supplier
Unsatisfactory correction	e.g., exchanges with hassle
Failure escalation	e.g., blaming customer; providing incorrect information
Doing nothing	Either supplier unaware of problem or made conscious decision to do nothing to recover.

Table 5.3: A comparison of organisational responses

<u>Bitner et al. (1990;1994)</u>	<u>Kelley et al. (1993)</u>
(1) Employee response to service delivery failures	(1) Employee response to service delivery failures
(a) response to unavailable service	(a) policy failures perceived inequity by customers, in which contact staff were not sufficiently empowered to deviate from prescribed rules.
(b) response to unreasonably slow service	(b) slow or unavailable service understaffed or failing to be responsive to customers needs. Hold disasters also included here; eg., promises on deadlines not met; and excessive delays on alterations or repairs.
(c) response to core service failures	(c) product defect: service failing to meet expectations, possibly arising from poor presentation or communications. (d) incorrect pricing information * (e) errors in packaging** (f) out-of-stock problems **
(2) Employee response to customer needs and requests	(2) Employee response to customer needs and requests
(a) response to "special needs" customers#	(a) special requests/ orders, (e.g. off-brief)
(b) response to customer preferences	(b) admitted customer error
(c) response to admitted customer error	
(3) Unprompted and unsolicited actions	(3) Unprompted and unsolicited employee actions
(a) attention paid to customer	(a) attention paid to customer ***Include bad information provided with incorrect information on which customer makes decision.
(b) extraordinary employee behaviour	(b) employee created embarrassments, e.g., mischarged
(c) employee behaviours in context of cultural norms	
(d) gestalt evaluation	
(e) performance under adverse circumstances.	(c) accused of shoplifting**

Footnotes:

* Not an objective of present study.

** Although relevant for the retail study by Kelley et al. (1993), irrelevant for current study, since advertising is an intangible service, although plagiarism of ideas might be considered.

*** Kelley et al. (1993) originally put this in group 1, but the author feels this is more applicable to group 3.

Everyone should be considered to be a special customer in an advertising services context.

client responses by complaint during post switching behaviours and complaint intentions respectively, using voice (i.e., who the complaint was addressed to). Keaveney (1995) bases this on voice to third party, new supplier, or old supplier, whereas Singh (1990) uses voice directed at supplier, private (communication) to colleagues or friends, or third party communication (e.g., trade associations). Singh (1990) also uses expectancy values to determine judgements arising from these actions. This may be interpreted as broadly classifying the purpose behind the activity or response. A comparison of all previous studies is shown in Table 5.5.

Table 5.4: A classification of critical incidents by Keaveney (1995), based on relevant interface between customers and service suppliers.

<u>Incident</u>	<u>Explanation</u>
Price	Perceptions of unfairness in practices; or too high relative to some benchmark.
Inconvenience	Time and location inconvenience.
Core service failure	Mistakes or technical problems with service (including) Unavailability, billing incorrectly, and service catastrophes (damaging customer in time, money or -reputation).
Failed service encounters	Involves attitudinal or behavioural problems of personal interactions with contact staff : <ul style="list-style-type: none"> -uncaring (lack of empathy, attention to detail) -impolite (patronising or impatient) -unresponsive (inflexible: refusing to accommodate requests, or uncommunicative (failing to provide information proactively) -unknowledgeable (inexperienced, inept, or incredulous) (failing to inspire confidence in their ability)
Employee responses to service failures (Fail to handle situation appropriately)	(a) reluctant responses, e.g., correcting with hassle (b) Failure to respond (perhaps questioning the legitimacy of the complaint) (c) Negative responses, e.g., blaming failure on customers
Attraction by competitors (Switched to a better service provider than from an unsatisfactory provider)	e.g., more reliability
Ethical problems (Illegal or immoral practices)	Includes switching and bait tactics. <ul style="list-style-type: none"> -Dishonesty, e.g., suggested but unnecessary work. -Intimidation, e.g., overly aggressive selling -Unsafe practices, e.g., unhealthy service environment -Conflicts of interest
Involuntary switching	Reasons for switching that were neither attributable to customer nor service provider

Table 5.5: Classification of incidents by context, data collection, responses and level of analysis

<u>Study</u>	<u>Context</u>	<u>Data Collection</u> (Who inter'd and sample)	<u>Categorisation of CI's</u>	<u>Organisational responses</u>	<u>Level of analysis</u>	<u>Subsequent client response styles</u>
Bitner et al. (1990)	Industry specific, of airline, hotel and rest-aurants.	Students interviewed, convenience sample, using 5 customers per student. Reported from the events in industries which good or poor service interaction occurred.	CI's treated as employee responses only. Inductive study.	Based on 3 main groups, with 12 sub-groups.	Satisfying or dissatisfying customer perceptions of employee behaviour. Each student collected one satisfactory and one unsatisfactory incident per case (i.e., 10 per student)	None offered
Bitner et al. (1994)	Industry specific. Contact staff perceptions of service encounters with their customers in restaurants, hotels, and airlines.	Students report on incidents that occurred within 6-12 months ago. Each student reports on one incident/ event that is satisfactory and one that is unsatisfactory.	CI's treated as organisation responses only. Inductive study.	4 main groups, subdivided into 16 groups. Uncooperative customers added to 3 main groups from prior Bitner et al. (1990) study.	Satisfying or dissatisfying experiences of service encounters. Comparison of events and behaviour from employees viewpoint.	None offered
Kelley et al. (1993) JOR.	Industry specific. Retail customers.	Students each report on 1 failure resulting in satisfactory recovery and 1 failure leading to unsatisfactory recovery.	Deductive, using 3 main groups from Bitner et al. (1990), then subdivided inductively into 9 in G1, 2 in G2 and 4 in G3.	12 item classification based on recoveries to critical incidents.	Average recovery ratings, based on a 10 point scale, (bisected) for analysis.	Recovery ratings and retention.

<u>Study</u>	<u>Context</u>	<u>Data Collection</u> <u>(Who interviewed)</u> <u>and sample)</u>	<u>Categorisation</u> <u>of C.I.'s</u>	<u>Organisational</u> <u>responses</u>	<u>Level of</u> <u>analysis</u>	<u>Subsequent</u> <u>client response</u> <u>styles</u>
Hoffman et al. (1995) JOS.	Restaurant customers.	Students based on convenience sampling.	As above for 3 main groups, then subdivided inductively into 5 in G1, 2 in G2, and 4 in G3.	11 item classification as above.	Average recovery ratings, based on a 10 point scale.	Recovery ratings and retention.
Keaveney, JOM (1995).	Industry study of custom-ers of services involving work or friend-ly contacts of students.	Students recruit 10 others who switch purchases over previous 6 months, asking for most recent observations.	Inductive, using 9 main groups based on reasons for service switching.	Service failure, classified as 1 of 9 groups, sub-divided in to negative, reluctant, or no response.	Only negative reasons behind switching, based on number and percentage of discrete behaviours, using any relevant inter- face between customers and their suppliers. Also examined what marketing sources used to find new supplier.	Inductive, using content analysis of post switching behaviours: 1) voice to third parties, 2) voice to new supplier, 3) voice to old supplier.
Singh (1990), JOR.	Industry specific. Service dissatis- factions in either grocery shopping, medical care or banking and financial services.	Householders who had a dis- satisfying experience with any of four service categories, using a pre- auto-repair selected random sample.	Not applicable. Focus is on response class- ifications and respondent classifications.`	Not applicable.	Inductive, using multiple item scales for rank- ing a multi- dimensional model. Develops clusters rather based on attitudes towards com- plaining, alien- ation and prior experience of complaint.	Dissatisfying experiences categorised by complaint intentions and expectancy values (purpose) than actual (recalled) complaints, based on 1) voice directed at supplier, 2) private parties, and 3) third parties, derived deductively.

When examined more collectively, the author felt that critical incidents should be classified on different levels: initial service problems as perceived by client or customer; and responses to

those problems by the supplier (or recovery strategies). Subsequent responses by the client are the client response styles. However, no research to date has examined all these together which the author believes would enrich our understanding of critical incidents at an episodic level. Prior studies have often treated the critical incidents as discrete behaviours, although Keaveney (1995) restricted response styles to switching only. All researchers in the literature review used an inductive analysis for structuring their subgroup classifications, but several used the main classification from Bitner et al. (1990), from which subgroups were inductively derived.

In attempting to integrate the efforts of Bitner et al. (1990, 1994), Kelley et al. (1993) and Keaveaney (1995), some common denominators can be revealed. Starting with an initial framework by Keaveney (1995), Table 5.6 integrates the critical incident responses. Using the classification of Keaveney (1995), column one shows the most applicable issues for advertising are inconvenience, core service failure, failed service encounters and responses to service failure. Examples from each are shown in column 2, drawing from all the sources mentioned. Inconvenience involves impeding communication, or failure to meet deadlines. Core service failure involves basic incompetence, such as failure to meet technical standards expected from core advertising functions, such as creativity, media, or account planning. Failed service encounters arise from poor client service that relate to perceptual misunderstandings, inadequate service, or disappointing responses to service failure. This includes evaluation based on holistic feelings over the course of successive incidents. Supplier responses to incidents are classified according to the type of attention shown. There was considerable overlap with the subgroup classifications identified by Kelley et al. (1993) and Hoffman et al. (1995). The additional subgroups classified by Hoffman et al. (1995) included facilities (cleanliness and seating) that might be expected for a restaurant (but less applicable for a business-to-business service), lost or wrong orders (similar to loss of attention) and out-of stock situations (similar to unresponsiveness/ inaccessibility for intangibles). Due to redundancy, these additional sub-classifications by Hoffman have not been reproduced.

Flanagan (1954: 343) argues that between 50-100 critical incidents may be sufficient for analysis. For each agency and client interview, about 6-8 incidents were sought (combining negative with positive incidents) yielding many individual incidents. Details are revealed in chapter 7.

Table 5.6: Integrating the literature based on critical incidents of service quality

<u>Main groups</u>	<u>Operational dimensions</u>
(1) Inconvenience (K)	Time and/or location inconvenience (K), or unreasonably slow service (B, Kel, Ho). <i>Inaccessibility. Difficulty in client contact (e.g., telephone lines blocked, jammed faxes, lack of hotlines).</i>
(2) Core service failure(K), product defect (Kel). (This is similar to the competence factor used in SERVQUAL (Parasuraman, 1985)	Errors in technical service (Kel), e.g. written or oral communications (e.g., creative or media briefs, call or contact reports; This includes inaccurate, incomplete or unclear documentation or other communication. incorrect billings (K, Kel, Ho), service catastrophies, e.g., harming reputation of buyer (K).
(3) Failed service encounters (K)	Lack of attention to detail and empathy (K), promises broken (Kel, Ho). <i>This includes treating partner on an unlevel playing field, with no “give and take”; misplaced priorities (e.g., conducts personal business whilst client waits); autopilot; negligent or careless work such as lost documentation or frequent mistakes in correspondence; and unreliability, in which work is inconsistent.</i> Unresponsive to customer requests (K), information needs not met (B, Kel, Ho), e.g., failure to inform of prices or charges expeditiously. <i>This includes lack of responsiveness customer requests/ queries/ problems or complaints; an unwillingness to respond rapidly to changing market conditions; or blockages in updating progress; or lacking to offer support when needed.</i> Unknowledgable (associated with incredulous personnel). <i>This includes ineffectual staff who do not know how to resolve common client problems, inviting the client ‘to suck eggs’, patronising the client or using junior staff for senior roles, especially with switch and bait tactics; and agency incredibility, in which the client no longer feels the spokesperson is offering a genuine / accurate account of the situation/problem.</i> Gestalt evaluation (B), influenced by personal chemistry. <i>This includes insincerity: no longer feels the spokesperson believes in the product or idea; or inbenevolence: perception that agency is not making sacrifices to the client and possible disrespect for partner (Halinen, 1997: 233).</i> Misalignment issues* that include goal incongruity (clear roles but disagreement over objectives; role ambiguity (who does what?); and evaluation disagreements.
(4) Supplier response to service failure (K), or level of attention paid to customer (B, Kel). Kelley et al. (1993) refer to this as unacceptable recovery strategies.	Reluctance in responses (K, Kel). <i>This includes correction with hassle, or failure to respond, indicating that the issue is not considered important, or no benefit is to be gained by self and/ or others.</i> Negative response (K, Ho). <i>This includes extraordinary employee behaviour (B) such as attributing blame at client or embarrassment (Kel), or intimidation, such as aggressive selling (K).</i>

Notes: * Misalignment issues added as an additional subgroup, which does not appear to fit in with the other subgroups.

KEY:

K= Keaveney; B = Bitner et al. (1990), Kel = Kelley et al. (1993), and Ho = Hoffman et al. (1995).

5.9 Summary

The research agenda was to report on critical incidents over client-agency relationships, to establish a continuum of response styles to critical incidents and to ascertain important factors associated with tolerance, based on responses. Depth interviews were conducted using a semi-structured research guide that offered flexibility to add to the research agenda. Much of the chapter is devoted to the critical incident technique (CIT). To qualify, incidents had to be extreme, with detailed episodes to convey accuracy and understanding, and occurring between 6 months and 3 years within the start of relationships to avoid problems associated with telescoping and memory relapse respectively. Activity mapping facilitated recall of critical incidents. In coding the incidents, the service recovery and consumer complaint behaviour literature was consulted. Integrating the service literature suggested that core service failure (failing to meet technical quality) and failed service encounters (failed functional quality) are relevant.

Chapter 6: Implementation of the survey

6.1 Introduction

This chapter discusses the process, content and structure behind the survey. The process includes sampling, drafting and refinement of the questionnaire. To ensure clarity and readability, the content and presentation should appear orderly and acceptable to the audience. Accordingly, drafting, pre-testing and piloting is conducted. The structure of the questionnaire is described in detail. This begins with an edited inventory of critical incidents, followed by sections relating to the dependent and independent variables. A split run pilot test that involves experimenting with different versions of the questionnaire is used to examine response bias. Next, response analysis is described. Finally, non-response error is analysed.

6.2 Sampling

6.2.1 Sampling frame

The sampling frame was drawn from “qualifying clients” explained below, based on data supplied by trade sources, with the main source being the client list of the Account List File (hereafter referred to as ALF) from BRAD, EMAP Publications. This indicates the client name and postal address, the retrospectively calculated annual spend per category of client, and the names and titles of senior marketing officers responsible for certain named brands. This provided a reasonable cross-section of industries to be selected. The advantage of using a cross-section is that results are more relevant and meaningful to a larger number of people with a greater generalisation of the results. The disadvantage of restricting selection of accounts to only a few categories is that these may not be altogether representative of accounts in general, so limiting the findings. It was not possible to record observations from multiple accounts taken from within the same agency that would have offered the chance to examine whether organisational culture affects tolerance levels. Although the sampling frame could be drawn from other published billings data, such as the trade magazine Campaign, reports are not always accurate and changes can occur very quickly.

A supplementary sampling frame was drawn from a purchased broker’s list, sourced from EMAP, based on pre-specified criteria. The sample members were drawn from client organisations representing those who have general responsibility for the management of advertising agencies, including their overall supervision, hiring and firing (but not including direct marketing nor sales promotion). These key informants occupied roles that qualified them as knowledgeable about the

issues of the research, and able and willing to communicate with the researcher (Campbell, 1995). It was considered that those with a daily responsibility for supervising their agencies were best placed to comment on, and provide feedback on, their relationships. These included job titles such as marketing directors, marketing managers, product managers, and head of marketing communications (according to a Client Services Director at agency P). However, discussion with practitioners involved in selling lists narrowed the focus to product and brand managers.

Another decision in briefing the broker was to decide whether the list should be general or restricted, focussing on several market sectors. During the qualitative interviews, it was discovered that the sector might influence the kinds of critical incidents (and hence quality of relationships tolerated). For example, retailing was singled out as a fast-track client, where service might be considered to be relatively more important than creative quality (agency O). Hence it was decided to examine several key sectors that might affect relationships. Previous discussion with an Account Planning Director at McCann Erikson¹ suggested the need to examine a range of sectors. Accordingly, it was decided to include automotive, financial services, industrial goods, leisure, office products (including IT), pharmaceuticals (including cosmetics), and retailing. The range of industries reflects differences in the state of markets and their associated risk. For example, previous research has acknowledged differences in susceptibility to account change arising from uncertainties in the market (e.g., Low, 1996). Accounts of technological products have been found to be most risk prone, whereas household items are more stable (Michell, 1983). However, office and IT products might have a greater potential for growth, whereas many industrial products and financial services are facing a maturity, with much take-over activity, suggesting that realignment may be an important factor in this sector.

6.2.2 Sampling method

It was decided to achieve a minimum sample size of 120. Interval sampling was then used to decide the actual names drawn from the sampling frame, based on the formula:

Expected size required to generate 120 responses / total qualifying members in population = 600*/ approximately 1,200 advertisers = approximately every second qualifying client from the ALF and EMAP reports. Both ALF and the broker's list were scanned to ensure de-duplication of

¹ This agency was not included in the depth discussions, and so has been named rather than disguised.
 * The figure of 600 is arrived at by estimating the response rate, at 20%, based on previous norms taken from mail surveys (between 15-25%).

names. Outliers (based on accounts over £50 million) were also withdrawn to ensure representative samples. Making contact was then achieved by initially contacting a name from the list of senior marketing officers to ensure (1) the appropriate person responsible for day-to-day advertising was contacted. A mailshot was then produced, checking that the current address on the sampling frame was correct.

6.2.3 Sample qualifications

There were 5 conditions that related either to sample members or the overall sample:

(1) Each client had to be of a minimum billings size of at least £250,000, screened by the national advertisers section of ALF. This was to ensure there would be sufficient motivation in replying, since otherwise advertising would be negligible. Account sizes were typically over £1 million, (£1-5 million = medium, >£5 million = large). Since the account sizes in industrial markets tend to be comparatively smaller than consumer markets, this qualifier would tend to give a bias towards consumer accounts.

(2) It was necessary that the sample represented an adequate coverage for each market sector, since sectors may be associated with particular characteristics.

(3) Size of agency accounts needed to be representative of the sampling frame from which they were drawn.

(4) Each client had to be above a minimum duration within the focal relationship(s) discussed. Clearly clients and agencies are most likely to be reluctant to discuss recent business relationships of less than six months standing.

(5) The sample needed to be representative of relationship length, or tie-in age. The specific experience of the client with the agency was asked for in the questionnaire. Although this need not be the same as the overall relationship duration because clients move jobs, and come and go from one account to another, it serves as a useful proxy. Job movements are more likely to occur on the agency side, where job tenure is more frothy. Since the length of the relationship for every account cannot be ascertained from the sampling frame, the specific experience for the sample was compared across market sectors and then against previous studies that have reported typical longevity.

The frequency distributions of billings and experience are shown in Table 6.1, with all cases satisfying condition one. Very few accounts are reported under £500,000 in ALF. Tables 6.2-6.3 compare the sample characteristics across market sectors, providing mean account billings, and length of specific experience per sector.

Table 6.1: Frequency distribution of investment variables (account size and specific experience) in relationships

Investment variables	Frequency labels					Total
	To £500,000	Over £500,000-£1million	Over £1million-£5 million	Over £5million-£10 million	Above £10 million	
Account size (billings 1997/8)	20 (16.7)	17 (14.2)	46 (38.3)	17 (14.2)	20 (16.7)	120 ² (100)

Investment variables	Frequency labels				Total
	0-1years*	1.1-2.0 years	2.1-3 years	> 3 years	
New special experience	26 (21.8)	33 (27.7)	26 (21.8)	34 (28.6)	119 ² (100)

*all relationships were found to a minimum of six months

Table 6.2 shows the sample responses are approximately representative of their sampling frame, satisfying condition two³. The relatively large budgets allocated to motor accounts (particularly car accounts rather than motoring accessories) might account for the slightly greater weight of motor accounts in the sample, reflected by a greater enthusiasm in response.

Comparing average billings data per sector between the sampling frame and sample satisfied condition three. Billings data were not compared across interval ranges because the billings data collected in the sample are based on individual accounts for a particular agency rather than by organisations (for all brands together), as reported in BRAD, and so would not be strictly

² Two or three cases showed missing values, yielding samples of 120 or 119 respectively. ³Whilst the sample was not intended to be strictly stratified by sector, it was necessary to ensure that there was adequate coverage for each sector. This appears satisfied.

Table 6.2: Case records per sampling frame and by sample

Market sector	Sampling frame Frequency (n = 1,106)	Percentage	Sample frequency (n = 122)	Percentage
Industrial	238	21.5	28	23.0
Financial Services	99	9.0	14	11.5
Motor	91	8.2	14	11.5
Retail	149	13.5	13	10.7
Leisure and Luxury	193	17.4	17	13.9
Pharmaceuticals and Cosmetics	145	13.1	18	14.8
IT/ Office	111	10.1	11	9.0
Miscellaneous	80	7.2	7	5.7

comparable. Nevertheless, averages taken from the sampling frame could be comparable to the sample averages, as an approximate measure. In comparing the two groups of data, it should be noted that the data taken from trade sources is retrospective and may be under-reported or over-reported for several reasons, so adding caution to the comparisons. For example, clients may under-report the full cost of servicing by their agency, not accounting for all the different overheads, an unintentional error. It has also been claimed that billings may be inflated intentionally, for self-promotion. However, if this is systemic across each sector, it should affect each account on a pro-rata basis, so reducing bias in making comparisons. Average billings for the sample was based on the mid-point of the interval scales used for recording billings in the survey, as shown in Table 6.1. Data from Table 6.3 (second and third column) show that agency size based on mean billings are generally comparable, (except for the miscellaneous sector that may be attributable to the small sample of 7). ANOVA was also calculated to test for any association between billings by sector. Billings were found not to be significantly associated with sectors at the .05 level.

Condition four was satisfied by discouraging relationships of less than six months duration in the covering letter (appendix F) and checked for with the survey responses.

Finally, the specific experience of the client is shown in the last column of Table 6.3, with sector means ranging from 2.3 years to 4.2 years, with an aggregated mean of 3.2 years that is corroborated by previous longevity studies, satisfying condition five (Davies and Prince, 1999). ANOVA showed no significant association between experience and sector ($F = .830$, $P = .565$). Overall, it would appear that the sample appears to be representative from the sampling frame from which it was drawn.

Table 6.3: Mean account billings by sampling frame and sample, with specific experience of client

Market sector	Sampling frame mean (£ millions) (n = 1,106)	Sample mean (£ millions) (n = 122)	Specific experience of sample (years)
Industrial	5.63	5.43	3.05
Financial services	4.62	3.88	2.79
Motor	7.29	5.35	4.21
Retail	6.92	5.31	2.31
Leisure and Luxury	3.65	3.63	2.47
Pharmaceuticals	5.12	4.67	4.23
IT/ Office	7.03	7.25	3.27
Miscellaneous	3.17	1.57	3.43
Total	5.26	4.80	3.20

6.3 The structure and design of the questionnaire

Recall from chapter 4 that this was split further into (1) a re-drafting phase, (2), a pre-test, and (3), a pilot test. For a revisit of flowchart of the phases, return to Figure 4.1. A semi-structured questionnaire was used that combined both closed and open-ended questions. The latter facility provided an opportunity for the respondents to add further comments, providing valuable feedback.

6.3.1 The re-drafting phase

In designing the questionnaire, careful attention was given to the precise wording of terms and expressions used, to ensure easy understanding of the research objectives. This was supported by a covering letter (appendix F). This follows the approach by Dillman (1978:12-16) and is

supported by Sudman (1985) and Sudman and Bradman (1982). As previously described in chapter 4, the questionnaire is split into several sections A-D, as shown by a copy of the final questionnaire (appendix G).

The covering letter with the questionnaire

One aspect of re-drafting was concerned with improving response rates. The difficulties in achieving suitable response rates with professional respondents can be overcome by creating a credible and professional impression with the covering letter. Sudman (1985) outlines the additional major difficulties in achieving decent response rates with professional respondents. In view of this:

Sponsorship was sought to provide legitimacy that the study will have significant value to the professional, as recommended by Sudman, (1985: 351-352). The Institute of Practitioners was used as a respected trade association of the agency business.

Anonymity and sensitivity were stressed in the way data is handled. Concerns over confidentiality are greater with professionals, so anonymity and sensitivity are required (Sudman, 1985: 356).

The value of the survey for the professional respondent was clarified and made relevant. This was achieved by emphasising benefits, and how the results were to be used, in accordance with Sudman, (1985: 352). Ensuring each and every question works towards achieving a given objective of the research reduced redundancy. Questions 1 and 5 describe the nature of the critical incidents, questions 2-4 and 6-10 measure dependent variables of cognitive or behavioural response, and questions 11-20 examine the importance of the independent variables.

Respondents were offered the prospect of receiving more details of the project on request. Without hindsight, it is difficult to know how much information should be offered with a first wave. Sudman (1985) suggests sending a limited amount initially but offering to send more, if requested. This is a customisation issue.

Although informing the professional respondents how the questions were derived provides evidence of relevance to the respondents, as acknowledged by Sudman (1985: 357), this was subsequently removed since the covering letter was considered too wordy.

The questionnaire

This was split into three main sections, an inventory of critical incidents, responses to critical incidents (as dependent variables), and the independent variables associated with tolerance.

Experiences collected during the depth interviews were appropriately coded into an inventory of critical incidents. Recall that this inventory of incidents was derived from activity mapping during the exploratory stage. This list included those of most relevance. Incidents referred to either problems causing particular satisfaction or dissatisfaction; or the agency responses to them considered inadequate (pages 1 and 3 of appendix G).

To ensure the respondents could answer questions, drawing on their knowledge from the past, requested incidents, using the inventory, were drawn from only three calendar years. This intention was to reduce the errors in reporting (arising from memory loss) and reduce the tendency for more established agencies to be examined, which may be associated with more critical incidents on account of a longer experience with the client, in comparison to more recent agency relationships.

Time was invested in the layout and presentation of the questionnaire, since first impressions to busy professionals can sway their decision to respond (Dillman, 1978: 123-125). In particular, it was considered important to offer adequate space for answering open-ended questions.

Attention was paid to the order and sequence of questions, to maintain like questions together, in a logical sequence, with the most difficult questions presented towards the end of the questionnaire. The latter are most likely to be questions about size of business, which are specific and may require more time and effort. Respondents may also be less willing to answer these questions on the grounds of confidentiality.

Further issues in improving response rates

There are also some general rules in enhancing responses that were also followed. To further improve response rates:

The mode of delivery for introducing the study was a telephone call or introductory letter one week in advance of a mail drop, with unanswered questions to incomplete questionnaires and/or non-responses followed up with additional telephone reminders and/or e-mails during a second wave. The purpose and value of the study was outlined to the respondents in the covering letter, including the option of receiving a report of the main findings, in accordance with Sudman (1985).

The questionnaire was addressed to a specific respondent by name, including job title, using the ALF.

The authenticity of the questionnaire was supported by using appropriate dated, letter-headed, stationery from the author's university.

The questionnaire was enclosed with a stamped addressed envelope.

Those that did not respond by a pre-specified date were reminded promptly, but politely.

Based on past experience of surveys, the researcher felt three problems with inaccessibility needed to be managed. The first concerns executive inaccessibility. When a letter is posted, there is no guarantee that the executive it is intended for actually receives it. Obviously, with no receipt, there can be no reply. To overcome the obstacle of executive secretaries acting as gatekeepers, each envelope was marked as confidential on the front, using a stamp. From previous experience, this has been effective for postal surveys.

The second problem concerns inaccessibility on the phone, due to voice mail. In a second wave, e-mail was used as a supplement to telephone for non-respondents from the first wave. The third problem is the timing of the first wave. The researcher's experience of sending mail drops suggests that the timing of the year can be influential on response rates. The summer months were avoided, since people may be on holiday but, even if they are not, may be less willing to respond due to being short-staffed.

Process refinement of the questionnaire

To reduce errors in the way responses are collected, both content and presentational issues were piloted and pre-tested for refinement. The process refinement included editing words and

questions, attention to length, reducing the effort required by respondents, and improving readability. Precise changes are shown in appendix H.

6.3.2 The pre-testing phase

The pre-test was targeted at academics and practitioners rather than simply the target population (i.e., the clients). This is in accordance with Babbie (1973) to maximise chances of refining the research instrument. The pre-testing phase was accomplished in three months. Accordingly, the questionnaire was pre-tested on four established academics (1 chair, 3 lecturers) who either had experience in marketing, or in questionnaire design and survey work. 2 practitioners in senior management positions in advertising were also invited for comments on both content and general presentational issues. Their feedback is summarised in the appendix I together with comments on changes made, or justification as to why changes were not made. In most cases, changes were adopted in accordance with their comments.

6.3.3 The piloting phase

The main purpose is to ensure the questions are acceptable to the respondents. It serves to check for the efficacy, understanding and completeness of the questions. The pilot was conducted on over 90 respondents. The main objective was to provide some guidance on the clarity and relevance of the questions, and find out their impressions on overall questionnaire length (Belson, 1986) with a view to making subtle alterations.

According to experts, behavioural tracking should be incorporated as early as practical into the research design. One method designed to evaluate any difficulties in the structure of the questions at the pre-survey stage is to use behavioural coding of transcriptions of verbal protocols. This provides a window in to the black box of the interview (Fowler and Cannell, 1996: 27). Had the survey been conducted face-to-face, any difficulties may be identified by changes in the interviewer or respondent behaviour, in terms of reading interruptions, (e.g. pregnant pauses), clarification requests, inadequate answers, refusals or frequency of don't knows (Fowler and Cannell, 1996: 29). Clarification requests might indicate that the subject domain does not fit easily to the frame of reference of the respondent, or that certain terms are poorly defined or vague (ibid, 1996: 27).

Since the questionnaire was conducted by mail, there was no need to account for interviewer bias (Belson, 1986: 27). However, respondent bias could still exist. Behavioural tracking of respondents was captured by using a split run test and comparing results that might indicate respondent bias from misinterpretation. As the pilot was conducted by mail, different versions were sent out to the respondents. They were not told in advance that the questionnaire was not in its final version, as advised by Sudman and Bradburn, (1982: 284). This is because there is less control over how the respondents may react, and in the most extreme, may not respond to mailed pilots. After the postal pilot, a debrief was conducted on some of the respondents, particularly those which have been most critical, in order to establish any difficulties that needed further improvement. This process of refinement continued until the questionnaire was free from criticism. However, Sudman and Bradburn (1982:283) acknowledge that not even experts construct perfect questionnaires. Accordingly, it was considered necessary to develop several drafts of the questionnaire before conducting the full-scale launch.

Aims of the pilot study

The aims of the pilot study (based on a split run, using three different versions of a questionnaire) were threefold. First, to test the response rates for each version, particularly to assess the effect in providing a prompted list of critical incidents that would increase the questionnaire length by two pages. Second, to assess whether respondents would understand the questions by gauging their variation in quality of completed responses across each version. Third, to test whether the questions and scaling was sufficiently discriminatory to ensure that tolerance levels could be measured, and analysis would be facilitated. This included the need to identify any notable merits or demerits in basing the unit of response on specific versus general negative and positive incidents that arose as a query from the pre-test.

Pilot analysis

Over 90 questionnaires were sent out, using three different versions of the pre-tested questionnaire to just over 30 respondents for each. A forcing question ascertaining intentions to switch was substituted by two additional questions ascertaining reductions and additions to overall business arising from either negative or positive critical incidents respectively (i.e., questions 4 and 9 of each piloted version). Note that 100% reduction in business (one of the response options) would indicate switching, so these questions are designed to collect more information than a switching question alone. Questionnaire 1 was six pages long, with no prompt

offered (such as a list of critical incidents). The questions relating to dependent variables (Q2-4, 6-8) related *specifically* to the most negative and most positive incidents or experiences respectively, rather than asking for a general response for all negative and all positive experiences across the entire relationship. This was because respondents from the pre-test had indicated their reservations about an averaging effect that may also be hard for respondents to answer.

Questions 11 and 12 of questionnaire 1 related to ten performance variables each, but concerned with each of the most negative and positive experiences (incidents) respectively. In addition to the nine variables used in the final questionnaire, a further variable related to the agency's performance on its recent track record of Effectiveness Awards won for both questions 11 and 12.

Questionnaire 2 was similar, but it included a prompted list of critical incidents in section A, increasing the length of the questionnaire to 8 pages. Questions relating to the dependency variables (Q2-4, 6-8) but tested for a *general* response to overall negative and overall positive incidents across the entire relationship. Instead of relating performance factors to specific incidents (as in Questionnaire 1) question 11 was geared towards assessing the performance of the current or focal agency relative to other agencies based on the combined experiences of the client.

For both of these questionnaires, independent variables that may affect tolerance levels were asked in an indirect way. Questionnaire 3 was different insofar as the independent variables (excluding performance variables) were grouped together and asked in a more direct way, testing both importance (question 10) and direction of response (positive or negative, question 11). Intuitively, this appeared *prima facie* the best, most efficient way of collecting the data.

Additional response options of "irrelevant" and "not important" were offered for question 10, and an "irrelevant" response option for question 11. Questionnaire 3 also did not provide a list of critical incidents as a prompt. Question 12 of questionnaire 3 was similar to question 11 of questionnaire 2, asking how much better or worse the focal agency was in comparison to other agencies on a number of performance variables (i.e., question 11 from the pre-test stage).

Analysis of the split-run pilot

Response rates were 5/30 for questionnaire 1, 7/30 for questionnaire 2, and 6/30 for questionnaire 3, suggesting a fairly equal response rate for each version, with a tendency in favour of

questionnaire 2. This would suggest that the list of critical incidents might be a useful prompt in attracting interest or understanding about the questionnaire, and offer additional qualitative support to the quantitative analysis, in which the additional length of the questionnaire would not adversely affect response rates. Appositely, offering a list of alternatives acts as aided recall, providing a memory cue for respondents to reduce under-reporting (Sudman and Bradburn, 1982:36). It was therefore decided to offer a list of critical incidents drawn from the depth interviews to facilitate speed of recall (questions 1 and 5 of the questionnaire). In order to ensure the list was as exhaustive as possible, a follow-up question asked if there were any additional unlisted incidents; whilst the pilot also helped in verifying these incidents.

Contrary to expectations, the results of the pilot suggested that asking direct questions about tolerance was the worst option (questionnaire 3), insofar as respondents had difficulty in understanding the questions, judging by their responses, and confirmed the importance of conducting pilot studies, if only to eliminate alternative approaches. This was because several respondents reported that either a performance variable such as overall competency or degree of investment was important but neutral in direction or had a positive or negative direction, but of no importance, such as degree of discretion granted to make own decisions (clearly showing contradictory reports between question 10 (measuring importance) and question 11 (measuring direction)).

After eyeballing the responses, it was necessary to do a count across the responses to ensure the questions were reasonably discriminatory (Table 6.4). A lack of discrimination between respondents is not ideal because this indicates a low range in variation of responses, making analysis of tolerance more difficult. Questionnaire 3 displayed 5 scores of 5 from a possible 6 records for both questions 3 and 7, suggesting limited client variation. After having eliminated questionnaire 3, the comparisons were made between questionnaires 1 and 2. For questions 2-4 and 6-8, questionnaire 2 offered a reasonable discriminatory range of responses that was marginally more variable than questionnaire 1, so responses to general incidents appeared better than specific incidents for identifying tolerance levels. The range of responses across the questions ranged from 2-7 for questionnaire 1, whilst this was between 1-6 for questionnaire 2. Out of this analysis, it would appear that clients may be divided according to their responses according to whether responses are equal to, more than, or less than their perceptions of the severity of their experiences. Although the differences between the groups were fairly marginal (perhaps varying by 1 or 2 units within the scale), the questions when related to the overall

incidents do appear to be acting accumulatively, tending to favour questionnaire 2. Questions 2-4 and 6-8 for questionnaire 3 were the same as for questionnaire 1, with responses presented for comparison.

Tables 6.4: response analysis per record per questionnaire

Response analysis for questionnaire 1:

	Q2	Q3	Q4	Q6	Q7	Q8
Record 1	5	5	4	5	2	5
Record 2	5	5	2	5	5	2
Record 3	5	5	5	6	5	4
Record 4	6	6	7	5	6	5
Record 5	5	4	6	5	3	4
Ranges	5-6	4-6	2-7	5-6	2-6	2-5

Response analysis for questionnaire 2:

	Q2	Q3	Q4	Q6	Q7	Q8
Record 1	5	4	1	5	4	3
Record 2	5	4	2	4	4	1
Record 3	5	3	4	4	4	6
Record 4	1	N/A	N/A	5	5	5
Record 5	3	3	5	6	2	2
Record 6	5	3	5	3	3	3
Record 7	5	5	4	5	2	5
Ranges	1-5	3-5	1-5	3-5	2-5	1-6

Response analysis for questionnaire 3:

	Q2	Q3	Q4	Q6	Q7	Q8
Record 1	6	5	N/A	6	3	N/A
Record 2	4	5	4	5	5	5
Record 3	5	5	4	5	5	5
Record 4	5	5	2	6	5	4
Record 5	5	5	2	5	5	3
Record 6	6	3	1	1	5	1
Ranges	4-6	3-5	1-4	1-6	3-5	1-5

In examining the ranges of responses for independent variables, it was shown that questions 11 and 12 discriminate better for questionnaire 1 in comparison to question 11 of questionnaire 2. For question 11 of questionnaire 2, in evaluating how better or worse an agency was on various

performance factors, there were three records that gave halo responses, replying neither better nor worse for most factors, suggesting difficulty in judging between the focal agency and others. Perhaps this is unsurprising if it is considered that respondents are asked to do two things in one question: first, to judge against other agencies and second, to do this over the critical incidents overall, clearly a difficult task.

In questionnaire 1, there were no halo responses for question 11. Moreover, the range of responses for question 12 relative to those for 11 for each individual was consistent with negative and positive incidents respectively (as shown by the - and + signs in Table 6.5a). In other words, it appeared that respondents understood questions 11-12 in questionnaire 1. Question 12 of questionnaire 3 showed some halo effects, with two records showing neither better nor worse four or more times, with only record 2 showing a balance between better than other agencies (positive) or worse than other agencies (negative), (Table 6.5c). However, the halo was less marked than for questionnaire 2. Arising from this, questions 11 and 12 of questionnaire 1 were considered more appropriate, since responses were in the expected direction, and consistent in direction between records. Refer to Tables 6.5a-c.

Table 6.5a: Response analysis for questionnaire 1:

Negative performance factors Positive performance factors

	Q11	Q12	Q13
Record 1	-	+	D
Record 2	-	+	D
Record 3	-	+	D
Record 4	-	+	D
Record 5	-	+	D

Table 6.5b: Response analysis for questionnaire 2:

Relative performance of focal agency based on overall incidents

	Q11	Q12	Q13
Record 1	H	D	D
Record 2	H	D	D
Record 3	D	D	D
Record 4	D	D	D
Record 5	D	D	D
Record 6	H	H	H
Record 7	D	D	D

Table 6.5c: Response analysis for questionnaire 3:

	Importance	Direction	Performance of focal agency
	Q10 (I, N)*	Q11 (I)	Q12 (DK and NBW)
Record 1	(6, 1)	7	(3, 5), H, and negative
Record 2	(0, 0),D	0, D	(0, 1), D, and balanced
Record 3	(0, 4), D	not completed	(1, 0), D, and negative
Record 4	(1, 4), D	1	(0, 3), D, and negative
Record 5	(0, 0)	0	(0, 1), D, and positive
Record 6	(0, 10), H	2, and H (9 neutral)	(2, 4), H, and positive

Key to response option analysis: DK = don't know; H= halo; I = irrelevant; D = discriminatory; (-, +) that indicate general direction on the scales (that would be expected for questions 11 and 12 of questionnaire 1); N = not important, NBW = neither better nor worse, (*Figures in parentheses refer to I, N, DK or NBW)

On the basis of these findings, although not conclusive due to small numbers, would suggest to opt for questionnaire 2 that included a list of specific critical incidents, but using questions 11 and 12 of questionnaire 1, but adapting them for general negative and positive experiences across the relationship respectively. Thus question 11 was based on the answer to a client's overall negative experiences, and question 12 on their overall positive experiences. By doing this, the criterion on offering a recent track record of Effectiveness Awards was deleted, since it did not seem to fit the questioning. First, Effectiveness Awards are most important for agency pitching and selection decisions as an indicator of reputation, rather than for account relationship maintenance, as discovered from the qualitative interviews. Second, clients will either have a track record or not, so the likert scaling is too sensitive for this. Third, track records might vary over the relationship, so may be difficult to relate to an average of different periods associated with a range of negative and positive experiences. Fourth, results of the questionnaire 1 from the pilot showed that the Effectiveness Awards failed to discriminate between negative and positive experiences, inferring it was insignificant or difficult to be precise about, in terms of the incidents themselves. Hence the variable of Effectiveness Awards was removed, leaving 9 performance variables reserved for questions 11-12. The changes from the pilot study lead to the above changes, leading to a final questionnaire submitted in appendix G.

6.4 Response analysis from the mail survey

Interviews with non-respondents

A follow-up telephone interview was used to contact a systematic random sample of non-respondents after the expected date of return. The objective was to ascertain whether non-responses were due to difficulties clients endured in completing the questionnaire (implicating validity problems), or whether it was due to other reasons beyond the quality of the questionnaire. In other words, this was a manipulation check on face validity of the content. In order to determine this, it was necessary to find out if they had received the questionnaire (since sometimes secretaries or PA's act as over-zealous gatekeepers in screening out unsolicited post. If clients had received it, steps were taken to ascertain whether a return was likely, and if not, why not, in order to analyse the reasons for non-response. Therefore a secondary objective was to increase the response rate, if possible. Since the total sample involved 600 clients, it was felt impractical (due to cost and time constraints) to contact every non-respondent from the original sample. A sub-sample was conducted, based on an interval sample. Since 150 non-respondents were selected as the target to contact, from a possible 485 clients who failed to respond (i.e., 600-115), the sampling interval was taken as every third non-respondent from the original sample of 600), i.e., $485/150 = 3.2$. A frequency table of reasons for non-response is shown in Table 6.6.

In examining the results shown in Table 6.6, it would appear that where reasons for non-response are determinable, that non-response was not due to general difficulties endured with the questionnaire. Where respondents frankly refused to return completed questionnaires, it was either because they were too busy, or it was company policy to ignore questionnaires. The marketing environment surrounding the immediate client was also pertinent. For example, the client management at Railtrack said their refusal was due to the ongoing safety issues impending of a recent rail crash. They were simply too preoccupied to deal with questionnaires. Another client manager (RBS) said he normally completed these, but was facing a particularly busy period (with possible merger activity ahead).

In examining the breakdown of reasons attributed to non-response, 75 were inaccessible and could not be contacted, even after messages were left with PA 's or voicemail to return. In 11 cases, messages could not be left with either voicemail or secretarial support, so e-mails addresses were sought, with few replying to them. This would suggest that marketing staff may be overtly protected, and/or do not respond readily from talking to members of the public.

In analysing non-respondents further, 35 were attributable to poor targeting, although this was not entirely controllable on account of the volatile tenure of clients and their jobs. Of these 35, 12 had left their positions in the company used in the postal address, 4 had moved internally, so effectively were no longer the best person to contact, or were not responsible for advertising anymore, 5 said that all advertising was arranged in-house, in which they did not use agencies, 7 simply stated they were the wrong person targeted, 6 said the wrong address or company name had changed, and 1 said the company went into receivership. On a related issue, 4 suggested the questionnaire was irrelevant for them, or did not anticipate any advantage for them in completing. In all cases, this was because the advertising decision-making was implemented in another country from the UK. There was one example for each of the USA, France, Canada, and where global agencies were used.

Table 6.6: Analysis of targeted non-respondents by category of non-responses and by frequencies

<i>Category</i>	<i>Explanation</i>	<i>Numbers of non-respondents</i>
Inaccessibility by phone	Only answerphone, voice-mail or secretary / PA available. Failed to reply upon leaving message (except for 6).	54
	Totally inaccessible, with no facility for leaving message. (e.g., no dial tone, or nobody picking up receiver on other side).	8
	No answerphone available, with client out of office or in meeting, with no message left.	11
	Engaged several times	2
Poor targeting	Client left company	12
	Client only used in-house advertising, no agencies	5
	Client moved jobs internally, no longer responsible for advertising	4

Table 6.6 (continued)

<i>Category</i>	<i>Explanation</i>	<i>Numbers of non-respondents</i>
Poor targeting	Wrong person targeted	7
	Client or company moved address (e.g., with company name change)	6
	Company went into receivership	1
Unavailability	Illness or maternity leave	5
	Holiday leave	10
Organisational pressures	Pressure of work, too busy, with lack of time	8
	Company policy not to complete questionnaires	1
Unaware of questionnaire	Clients declared they had not personally received it	8
Irrelevance	All creative strategy, and/or major decision-making done from another country	4
Slippage	Forgot to complete.	2
Expressed difficulties in completing	Question 2 was found to be confusing, but was clarified by telephone conversation. It was subsequently completed.	1
Unidentified company		1
		----- 150 non-respondents -----

Further analysis of non-respondents showed that 8 could not remember seeing it. 15 were unavailable during the period of return, on account of being on holiday, illness, or maternity leave. A fresh questionnaire was submitted to the new incumbents in lieu of those who had left the company, or for established clients who were on holiday, with a new expected return date. If clients had moved positions internally, were ill, or on maternity leave, the questionnaire would be sent to a colleague. If the wrong person had been targeted, the questionnaire had sometimes been

passed on to a colleague, although this was not always easy to trace. In one case, a company had merged with another, making the client no longer responsible for advertising. If clients left a voicemail request, messages were left to ring back or to check on progress as to the current status of the questionnaires (received and acknowledged, likelihood of being completed within a week, or destroyed). In the majority of cases, clients failed to return calls, and a subsequent call was made, incurring the same problem of inaccessibility, at which point the effort was terminated.

Despite the outer letter of the postal questionnaire addressed personally by each client name and marked confidential, some clients said they had not personally received the questionnaire, and asked for another to be submitted. A few asked for a fax rather than post, to avoid the possibility of gate keeping. If the wrong person had been targeted, it was because they felt they did not have sufficient confidence to complete the questionnaire. In most cases, they held marginal, junior roles in advertising. If someone else could be identified, a fresh questionnaire was sent to the appropriate individual.

A total of 48 further questionnaires were re-submitted from the 150 interviews conducted. Only 7 respondents replied with complete questionnaires, suggesting diminishing returns to second-wave attempts. Of those who said they had been too busy on the first wave, one decided they would complete it. Of those who felt it was irrelevant for them, one said he would complete it for the sake of the survey. Whilst the content of the questionnaire appears to be vindicated from earlier pre-testing and piloting, achieving the first objective, the incremental value in additional wave analysis was disappointing. An interesting observational by-product of this simple analysis is just how difficult it is to contact marketing staff. A ridiculous situation on more than one occasion resulted in a voicemail message encouraging a lead to a mobile number which then reverted to the original voicemail in circular fashion. In other instances, the PA's or secretary's were also uncontactable, appearing as precious as their management. In attempting to overcome this, e-mail addresses were sought from secretaries if the management were simply in meetings or in the field. Only a few clients responded to these. In addition to these difficulties, receptionists often picked up the phone very late to answer calls, with one secretary sighing when instructed to raise the progress of the questionnaire with her boss. Altogether, it would suggest that marketing staff appear to use technology to avoid talking with the general public, and their marketing support, in terms of assisting with enquiries, appears far from adequate.

The detailed comments in pre-testing and piloting provide physical evidence of the systematic procedures adopted in data collection, drawing on the backgrounds of both academic experts and practitioners that should help to establish internal reliability (agreement amongst colleagues in what is measured) and improve the prospects of external reliability.

6.4.1 Assessing non-response error

Non-response rates can severely reduce the generalisability of the results of the respondent sample to the entire population in surveys. This may be of particular concern in mail surveys because responses are generally getting lower. Armstrong and Overton (1977) suggest that comparisons with known values of the population and extrapolation are methods for examining whether non-response bias exists. This study adopts the extrapolation method tested by Armstrong and Overton (1977). It relies on the assumption that subjects who respond less quickly (or require persistent reminders) are more likely to resemble non-respondents than those who respond quickly. Therefore, it would seem appropriate to compare for any differences between early replies and late replies. If there is no or little significance, then it is reasonable to assume there is unlikely to be any significant response bias.

To identify early and late replies, a record had to be kept of days taken for replies to return. Reply envelopes sent with the questionnaire were coded to represent the individual cases for identifying the date sent out (since batches of questionnaires were sent out consistently over a period). The returned date could be monitored from the postmark. Time taken to reply for each case was then analysed, with the mean, median, mode, standard deviation, and quartiles derived (Table 6.7). As shown by Table 6.7, the mean number of days for return was just over 2 weeks, although the median and mode were 10 days and one week respectively. Frequency distributions of days taken to reply were also calculated. The rather inflated mean (compared to the median and mode) is accounted for by the range of replies, with a few respondents replying very late (one of 61 days), to seven replying in 5 days. From the quartiles, it was possible to split the respondents into early and late replies. Replies based on the last quartile were compared to the first three quartiles. Since the third quartile is 16 days, the first three quartiles were classified as early replies (≤ 16 days for reply), whereas the last quartile was classified as ≥ 17 days for reply. The first three quartiles consisted of 95 respondents, whereas the last 27 were considered late. Each case was then coded 1 or 2 according to this classification. Cases were then compared between early and late replies for any significant differences between both dependent variables and independent variables, based on the independent t-test. Table 6.8a shows the results for the

dependent variables, with no significant differences in mean scores for dependent variables between the top three quartiles and the bottom quartile. This suggests there is no non-response bias, in terms of dependent variables. Table 6.8b shows the corresponding results for the independent variables. For 30 of the 31 variables, no statistical significance was found between early and late replies, suggesting that non-response bias is not a significant problem. However, there was a significant difference in general experiences, showing a mean difference between the early and late replies of 2.4 years, $p = .088$. Earlier replies were found to have significantly more experience in managing client-agency relationships, and reasoning for this is suggested in the discussion section of the final chapter.

Table 6.7: Descriptive statistics of days taken to reply

Number valid	122
Mean	14.48
Median	10.00
Mode	7.00
Standard deviation	10.62
Percentiles 25	8.00
50	10.00
75	16.00

Examining speed of replies between market sectors

Cases were also examined by market sector. Cases were coded per market sector (as account type) and a cross-tabulation and chi-squared computed to examine whether differences in responses were associated with market sectors. The actual counts can be compared with the expected counts for amount of respondents in each cell (account by days taken based on quartiles). These are recorded in Table 6.9. As shown by the distribution of responses, actual counts are similar to expected counts for all sectors except for financial services, where the actual count in the first three quartiles were just over one-half of the expected count, (6 V 10.9). Since 6 of the possible 16 cell sizes yielded responses < 5 , an overall chi-squared test as a test of association would need to be treated with much caution. Instead, a more specific association test was conducted to test whether speed of reply was associated with market sector. The chi-squared test (Table 6.10) showed that speed of responses was marginally associated by market sector at the .05 level, with a Pearson chi-squared statistic of 0.043. Since six of the expected cells were < 5 , the Fisher's Exact Test was used, showing a significant association, but only at the .10 level (.071). It would appear that market sector has only a marginal association with speed of response,

and is most pronounced for financial services. The financial services sector tends to reply later than for other sectors, although lateness is not an issue that appears associated with general responses, except for general experience. Overall, non-response bias appears unlikely to be a handicap.

6.5 Influence of market sectors on responses to variables

To identify if responses to dependent and independent variables were market sector-specific that might complicate the research findings about tolerance, one-way ANOVAS were computed, using market sector (account type) as the factor. The mean scores, sum of squares, degrees of freedom, F values and statistical significance were computed for the dependent variables and reported here by exception. It is interesting to note that only blame and trust are statistically significant at .049 and .015, with F values of 2.10 and 2.64 respectively, and financial services contributing the most to this significance. Accounts from financial services showed the highest levels of blame to 5.69, (mean of 5.14) compared to only 4.85 (mean of 4.46) representing the highest for industry and manufacturing. Accounts from financial services were also least likely from all market sectors to endow high trust with their agencies, with their highest trust value at only 3.45 (mean of only 2.86), less than the mean for all other sectors.

ANOVA statistics were also computed for the independent variables. Only stability of key account management given negative incidents and preferences in long term relationships showed a statistical significance with market sectors, with p values of .031 and .004, with F = 2.31 and 3.21 respectively. The least stable key account management appeared on leisure and motor accounts (with mean scores of 3.71 and 3.86 respectively), with industrial accounts showing higher than average stability (at 5.29). Here, financial services appeared about the median (around 4).

In general, most respondents agreed with the belief in long-term relationships, but financial services again showed the lowest scores (at 4.9) with several market sector means above 6. Overall, clients do not vary significantly in their behaviour (based on dependent variables) or independent variables between market sectors, offering support to the domain of the research. However, financial services can be distinguished from all other accounts in terms of attributing blame and trust.

6.6 Summary

The survey involved targeting clients that held key responsibility for the supervision of their advertising agency relationships in key market sectors. The sampling frame was drawn from ALF, supplemented with a broker list. Sample members shared similar characteristics as prerequisites, such as a minimal level of billings, account size, and experience in their agency relationships. Further, they provided an overall adequate coverage of each market sector. The questionnaire was prepared to maximise response rates. Pre-testing was based on feedback to content and wording, enabling successive refinement. Piloting was designed to select the best version of questionnaire to avoid redundancy of questions and possible halo effects. Response analysis to the first wave revealed which non-respondents should be re-targeted, since not everyone was able to respond. The overall response rate to the questionnaire was just over 20%, yielding 122 replies. Non-response error appeared to be insignificant, with only financial services showing some variation between market sectors.

Table 6.8a: Independent t-tests for responses to dependent variables between early replies and late replies based on quartiles

Dependent variables	Days taken by quartiles	N	Mean	Mean difference	sd	t	df	S
Blame agency	top three	93	4.645	-.0856	1.110	-.347	117	.729
	last quartile	26	4.731		1.116			
Disapproval	top three	91	4.549	-.0275	1.046	-.118	115	.907
	last quartile	26	4.577		1.065			
Reduce business	top three	91	3.451	-.0109	1.797	-.028	115	.978
	last quartile	26	3.462		1.655			
Credit agency	top three	90	4.556	-.1852	1.082	-.815	115	.417
	last quartile	27	4.741		0.859			
Praise	top three	89	4.292	-.1523	1.079	-.906a	73.844	.368
	last quartile	27	4.444		0.641			
Additional business	top three	90	3.433	-.6037	1.649	-1.684	115	.095
	last quartile	27	4.037		1.581			
Trust	top three	94	3.904	.0894	1.460	.275	119	.784
	last quartile	27	3.815		1.594			

a. different df since unequal variances, based on Levene's Test,
a F =4.674 p = .033.

Table 6.8b: Independent t-tests for responses to independent variables between early replies and late replies based on quartiles

Independent variables	Days taken by quartiles	N	Mean	Mean difference	sd	t	df	S
Integrity/ni	top three	92	4.370	-.0151	1.428	-.048	116	.962
	last quartile	26	4.385		1.329			
Proactive with ideas/ ni	top three	91	4.066	.1429	1.357	.469	115	.640
	last quartile	26	3.923		1.412			
Interpreting briefing/ ni	top three	90	3.967	-.1103	1.487	-.339	114	.735
	last quartile	26	4.077		1.354			
Access to creative teams/ ni	top three	90	3.600	.2154	1.571	.627	114	.532
	last quartile	26	3.385		1.444			
Stability of key account mgt/ ni	top three	92	4.326	-.1739	1.691	-.475	116	.635
	last quartile	26	4.500		1.477			
Consistent work processes/ ni	top three	89	4.011	-.4288	1.394	-1.380	112	.170
	last quartile	25	4.444		1.294			
Empathy to creative changes/ ni	top three	92	3.750	-.0962	1.348	-.314	116	.754
	last quartile	26	3.846		1.488			
Constantly inform on account status/ ni	top three	92	3.924	-.1915	1.542	-.572	116	.568
	last quartile	26	4.115		1.366			
Strength in strategic thinking/ ni	top three	90	4.089	-.1803	1.674	-.502	114	.616
	last quartile	26	4.269		1.373			

Key: ni = negative incidents, pi = positive incidents, df = degrees of freedom

Table 6.8b: Independent t-tests for responses to independent variables between early replies and late replies based on quartiles (continued)

Independent variables	Days taken by quartiles	N	Mean	Mean difference	sd	t	df	S
Integrity/pi	top three	90	5.100	.0630	1.281	.229	115	.820
	last quartile	27	5.037		1.160			
Proactive with ideas/ pi	top three	90	4.700	-.226	1.402	-.740	115	.461
	last quartile	27	4.926		1.357			
Interpreting briefing/ pi	top three	88	5.000	.0385	1.203	-.144	112	.886
	last quartile	26	5.039		1.183			
Access to creative teams/ pi	top three	88	4.227	.1503	1.491	.461	112	.646
	last quartile	26	4.077		1.354			
Stability of key account mgt/ pi	top three	89	4.865	-.1348	1.531	-.413	113	.680
	last quartile	26	5.000		1.200			
Consistent work processes/ pi	top three	88	4.716	-.2424	1.397	-.960b	50.306	.342
	last quartile	24	4.958		0.999			
Empathy to creative changes/ pi	top three	90	4.667	-.1410	1.254	-.510	114	.611
	last quartile	26	4.808		1.201			
Constantly inform on account status/ pi	top three	90	4.744	.0521	1.481	.165	114	.869
	last quartile	26	4.692		1.158			
Strength in strategic thinking/ pi	top three	89	4.719	-.3578	1.581	-1.043	113	.299
	last quartile	26	5.077		1.383			

b different df since unequal variances, based on Levene's Test,
a $F = 4.321$ $p = .040$.

Table 6.8b: Independent t-tests for responses to independent variables between early replies and late replies based on quartiles (continued)

Independent variables	Days taken by quartiles	N	Mean	Mean difference	sd	t	df	S
New effort required for changes	top three	93	3.344	-.1559	1.315	-.523	117	.602
	last quartile	26	3.500		1.449			
New bleakness in market	top three	94	5.096	.1342	1.559	.392	118	.695
	last quartile	26	4.962		1.483			
New severity in market	top three	94	2.936	-.4100	1.625	-1.154	118	.251
	last quartile	26	3.346		1.522			
New limited product potential	top three	93	5.043	-.1170	1.444	-.345	116	.731
	last quartile	25	5.160		1.724			
Newchang(es)	top three	94	2.830	-.2856	1.284	-.940	118	.349
	last quartile	26	3.115		1.657			
Belief in need for liking account staff	top three	95	5.758	.4117	0.964	1.842	119	.068
	last quartile	26	5.346		1.164			
Preference for long term relationships	top three	95	5.716	.2158	0.942	.980	119	.329
	last quartile	26	5.500		1.175			
Belief in compatible working style	top three	95	5.642	.0652	1.166	.262	119	.794
	last quartile	26	5.577		0.945			

Table 6.8b: Independent t-tests for responses to investment variables between early replies and late replies based on quartiles

Account size billings (1997/1998)	top three	94	2.936	-.2946	1.302	-1.042	118	.300
	last quartile	26	3.231		1.177			
Agency proportion of total business	top three	92	2.880	.0888	1.118	.347	114	.729
	last quartile	24	2.792		1.103			
New brand exposure	top three	94	3.372	-.1080	0.733	-.678	117	.499
	last quartile	25	3.480		0.586			
New general experience*	top three	94	8.803	2.44	6.74	1.720	117	.088
	last quartile	25	6.360		4.27			
New special experience*	top three	94	3.228	1.479	3.18	.216	117	.829
	last quartile	25	3.080		2.43			

*actual years entered here, rather than interval scores

Table 6.9: Observed-expectancy tables of market sector by days taken to reply (based on quartiles)

Market sector	Count	Earliest three quartiles in replying	Bottom quartile in replying	Total
Industry	Actual	22	6	28
	Expected	21.8	6.2	28.0
Financial services	Actual	6	8	14
	Expected	10.9	3.1	14.0
Motor	Actual	12	2	14
	Expected	10.9	3.1	14.0
Retail	Actual	9	4	13
	Expected	10.1	2.9	13.0
Leisure and luxury	Actual	16	1	17
	Expected	13.2	3.8	17.0
Pharmaceuticals and cosmetics	Actual	15	3	18
	Expected	14.0	4.0	18.0
Office and IT	Actual	9	2	11
	Expected	8.6	2.4	11.0
Anonymous	Actual	6	1	7
	Expected	5.6	1.5	7.0
Total	Actual	95	27	122
	Expected	95.0	27.0	122.0

Table 6.10: Statistical association for days to reply between industry and financial services sectors.

Statistical association technique	Value	Degrees of freedom	Asymp. Significance (2-sided)	Exact significance (2-sided)
Pearson Chi-Square	14.295a	7	.046	.043
Fisher's Exact Test		-	-	.071

a. 6 cells have an expected count < 5, with a minimum expected of 1.55.

Chapter 7: Results of qualitative research

7.1 Introduction

This chapter discusses, and provides formative findings and analysis based on the qualitative research. Following chapter 5, the range of topics discussed during the depth interviews are split into four sections:

- (1) the kinds of contact points that occur between clients and their agencies, from the start of a campaign to its completion,
- (2) the critical incidents raised by either agencies or their clients, that caused particular dissatisfaction or satisfaction,
- (3) the typical order of client responses to these incidents, graduating from mild irritations at one extreme, to serious breaches of duty at the other extreme, and
- (4) the importance of variables that are associated with tolerance under several broad headings derived from a literature review.

If, due to time constraints, it was not possible to cover the complete agenda above (further elaborated in appendices A-B), the focus of study was on the critical incidents and important variables associated with tolerance. This information assists in deciding the appropriate inputs for the questionnaire in the follow-up survey. An example of a client interview is shown in appendix J.

At each section above, analysis is conducted. Incidents are classified according to negative or positive experiences, strategically across different advertising functions and in terms of service quality. Perceptions of variables considered important are first reported by clients and then agencies according to performance factors, general beliefs about relationships, environmental forces and personality factors. Each client and agency is assigned a letter code to assure confidentiality. Responses for each variable are summarised using analytic displays.

7.2 Preliminary findings from the depth interviews

7.2.1 The contact points

Based on activity mapping, the kinds of contact points, based on an amalgam of agency and client views, is shown in Table 7.1. The early stages (1 to 3) involve briefing, suggesting that if these interactions are ignored or under-invested in, the direction of the campaign will become out of control, leaving everything to chance. Skimping on briefing prior to pre-

production and production sessions is likely to lead to lengthy and costly changes that will inevitably test a relationship. Due to the frequency of stages involving briefing, and its importance for client and agency alike, it is expected that incidents caused by poor or inadequate briefing would be a prominent complaint by both sides of the relationship.

Another observation of the stages in Table 7.1 shows the importance of signing off, making decisions on approving the sequence of stages achieved to-date. Details of who is present at each stage is recorded in contact reports. These procedures reflect the importance of responsibility, accountability and clear demarcation lines. The importance of signing off is particularly important at the creative briefing stage (stage 2) to indicate that creative strategies are agreed with, and for any rough work developed before production is authorised (stage 7). Misunderstandings that involve re-work can prove costly.

Approval of creative work generally appears before media scheduling. At stage 9, media space is booked. Any major alterations to creative work after this date will put pressure on meeting delivery times (e.g., air times for television).

There are a number of production stages: pre-production, production, and post-production when clients need to make important decisions about resource allocation, costing and timing. As the creative work is successively refined, the client has further opportunities for making cosmetic changes (stages 6-10). After launching, there is a need to monitor effectiveness, and provide continuous support in service quality to the client.

A breakdown of activities for clients, with typical personnel involved at each stage, is shown in Table 7.2. From the client perspective, there are several important general observations from examining Table 7.2. First, the whole process of creating commercials involves several stages that are logically sequential. It would not be possible to conduct many of the stages simultaneously, so it would not be advisable to compact and squeeze all the processes into an unrealistic time-frame. That is why many agencies invest in a traffic department that specialises in production control on client's work. However, many agencies often find themselves in a position when there is a need for compacting these processes. This may be client-driven (e.g., pressure on meeting a production deadline) or agency-driven (due to lack of resources, or simply due to over-committed bookings arising from spurious business planning). However, often it is due to unforeseen circumstances arising from agency mistakes, or client changes made to creative work. Such pressures create their own dynamics on relationships.

Table 7.1: Main Client-Agency interfaces during campaign

<p>(1) <u>Initial business briefing</u>, establishing purpose.</p>	<p>(2) Client communicates creative brief.</p>	<p>(3) <u>Agency develops and submits creative brief</u> for approval. (Sometimes face-to-face, sometimes faxed).</p>	<p>(4) <u>Tissue meetings</u>, discussing alternative creative treatments with feedback to account team, contact reported.</p>	<p>(5) <u>Submission of creative work</u> for approval, e.g., storyboards.</p>	<p>(6) <u>Client pre-testing</u>. Findings of animatics or focus groups for refinements.</p>	<p>(7) <u>Agency represents work after internal briefings</u>. Must be signed off before pre-production meeting.</p>	<p>(8) <u>Pre-production meeting</u>. <u>If filming</u>, specify objectives, location, casting, directing, costing and time scales. <u>If print</u>, specify finish quality, costing, and time scales.</p>
--	--	---	--	--	--	--	--

<p>(9) <u>Production / actual shoot</u> Third parties hired, e.g., film house and /or printers. Produce actual commercial or proof of print. Decide production scheduling. Book media space.</p>	<p>(10) <u>Post-production</u> Refine finished product, including editing / retouching.</p>	<p>(11) <u>Launch on-air</u> Check ad runs smoothly. (Sometimes third party does this).</p>	<p>(12) <u>Post-testing</u> Agency and client monitor effectiveness. Responses monitored by agency/third party (if Direct Response included.) Invoices sent to client.</p>
---	---	---	--

Source: Qualitative interviews of agencies and clients taken between September and October 1997. Includes amalgam of agency and client viewpoints. Additionally, Hirschman (1989) was consulted.

A second general observation is that different people are involved at different stages of the total process. There is a need for specialists at different stages, but this can be the root of many problems. For example, what happens if the Creative Director is ill or unavailable, or moves to another agency in the interim of a campaign plan? More prevalently, perhaps, is the need to ensure that everyone involved knows their part in the overall contribution of the campaign, and co-ordinates fully with those who need to be informed on the progress of the client's work. When work teams are large and fragmented, co-ordination becomes very important. There is a need to ensure everyone is fulfilling their roles. That is why safeguards are built in place to protect against misunderstandings. Tissue meetings provide an opportunity for discussing alternative strategies at the early stages of the process (stage 6, Table 7.2). Without this, there is likely to be a hurried strategy, leading to unnecessary re-work.

A third general observation is that the work teams at both ends involve different levels of seniority that may create their own problems. Clients might expect more senior staff representing their accounts, or feel that Agency Directors should be involved in their accounts at the early stages. Problems may also arise from a mismatch in expectations and perceptions. Agency account management should forestall these likely misperceptions by clarifying what to expect in terms of resource allocation.

A fourth general observation is that service does not stop on delivery of the creative product. It continues, in terms of ensuring the launch is smooth and progress is monitored by quarterly review meetings. Quarterly Review Meetings were considered important because often conflicts on strategy arose.

Table 7.3 shows an example of the sequence of activities that agencies follow. Although the skeleton was built on the transcripts of agency R, other agencies are reported by exception. The range of personnel involved at each stage appears to be influenced by the type of agency. Thus T, a full service agency, includes its own media staff during initial business meetings. Table 7.3 shows that it is likely that senior figureheads will be present at the important briefing and in submitting creative proposals that highlights the importance given to accountability. Technical personnel such as production and art directors feature more prominently as the stages of a campaign progress to each of the production meetings, in which cosmetic changes can increase costs enormously.

Table 7.2: Sequence of client activities

Name of activity / stage / event:	(1) Brand plan brief	(2) Advertising brief	(3) Consumer research	(4) Creative brief	(5) Media brief	(6) Tissue meetings	(7) Script development	(8) Agency submits brand proposals for approval
Purpose:	Establish need for communications, i.e., advertising.	Establish single minded proposition.	Identify appropriate creative platform.	Build platform into brief.	Decide media plan.	Discuss alternative creative treatments, offer feedback.	Prioritise a script, decide what to focus on in production.	Ensure internal approval (sign off).
Personnel:	Account Director, Account Manager and account team and planner.	Account Director, Account Manager and account team and planner.			Account team and media and planners.	Client and account team.		

Table 7.2: Sequence of client activities (continued)

Name of activity stage / event:	(9) Pre-Testing: Quantitative Research/ Animatics	(10) Pre-production	(11) Post-production	(12) After-sales	(13) Continuous servicing of the account
Purpose:	Test storyboard, (e.g., based on 200 consumers to animatics). Feedback results to agency for refinement. (Re-present if necessary after internal briefings in agency).	Ensure scripts presented with costings below budget. Specify film objectives in advance of production.	<ol style="list-style-type: none"> 1) Check it adheres to specification at pre-production stage. 2) Get senior approval at first cut. 3) Decisions on editing and retouching: these are costly. 4) Extras may be added here, e.g., voiceovers. 	Check feedback from client. Ensure smooth launch, issue invoices.	Quarterly Review Meetings: Assess progress and monitor proactivity of agency.
Personnel:		Add Film Directors. Meetings between client, agency, Film House and Production House. Includes Account Directors, who manage artists away from client. Casting and shooting decided between client and Production Manager.			Managing Director (Management Supervisor of Account) and Group Account Director.

Table 7.3: Sequence of agency activities (agency R unless otherwise stated)

Stage activity	(1) <u>Solicitation</u> Agency receives client call or agency makes a speculative pitch (according to agency U).	(2) <u>Initial business briefing.</u> Meetings with client. Establish main direction of advertising (purpose) and objectives.	(3) <u>Strategic/Consumer Research.</u> Internal research or strategy development. Internal research debriefs following qualitative research to inform creative staff.	(4) <u>Presentation</u> of research results.	(5) Present and <u>communicate creative brief</u> for approval (NB Sometimes faxed brief).	(6a) <u>Agency submits creative proposals</u> and awaits approval (Media proposals presented if conducted in-house, e.g., agency T).
Typical responsibility	Account Director arranges meeting with client (often Marketing Director).	Senior marketing management or brand management of clients and Managing Director of agency, with Account Director and Account Planner. (Agency T also has creative staff and media present, since full service agency).	Account Managers and Planners	Senior clients and Managing Director of agency with Account Planner and Account Director.	If meeting: Marketing Director (possibly client research), Account Director/Planner (Also media if media brief, as with agency T).	Client team and sometimes Creative Director, Account Director. (Also media, if media department).

Table 7.3: Sequence of agency activities (agency R unless otherwise stated), continued

Stage activity	(6b) <u>Client presents feedback</u> based on own research. Agency revises creative work/media. Ensure approval <u>before</u> pre-production meetings.	(7) <u>Pre-production meetings</u> . Decide all detail: casting, film location, shooting, directing, costing and time scales.	(8) <u>Production</u> . Actual shoot. Produce commercial.	(9) <u>Post-production</u> . Agency produces 'first' version of finished creative. Refining finished product, editing and retouching. Get approval at first cut.	(10) Launch on air. Monitoring effectiveness.
Typical responsibility	As for 6a.	Account Director, Art Director, Producer, creative staff, clients who make decisions.	Account Director, Art Director, Producer, creative staff, clients who make decisions.	Producer/ Account Director and client team.	Account Planner/Account Director.

7.2.2 Classifying the critical incidents

Incidents were transcribed from the tapes in full, summarised, and then tabulated in one of several classifications. A sophisticated classification emerged from the data. The first means of classifying the incidents was according to whether the client was particularly dissatisfied or satisfied. This was repeated for agency dissatisfactions. Data was subsequently refined by sub-titles according to advertising function. The second means of classifying the incidents involved classifying them strategically, i.e., in terms of whether the responsibility rested with creative staff, media, or account management.

For the third classification, the incidents were classified as either core service failures, misalignment issues (misunderstandings), failed service encounters, unresponsive management, gestalt perceptions, extraordinary service. These were based on sources of problems as advised by Edvardsson (1988) but inspired by an integrated literature review of prior classifications. Refer back to Tables 5.3 and 5.6. For example, the failure to inform the client about media volatility is a failed service encounter within the media and shows client dissatisfaction.

The detailed list of critical incidents (shown in appendix K for clients) was first produced (against each respondent) that was gradually refined into an edited version for use in the questionnaire. For example, core service failures (Keaveney, 1995) refer to mistakes made with the basic service. It is noticeable that this relates to problems in briefing, creative execution, and technical production errors. Misalignment issues refer to disputes about services, including what should be done and who should do it (i.e. role disputes). These often involve communication problems connected to the creative function. Failed service encounters involve failing to justify actions, or being unresponsive to requests. For example, in a client-agency context, failing to inform the client about issues which may materially affect campaign progress.

Finally, there are a number of residual categories that do not fit neatly into any particular strategic area. These include gestalt perceptions, extraordinary agency behaviour and third party involvement. The first two of these have featured in the previous literature. Gestalt perceptions refer to the overall feelings that may have a significant affect on a relationship. Extraordinary agency behaviour includes dishonesty, which was raised by a number of clients. Inaccurate billings were felt to be more logically classified here, instead of core service failure used by Keaveney (1995). Finally, third party influences were notably voiced by both agencies and clients, so deserve separate listing in their own right. When third parties are hired by agencies, it was considered that the ultimate responsibility in achieving

service standards expected still lay with the agency. As shown by the incidents listed, this did not always happen. After listing the negative incidents, positive incidents that delighted clients followed. These were based on offering unexpected value or service, service recovery efforts and trust-confirming behaviour (appendix K). A complementary list of similar incidents was produced from the agency perspective about their clients (appendix L).

7.2.3 Continuum of typical client response styles.

The next section of the depth interviews involved asking about the likely sequence of events that escalate from minor grievances to serious grievances, and the typical client responses to these. This was to extract a continuum of response styles from the client. A prevalent pattern emerged, in which the seniority of personnel involved at each stage depended on both the gravity of the grievance (small versus large issue) and how long it took to resolve. The prevalent pattern based on how long it took to resolve can be considered as a series or continuum of stages. These stages were also characterised by different modes of communication, in which the mode of delivery appeared to symbolise the gravity of response required. Typically, the first stage would involve fairly informal discussions (described as "friendly chats by client E, page 2) which the account team could sort out. For fast-moving accounts, such as client A dealing in financial services, this would be done on a daily basis, raising conversations with the Account Director. Mid-weight, or repeated grievances are likely to involve sector management in order to flesh out the problem with a time-table to resolve it. More serious grievances that require immediate action (such as media wrongly coded) would be more prescriptive (raising tone of voice), and aired to more senior figureheads such as Managing Directors of agencies. It is typical for advertising managers to have the personal phone-lines of managing directors of their agencies.

Table 7.4: Typical stages in sequence of events

Stage	Mode of communication	Typical staff involved
1	Internal discussions	Brand Manager or Advertising Manager raises issue with Account Manager
2	Phone directly	Raised with Account Executive or (Board) Account Director
3	Face-to- face meetings to exchange frank views	MD of agency, Account Director and MD of client

Sources: Consensus pooled from clients C and E and agencies G and K

If the situation was still not resolved, (e.g., if the client was unhappy with the creative work such as a dispute on creative strategy or execution), the client might ask for the creative team to be changed. The last option was to switch agencies. K (page 14) added that if there is an international relationship, then decisions will move beyond domestic management.

The consensus was that, by the third stage, the situation is sufficiently serious that the relationship may be under threat. An Account Director at N likened this to a football match. If it's a service problem, it would be a sequence of events from a yellow card warning leading to a red card: history (page 13).

The exact nature of the sequences probably also reflects the size of agency and client, and their relationship heritage. In the case of agency M, the level of seniority was higher at the beginning, ending with conversations with the company Chairman (Table 7.5). At M, the Chairman tries to pre-empt issues arising by visiting senior clients every quarter with an informal meeting and/or lunch. The Deputy Chairman of M also said that clients were remarkably reluctant to complain, with clients reluctant to commit themselves to formal appraisals. This lethal combination means that it is often too late when they complain. This was echoed by an Account Executive at N, who argued that there is an unhealthy reaction where the client just bottles it, collects it, then explodes (N, page 11). Although client responses can be sudden, more serious responses can be sensed out, likened to being dumped by a girlfriend (Account Director, N, page 13). He likened the reaction of clients to either healthy or unhealthy reactions. A healthy reaction was where the client asks what is happening over the phone with an account executive and commands that the problem does not re-occur (reflecting minor disapproval). A bad reaction to a small incident was described as a cowardly fax that creates:

"...[L]asting ill-feeling which undermines confidence and trust", (AD of N, page 11).

Table 7.5: How nature of complaint affects who it is reported to:

Reporting to:	Account Director	Account Director	Chairman
	<u>Smaller issues:</u>	<u>Staffing issues:</u>	<u>Gestalt/Holistic</u>
Typical - Problem:	Bit slow. Off brief.	Don't like person person. Clients reluctant to criticise individuals.	Don't like advertising overall. May want a change. Bad relationship.

Source: agency M

Table 7.5 shows that those involved depends on the type of incident. According to client F, minor grievances can take up a disproportionate amount of time in the business. Medium-weight grievances include disrespect for the client's viewpoint because the problem tends to linger. Conflicts on creative proposals that are major grievances can test a relationship to its limits (F, page 3).

According to the Deputy Chair of M, clients may delay informing the agency of a switch until after a costly competitive review of business, wasting agency time, when the decision to switch had already been made prior to presentation of review (page 9). According to M, the most threatening aspects of a relationship involve honesty and trust: there isn't enough respect on both sides.

7.3 Client perceptions of variables considered important influences on their responses to service quality problems (i.e. tolerance indicators).

A list of possible variables influencing tolerance in relationships was first developed from the literature, which were then subjected to comments by both clients and agencies during depth interviews. Depth interviews with clients and agencies were used to verify the importance of these variables with regard to influencing tolerance, with a view to determining which should be carried forward for further analysis. Due to constraints of time, not all variables were asked for each respondent. Another reason for this was that additional influences arose from formative interviewing, that were subsequently added to the repertoire of questions in later interviews, in accordance with an action research philosophy. To improve the sophistication of the interpretation, inferences about tolerance have also been indicated in the findings, in which additional factors were raised that influenced tolerance that had not been directly asked in the depth interviews. Where small numbers of respondents were involved, the author's judgement was used as to whether the variable should be considered as an important influence of tolerance. Additional analysis of transcripts was used to support their perceptions (highlighted below, starting with client perceptions, and then agency perceptions). From this, various decision rules were adopted in deciding which factors considered to influence tolerance should be either eliminated, or added to the original list as part of a later survey. These decision rules are explained in the section on analysis of qualitative data.

The following is a selection of the narrated transcripts of clients that support either the retention, deletion, or addition to the list of variables considered to influence tolerance that were originally derived from the literature review. Page numbers relate to direct quotations from the original edited transcripts.

7.3.1 Importance of various performance variables (a) subsequently deleted:

Perception (or reputation) for winning Effectiveness Awards

Only four clients (F, G, H and K) felt Effectiveness Awards, were considered important in affecting tolerance levels, with H (page 9) and K (page 19) both feeling only recent Effectiveness Awards were important, since this provided current evidence, rather than historical evidence, as current people come and go.

Effectiveness Awards may be used as a variable in agency selection based on reputation, but not considered important for account maintenance, where first-hand experience sharpens their judgements. Once first-hand experience was established within a relationship, this gradually replaced this reputational indicator. Two other clients (C, page 5; D, page 9) felt that it would not affect their tolerance of things going wrong.

Intensive research culture

Only A and F felt this was important, with D and J feeling it was unimportant, with the CM of A stating he wished for agencies that understood what motivated customers (page 16).

Clients C, G, I and J suggested its importance was dependent on other conditions. Its importance was dependent on the research function, important for creative-development research, but less so for evaluative research, (C, page 5) and K (page 20). G (p 6) suggested this was important for new strategies but not for those already in existence, since expertise is in-house.

Although I (page 33) considered research was vital in commodity markets, most clients did not feel intensive research culture was important. J felt it was dependent, in general, on the culture of the organisation (page 9).

Perception for using proprietorial models

Although this question was not put to all clients, four from six clients interviews felt that it was not important, with two suggesting it was dependent on circumstances. Amongst the negative comments were "over-rated" (A, page 17), and "rather limiting", (G, page 6), in which common sense prevailed. It was felt only the result mattered, since too much client interference might encourage conservatism by replicating accepted practices rather than innovating with new approaches (J, page 10). Whilst external rigour might help credibility, it may stifle creativity (F, page 4).

K (page 21) felt that the battle should involve motivating the creative staff involved in the briefing process, not the use of proprietorial models.

Clients D and F suggested it was dependent on the function of advertising, with D (page 10) arguing that tolerance was more likely with the media function rather than the account management side.

Overall, the ability to offer proprietorial models appeared to be largely an irrelevant performance variable in influencing tolerance.

Ability to deliver international campaigns of quality

Several clients felt it was only conditionally important on their market coverage. Clients G and A held a market coverage that extended little beyond the domestic market, and so felt it unimportant for them. Its importance therefore depends on the type of client, insofar as whether they hold international markets or not:

F, I and K felt that international campaigns were unimportant. K (pages 22-23) felt that what was more important was the need to deliver ideas, and the execution of those ideas, rather than the delivery of global campaigns.

Accreditation to an independent quality standard (such as ISO 9000)

This was either considered impractical or scorned by most clients and agencies alike.

A (page 18), D (page 10), F (p 5), G, (p 7) and K (page 25) felt it to be unimportant.

According to K, implementation was considered an added cost that did not verify quality in place.

Of the clients who voiced an opinion, only H (page 11) and I (pages 25-26) felt accreditation could be important to ensure controls were in place to adhere to the client's agenda. Instead, it is passed through several internal processes or by word of mouth.

In describing what comes back from the brief, one client compared the agency staff as:

"...a bit like naughty children, about wayward children. [...] and what comes back is what they want to see in it, all dressed up, in the creative way to approach the problem. They have seen a different problem that they are going to address...", (I, page 25).

The use of media auditing by many clients suggested that internal processes may be a factor in building trust, or at least not breaching trust, when problems arise (e.g., MD of B, page 20), with the use of external quality accreditation not well supported by clients.

Evidence of intensity of effort on account

The reactions by clients to this was split. Some clients (C, F, G, I) felt this was not important. Both C, F, G and I said only results were important. I explained why the details leading to output were needless:

“One of the reasons people use agencies is to divest ourselves of a whole raft of work and administration you don’t want to get involved with. The marketing department is me and two other people. And the way we manage that is getting other people to do the work for us.” (I, page 35).

Clients A, B, J and K suggested that effort may increase in importance when either the relationship or agency performance needs improving, reflecting a lack of trust. For example, B explained that it could be important when creatives over-rule their team’s advice that leads to frustration (page 17).

Only 2 from 10 clients felt it was unequivocally important. D (page 10) argued that it *should* not be important, but felt it was, because effort is a comfort factor that indicates professionalism.

H also believed it had more specific importance:

“If the agency can demonstrate they are putting a lot of effort in, it can help in negotiating fees at quarterly review meetings, but no more than that”, (H, page 10).

Overall, the comments emanating from the interviews suggested this issue had a limited role in influencing tolerance.

7.3.1 (b) Additions to the original performance variables:

Three performance variables arose from the depth interviews that were added to the original list of the survey: proactivity, in terms of injecting fresh ideas, interpretation of the brief, and empathy to changes in creative work. Since specific questions on these issues were not asked directly from the depth interviews, the findings are based on inferences from the rich commentaries that were transcribed.

Proactivity

Five clients (A, C, E, J) raised the importance of proactivity in the interviews, with client I inferring it. Proactivity was defined in terms of offering additional added value to the client's brief, i.e., beyond what was requested or in thinking beyond the client (e.g., A, page 4). Proactivity is increasingly an expectation by clients, but not always anticipated by agencies. The added value might arise from tactical approaches to the campaign or more strategically, in terms of achieving IMC. In the early stages of a relationship, tolerance levels could be affected by how proactive agencies are in their quality of contact (C, page 4). Client E argued that the weakest function of agencies was poor account management, where they should always be pushing the brand forward proactively when agencies are threatened with the sack (MD of E, page 1). Client J (page 7) also suggested that proactivity, based on trying new things out, gains the respect of the audience that might cushion adverse experiences in the relationship. Client I (page 22) argued that you never receive extra favours as the relationship develops.

Interpretation of the brief

Since clients vary in their extent to which creative proposals need to conform to their briefs, this may indicate different levels of tolerance. 4 clients raised the issue, inferring its importance, with nobody inferring otherwise. Client B (page 17) suggested it was a bit like trying to read the small print, insofar as it's as much what isn't there as what is. For example, an agency was nearly sacked due to the failure of account handling, insofar as they weren't strategically minded enough (E, page 1). F felt their agency was being unnecessarily obstructive towards interpreting the client's brief (page 2). This could only be resolved by moving up the managerial hierarchy of the client's organisation that made decision-making more protracted.

In responding to the client's brief, it was clear that clients would judge agencies more on current performance than on a history of past credentials with other clients. Moreover, when problems persisted with individuals misinterpreting the brief, clients became anxious, with persistency of getting it wrong not tolerated, typically with a guy being removed from the business (e.g., client I, pages 43- 44).

According to I (page 25), misinterpretation could be put down to the agency's lack of straightforward management controls internally, since it tends to be passed on by word of mouth. Another working process criticised by clients was the tendency for some agencies to

misinterpret the brief within their internal system, such as if they re-briefed their creative staff internally (G). Both K (page 21) and G argued for getting creative staff involved directly face-to-face that could offer the added advantage of motivating them.

Empathy to changes in creative work

Although not directly asked as a variable in affecting tolerance, three clients inferred its importance from the critical incidents they discussed. It would appear that some agencies become defensive to criticism of creative work, in which the client spends time in defending their reasoning, time that could otherwise be usefully spent elsewhere.

On one occasion, in response to requests for creative changes by B, the client was furious when their agency only changed a script but not the visuals. The result was the agency changing their Creative Director, whereupon the client got more involved with the production of the ad (page 17). Conflict can be frustrating, but also worked constructively in a high calibre agency, since the client can push the agency without them rolling over (MD of B, page 19).

The second critical incident raised by F involved perceptions of the agency being obstructive to re-doing creative work that was considered to be off-brief by the client. The defensive reaction by the agency suggests they were unable to show empathy towards the client's feelings, in which considerable time was spent returning to the creative brief rather than wishing to allow the agency a free hand (page 2 of transcripts). Other violations of empathy include making changes without informing clients, or making the clients justify their position for the change. This was considered an inversion of client-agency roles by H, (page 3).

7.3.1 (c) Performance variables supporting the literature review

Integrity of account team

All clients asked about this (i.e., A, B, D, F, G, H, I, and J) emphasised the importance of integrity in acting in the best interests of the client. Integrity might arise from either reputation or experience. Both A and D suggested that a high respect for an agency's professional integrity would cushion them when problems arose or the agency under-performed, since this would then be considered exceptional. It appeared that agencies bestowed with integrity would reduce suspicious feelings by their clients. B suggested that a lack of integrity breached trust, particularly in how media are recommended, due to the commission system operating. Likewise, A said that if the agency couldn't be trusted, integrity would have an impact (page 16). In B's case, media planning recommendations

were not justified in spending the budget, giving the client no confidence in their abilities and expertise, so the media element of the account was moved (B, pages 8-9). A second point is that, with the agency's integrity lacking, clients are more likely to feel that any creative changes made should have been delivered right in the first place (B, page 11). I (page 31) argued that integrity was important in providing the personal authority to sell the idea in a pretentious business. G and I explained why integrity was considered important to the advertising business:

"Integrity is about rigour insofar as thinking through properly their decisions, sincerity, with the agency believing in what they are doing, being on budget, delivering on time and being honest, including quoting in full", (G, page 6).

Agencies could be self-indulgent, in terms of choosing unnecessary film locations, and then take every effort to justify it, according to I (page 20). In common with other clients above, justification of actions of each agency would be facilitated if they held professional integrity.

J (page 4) argued that the account team can be more confident in the creativity they're selling if it is approved by someone in high regard (such as top creative staff), whereas many agencies tend to work as a mass production line.

Access to number of creative teams

4 clients (A, C, G and I) felt this was important, with only two clients (D, page 10) and H (page 10) regarding it as unimportant. I (page 33) remained wary if there was only one or more than four, relying on getting something good from so many alternatives.

B, F and K concurred that the importance of number of creative teams was dependent upon specific circumstances such as the progress of a campaign. B (page 17) said they were important where the creative team are stubborn to change. F (page 4) said it was important for creative options, but only before the campaign is on-line. K (page 22) sometimes asked for it if the brief was difficult or upon a second iteration of a creative idea, suggesting it could become more important when critical incidents arise on the creative side. A Senior Product Manager of K (page 7) said their response to repeated unsatisfactory creative work produced was to allow other creative teams on it:

"...I would say that 30 per cent of the campaigns usually go through three or four iterations".

Number of creative proposals

7 clients (A, D, F, G, H, I and J) felt that it was important to receive different creative proposals, with two others suggesting it was either dependent on the campaign or the client.

"I prefer more than one idea because it acts as a training mechanism to work out and clarify what's best and helps my team decide", (D, page 10).

Dunlop elaborated on the delicate balance between genuine choice, flexibility and indecision, with only one creative proposal possibly hindering progress:

"...This sometimes leads to re-work with larger agencies, in which there is a danger deadlines are missed. []... More creative proposals allows the Ad Manager to mix n' match. However, there is still a need for a strong execution from the agency", (G, page 3).

However, A, H, I and J suggested the practice of offering several ideas could reflect unfavourably on the agency. Client interpretations were that lots of creative ideas serve as a poor substitute for one big idea leading to a recommendation (A, page 18, H, page 10, I, pages 36-37).

A scatter approach associated with a bombardment of ideas was thought to signal a misinterpretation of the client's brief, or lack of confidence, rather than really believing in a particular strategy by J, (page 3).

A client suggested that a series of creative proposals was not considered practical for a repeat commercial on a theme, although a new television commercial would require 2 or 3 variations on a theme (C, page 5). In general, it was considered that its importance would depend on the clients' expectations (K, page 24).

Can demonstrate stable account management

Whilst all 9 clients from 10 who voiced an opinion on this felt it was fairly important, it did not appear to be as important as demonstrating strategic thinking. The outcome of stability, "continuity," was raised, without prompting, by three clients, and in maintaining consistency of brand values by J (pages 7-8).

G indicated why clients are protective of new staff on their account, since they may upset the rapport with their agency, or may have unrealistic budgets or expectations (page 7).

Interpreting comments from both D (page 8) and J (pages 7-8) suggested that the volatility of staff turnover makes clients anxious.

When there is stability of quality people, this signals a commitment to the account by the agency to their clients and vice-versa. In particular, continuity of key account staff was important at a senior level if the agency makes changes in planning or account teams when things go wrong (B, page 7). Similarly, when the agency for E changed their account team, they kept a consistent person at the top level that made the relationship work, (page 7). According to K (page 22), stability comes in at the more senior levels, such as Board Account Director. It would appear that too many new changes can lead to clients moving outside their comfort zone, with unrealistic expectations by new staff (G, page 7). Thus when there is instability, there is more likely to be shifts in client attitudes, together with possible competency gaps that can upset relationships.

Clients such as A (page 17) and C (page 5) recognised the double-edged sword of stability, arguing that you need a balance of fresh ideas and continuity to prevent staleness.

Only H (page 10) inferred it was unimportant.

Keep client regularly (or constantly) informed on account status

All clients who voiced an opinion (A (page 18), F (page 5), G (page 7), H (page 10), I (page 36), and K, (page 24)) suggested this was important for monitoring advertising progress. However clients were cynical of the agency reasons for doing so. It appeared that anything that reduced the amount of time (and effort) spent by clients in supervising their accounts was appreciated.

H (page 10) suggested it was a hygiene factor, in order to avoid nasty surprises.

One client felt that agencies often took volatility for granted when problems arose, leading to a severe communication problem between agency and their clients:

"I think the one time we do get impatient is when people don't get back to you and let you know what's going on", (I, page 5).

It would appear that this issue becomes more important when trust is absent, when trust has to be earned (say, at the beginning of a relationship), or when service problems arise that might give rise to testing confidence, exemplified by the relationship between client J and agency N, and client K.

It was considered only necessary to examine contact reports where confidence is lacking in the creativity of the agency, or if problems arise so that the client can backtrack (J, page 11), or as a security device providing evidence of requests not delivered (K, page

24). Call reporting wasn't considered an imperative issue and seldom demanded, according to K, (page 24).

Perceptions of strength in strategic thinking

All 8 clients interviewed on this (A, B, D, E, G, H, J and K) felt this was very important, with several commenting that it can contribute to switching. For example, D parted with an agency that was not strategic enough to add value (page 9). E (page 1) nearly sacked their agency but replaced their account team when put to pitch, since they weren't sufficiently strategically minded, in not asking the right questions. G (page 7) added that strategic thinking was of particular concern in handling smaller agencies.

"....what I've observed in most companies and with most sort of products is that people have shifted their strategies far too soon before they've actually given them the chance to develop any real equity", (J, page 7).

There was a strong indication that agency shortcomings in service might be traded off if there was perception of strategic thinking. Thus added value in consumer insight and high quality strategic thinking were considered more important than dealing with the problems of the development of that work (B, page 8).

This line of thinking was echoed by client D:

"If they've developed our brand in the past, their perception [by us] will be favourable and can get away with a bit" (client D about agency S, page 10).

7.3.2 The importance of advertising

The relative level of investment in the relationship

Recall from chapter 2 that size (in terms of relative level or size of investment) was considered a proxy measure of the strategic importance of advertising. The level of investment from both agency and client sides appears to be a factor in terms of reciprocating commitment to the relationship. This seemed an important factor for all clients, but each had their own particular reasons, in terms of matching expectations. In particular, the perceived importance of the agency to the client (and vice-versa) was dependent on relative size of business, and affected the client's expectations of their agencies, in terms of both allocation of staff quality and output that would affect tolerance adversely if they do not perform.

According to the MD of B (pages 9-10), an account sidelined as small is that it won't warrant high level planning. A (page 18), and H (page 8) expected the best agency staff on their

large accounts, requiring high levels of attention, especially if only one or two agencies are used (H, page 11), or if the client's business is generally long-term, so it's important to retain it (as with K, pages 14-15). Specific investments by agencies included offering creative presentations that made clients look good internally (I, page 38). As F suggested, investment brings clients closer together, but may reduce tolerance if clients perceive it is easier for the agency (page 5). However, clients acknowledged their own responsibilities and commitment to reciprocate:

“We have about thirty percent of each of our agencies business, so there is a responsibility to treat them as partners (D, page 13).

If the client reduces the investment with lower budgets, agency commitment may wane, so threatening the account.

A significant investment by clients would appear to generally make clients less tolerant due to raised expectations. Specific investments by clients included transfer of category knowledge to agencies, with investment considered to hold a big impact on their relationships (K).

Prior relationships with focal agency.

Recall from chapter two that experience was a proxy for TSI. Prior relationships with the focal agency, (i.e., by at least one member of the account team) is a proxy for the actual length of client-agency relationships, indicating experience. All clients considered prior relationships to have some importance on client behaviour. Amongst the reasons attributable to this were knowing the individuals can deliver (A, page 20), the development of personal relationships that enables them to avoid escalating conflict if there is a lack of trust (K, page 16) and the ability to shorthand things based on history (I, page 46).

Another client tried to avoid any involvement with personal relationships:

“Personal relationships shouldn't affect tolerance levels”, (G, page 8).

Actual length of client-agency relationships, and the likelihood of tolerance affected by length of relationship.

4 clients (C, D, G, I) felt that clients might be more tolerant of relationships at their start. Five clients (D, E, G, H, and I) felt that clients would be most tolerant as duration lengthened into what might be described as a long-term relationship. Most clients felt it could affect tolerance either way. F felt the direction of tolerance depended on whether agencies continued to deliver beyond any perceived staleness (page 6). Both G and I recognised the

frailty of relationships in between these two periods: what might be described as the medium-term.

Amongst the comments made that supported the belief of increased tolerance at the start of relationships were a honeymoon period of three months or so (C, page 6), dispensing with the old failed creative staff from the previous relationship, (G, page 8), offering the benefit of the doubt, (I, pages 44-45), and an expectation of 3-6 months for them to understand the business (G, page 8) that indicates the client investment in leaning the business.

"Maybe very tolerant to start and less over time if they've failed to get it right", (D, page 13).

However, H felt that capabilities must be demonstrated early on:

"The client will be less forgiving at the beginning of a new relationship, since respect needs to be earned with the right fit of personal chemistry", (H, page 12).

The honeymoon period was considered to be very short, since there was not only commercial pressure on a newly appointed agency to solve an existing problem, but also internal pressure on the client to legitimise their choice of agency (K, page 26).

Client expectations increase, in line with client investment in helping the agency understand the business in terms of time and effort (or relative concentration of agencies handling the client account), in which tolerance reduces with silly errors. Conversely, there is more tolerance when time or information hasn't been given (D, page 11).

Amongst the comments made that supported the belief of increased tolerance during long-term relationships were the increased investments as the relationships lengthened (D, page 13), the understanding of the brand and its business (E, page 5), the previous positive experiences of the incumbent agency (G, page 8), and the personal rapport that may be built up over time (I, page 44).

Investments can also signal commitment to a troubled relationship from either side. These investments included strategic recruitment at an agency to consolidate a previously troubled account, (E, pages 3-4), Team Training Days offered by the Marketing Director of B (page 18) and time spent developing with quality suppliers to improve them, (D, page 13).

It was considered there was less tolerance in mid term relationships:

"In between, I think you have a dangerous period where you know they no longer are allowed to make these foolish mistakes which are written off to newness", (I, pages 44-45).

The actual length of relationships tended to vary from 2.5 years (incumbent agency of A) to over 7 years (for D).

Number of alternative quality suppliers

Both A, D and I felt that a lack of alternatives restricting competitive choice would increase tolerance and vice-versa, with some clients requesting exclusivity, such as in media buying (A, pages 18-19).

7.3.3 General beliefs about client-agency relationships

Preference for a solus agency or roster of agencies

Clients appeared divided on their philosophy about this, with 3 favouring exclusive contracts and 4 favouring rosters. A mixture of reasons were offered as to why clients opted for one or the other, with several adopting a hybrid of one big agency and one or two smaller ones.

These tend to impact on trust in different ways:

"We should always aim to have a mixture of new and established agencies so that we can use them to pitch against each other, keeping them on their toes", (MD of B, page 14).

This philosophy was mirrored by E (page 4), to achieve the benefits of competition.

Specific dangers of adopting a solus agency relationship (i.e., exclusive contracts) include agency power, in dominating the client (MD of B, page 10), and an inability to benchmark best current practices (K, page 31). F, G and K preferred to use different agencies for each brand. F (page 7) matches different agency philosophies for different target audiences. According to G (page 9), smaller agencies work harder for their strong brand, and the client would become demotivated if all new brands were under one roof. Thus a roster appears to facilitate the positive aspects of competition. The specific dangers of using a roster of agencies include a lack of strategic consistency and possible infighting (A, page 21). J (page 1) also considered exclusive contracts were better, insofar as keeping a firm lid on the continuity of learning between client and agency.

The need for liking agency contact personnel

Four from five clients who raised this issue inferred it was important. Only B (page 17) inferred it was unimportant. H added that there must be at least not disliking as a minimum to hold/prevail the relationship when things go wrong at the beginning of a relationship (H, page 12). Liking can be inferred as important insofar as agencies will like clients who they believe like them. According to his own experience on the agency side, the client of I (page

22) acknowledged that favours tend to go to clients that agencies like and enjoy working with, rather than those who crack the whip. K (page 31) considered that enjoyment of working with the other party is the basis of a stronger relationship, so considerable effort is put into generating the right atmosphere for this.

Belief in long-term relationships (LTR)

All 11 clients asked about this felt that long-term relationships were important and preferable for relationships. Attitudes towards a LTR perspective indicates a measure of commitment in the relationship. A client of E suggested that if you view agencies as suppliers you can change them easily. Conversely:

“If you believe in a longer term relationship, you make efforts to keep it going”, (E, page 3).

Several clients explained their preferences for LTR in terms of reducing transaction costs (in agency selection, training, in terms of learning the business and its culture). All eleven clients from the sample agreed a belief in LTR had a positive influence on the relationship.

Amongst the advantages of LTR included the avoidance of wasteful pitching (H, page 12), a progressive relationship that reduced the lead time between the brief and responses (Brand Manager of B, page 13), money saved in talking short-hand (D, page 14), trust in others to handle moments of crisis where attention should be elsewhere, (I, pages 48-49), confidence as the relationship lengthens, with freedom to agencies in how they handle the brief, consistency in upholding brand equity (J, page 8), and for generally promoting the right conditions for getting the best from the agency, in terms of ideas (K, page 28).

The tolerance in customer service was more vulnerable relative to strategic thinking, in terms of expectations:

“With some of our major agencies, shifting customer attitudes on brands takes a while. I would expect there to a minimum 2 to 3 years in a relationship before I could say ‘You have not done a strategic job I would expect.’ On the other hand, if they didn’t deliver on the day-to-day stuff, I’d want to get out sooner”, (A, page 21).

One contributor of this was the learning involved in very specific technologies for new agencies, such as ensuring the right print material gets to the right paper on time, in which formal approval is automatic (A, page 22).

However, clients were experienced enough to register the darker side of long-term relationships that might raise intolerance. The MD of AB suggested a major caution in LTR

was to avoid complacency. Thus junior people allocated to the big contracts of B, with a perception of being ripped off (B, page 20), with institutionalisation of creative thinking:

"The longer they are with you, they are more in thinking with your ideas, like dogs and their owners, unless they are very creative...", (D, page 14).

K (pages 28 and 30-31) argued the danger of LTR were in becoming rather institutionalised in their beliefs, too comfortable, out of tune with the challenges of the market, and reticent to kill an idea for a campaign that has run its course.

"Familiarity can also breed cosiness, and fear by the client, such as 'How can I possibly imagine changing agencies in a very difficult period?' ", (D, page 14).

Thus relationship duration could indicate much about client personalities, with defensive clients possibly feeling more comfortable with longer relationships, whilst others might switch their agency on the first occasion they annoy the client. Thus:

"Agency under-performance is often used as an excuse for client under-performance and client problems", (I, page 46).

Alternatively, shorter-term relationships might reflect the need to satisfy a client's egoism for self-opinion rather than the needs of the business. For example, in making the analogy with special dinners that follow a new marriage, after ten years:

"Those special little treats die away as time goes on, but one way of keeping them is to swap your partner, to continuously find new partners, and I think its an awful lot to do with the personality of the individuals involved...", (I, page 53).

A (page 22) was cautiously guarded against opportunistic behaviour developing from the agency side:

"Maybe I'm paranoid, but there's always a risk with a large budget that something's getting loaded, so a partnership should reduce opportunistic behaviour...", (A, page 22).

According to I, the downside [of long-term relationships] is moral pressure. Because you have got this personal relationship, there is a tendency to accept slightly substandard work and I think a lot of agencies work very hard to build that up, that kind of moral ground, so that they have got some kind of inertia, (I, pages 48-49).

Compatible working styles

This was not asked of many clients, since it was an issue that subsequently came to light as a result of the interviewing. Hence its importance can only be inferred from the four clients that were asked about its role, since they suggested it would affect tolerance positively.

Client A suggested that the cultural fit was very important. Specifically, a need to be straightforward, with open and clear feedback, considered important (A, page 18, Communications Manager of C, page 4). E (page 3) also felt an appropriate style of interaction was important, indicating that relationships were becoming more business-like rather than chummy.

K (page 32) expressed the importance of the working environment being enjoyable, and was made easier since both sides come from similar backgrounds.

Much informality within relationships

This was also not directly asked in the formal interviewing, but arose from the client discussions, so can only be inferred. Three clients from five inferred this was important, with E and I inferring its importance was dependent on the client.

D inferred the importance of informality on tolerance. Very informal relationships meant that the agency could be assigned work that did not appear beneath them, resulting in every effort to run around on bits and pieces of the business. D also felt more comfortable in dealing with this agency because it was more informal, in comparison to its big London agency (D, page 1). F (page 5) said they were potentially important when you reach friction points, since more respect is involved.

According to I (page 10) and E (page 2), informal relationships in terms of hospitality and chumminess may be important for smoothing over problems attributable to agencies for some clients, but not for them. I (page 53) kept the relationship at arm's length to avoid its agency massaging their egos with:

"... a lunch here, there, and everywhere....", (ibid, page 53)

7.3.4 Environmental forces

Degree of discretion offered to client in choosing how to deal with relationships

All clients asked about this issue felt it was important. The amount of latitude or discretion given to clients appeared to influence the speed of decision-making that may have a knock-on effect in affecting tolerance. Internal bureaucracies can slow down a campaign progress due to the need in getting the buying (approval) of internal managers (Brand Manager of B, page 4). The MD of B argued that they had quite strict internal procedures where they couldn't spend a penny without signing for it, and this made them wary of agencies trying to

overspend above budget, particularly when arguing over who should pay for changes made to post-production creative work (e.g., enlarging a prop), page 11. With reference to the past experiences from one client:

“At Proctor and Gamble, there was relatively little latitude given to the client, so things moved up hierarchically, only to get resolved more slowly, creating frustration and affecting tolerance levels”, (G, page 9).

Such procedures can upset the agency and relationships. In becoming more politically sensitive internally due to new management arriving, it was necessary to make it visible to senior peers about accountability, so the client had to go to pitch that upset the incumbent agency (D, page 3).

Less discretion, if linked to higher client accountability, might feasibly lead to more effort engaged by the agency, in turn, but may not necessarily increase their quality of communication, (according to Marketing Manager of C, page 5). This might arise from the opportunity cost of time, in terms of doing things. Alternatively, a need for agencies to communicate more might be perceived as a sign of a weak, unsophisticated, or defensive client, and may alter adversely the quality of creative work.

F noted that when people above the advertising manager are canvassed for their opinions, this adds stress (inferring less tolerance), page 7.

J suggested that freedom given to both client and agency can help take the egos out of managing relationships (J, page 1).

K (page 32) suggested that some clients of Pan-European accounts were not offered discretion to agree and buy into proposals from different countries. This increased frustration of both agency and clients alike.

If/ when market prospects are bleak and/or uncertain

6 clients (C page 5, G page 8, I, page 44, H page 11, J page 8), and K, pages 26-27) felt that bleaker prospects would increase intolerance from clients, with intolerance driven from internal pressures that according to G (page 8), is transferred to the agency in not being perceived as over-charging. However, E (page 4) felt this could work in reverse, since agencies might become complacent in good times, bestowed with bigger budgets. Only three clients (A, D, and F) were resolute that trading conditions would have absolutely no effect in the way clients would tolerate agencies:

“If we were faced with a recession, we would be working harder, in terms of having to justify budgets. The agency would then need to step up a gear, too”, (H, page 11).

J (page 8) suggested that clients were less likely to spend money on risky brands and so will opt to invest in the best-known ones, the safe harbours during bleak markets, implying that lesser brands get a shorter ride, jeopardising brand consistency.

In response to a recession or uncertain period, how clients react towards these pressures tends to be related more to particular individuals, the particular strategies in place, and how they deal with them, but could be a contributory factor towards intolerance:

“It might cause certain parties to be less impassioned about an outcome, so therefore, they may not be as dedicated and as focused as they should be”, (J, page 13).

However, E felt that they might react in reverse, or at least be more tolerant:

“You can’t be too hard on agencies [in a recession], otherwise you will lose their people. If you turn on and off, how can they work with you?” (E, page 14).

Taken collectively, clients either remain neutral under perceptions of adverse trading conditions, or tolerance is affected in one direction or the other.

Severity of competition in the market

Again, it would appear that similar pattern of responses arose to that of bleak/ uncertain market prospects. However, I appeared to suggest its importance depended on whether it impacted on the client visibly and personally:

“...if I feel things are going wrong that’s produced from these people [i.e. agency staff], and it’s going to impact on me personally, then it’s me that takes the price, and I won’t allow that to happen (I, page 40).

Clients might become more hawkish over how their budgets are spent, with greater competitive intensity, since there was a suspicion that agencies would charge more to their existing clients in lean years (I, page 52). Likewise:

“There is a greater likelihood that an agency is perceived as overcharging, putting strain on the relationship. I would say you would be less tolerant under intense competition”, (G, page 8).

J suggested that intense competition might make some clients more edgy in reacting to problems, but not specifically them. A client’s tendency to react might also be affected by the experience of the client within the relationship, related to the strength of the brand and the client’s belief in what they’re doing:

“I think if you’re trying to establish yourself, then you can be forced into being more reactive in response to competitive activity”, (J, page 12).

Limited potential for product attracting customers

This was meant to test whether the relative ability of a product to hold and attract an intrinsic interest could in some way affect clients expectations of its agencies, and hence affect tolerance. This was illustrated to those clients interviewed in terms of two extreme product categories: sports goods and ball bearings. Many sports products are associated with glamour, having an infectious affinity with particular customer groups, that might raise brand expectations, whereas ball bearings provide less potential for excitement.

Clients were evenly split about this issue, with five clients (A, B, D, I, J) who felt this would have no effect in altering tolerance, whilst another five felt it would affect tolerance.

Client I (page 42) thought this was unimportant, and more to do with individual personalities having a passion for a particular category (e.g., sports goods). J echoed similar sentiments. According to J (page 13), it should not make any difference, providing there was a respect for one another’s position. Clients expect agencies to perform, irrespective of whether there are significant product differences.

Of those who considered this to affect tolerance, most felt limited potential would increase tolerance, based on the associated size of the task facing the agency, (Communications Manager of C, page 5).

E (page 4) added there is more difficulty for things to go wrong with big brands, inferring potential intolerance (e.g., consider a commodity that happened to be turned into a successful big brand like Coca Cola).

“You would have less tolerance in markets where there is intrinsic interest because your expectations are higher”, (G, page 8).

“ where competing goods are not well differentiated and advertising or communication is a discriminator, then I think the pressures are much greater because [] the advertising idea becomes the brand and [] you tend to find them switching round between agencies.”, (K, page 24).

It would appear that there are again two broad camps of clients, those unaffected and those that feel that limited intrinsic attraction might improve tolerance. Only F suggested clients would be more intolerant (page 6), presumably due to the limitations imposed on creativity.

General involvement with changing marketing strategies

Of those clients that were asked about this, D, F, I and K thought it could affect tolerance adversely whereas A (page 17) and E (page 4) felt this was unimportant. Clients D, F and K felt it might reduce tolerance, since it might expose clients to more perceived risk. According to D (page 12) and I, toleration relates to exposure to personal risk, in front of one's peers, in which personal credibility may drop, and if that is the fault of the lack of agency organisation, it isn't tolerable. This was related to the effects on one's career, insofar as clients are measured on each and every campaign they manage:

"The higher the stakes the less the tolerance", (K, page 27).

7.3.5 Personality factors or style within relationships

Growing pressure on client to achieve results

Three from four clients felt this would affect tolerance adversely, with another suggesting this would depend on the client's personality.

B (page 12) had strict internal procedures in having to sign for everything spent. This accountability probably puts pressure on the client to justify their spend for every activity, so perhaps unsurprising that B transferred its media planning to a competitor when recommendations from its existing agency were not justified.

However, clients C, I and K acknowledged there were different types of clients that could be attributed to personality in how they cope with pressure. Tolerance would be affected if the pressures reflected personally on the client, but some clients are more prone to use the power card:

"I think one of the honest reasons why many people have agencies is a form of insurance so they can blame someone else for not performing the function, because they know it's an emotional area that's subject to all kinds of unpredictable pressures", (I, page 40).

Blame was likened to the need for control, with some managers who would escalate actions quicker than others, so not getting the best out of their agencies because the agencies are too focussed on pleasing them, (K, page 15).

The level of exposure to pressure that the client is under to deliver, as potential fall guy, is also influential:

“ there are certain people who have to deliver an awful lot. And when the pressure is on, then obviously then there is much more potential for if things don't go right for a conflict to occur” (K, page 16).

Perceptions of broader experience of relationships generally

Seven from eight clients felt this affected tolerance, with clients views split about even as to whether greater levels of overall experience tended to reduce tolerance (A, B, D and F) or increase tolerance (C, D, G, and I). Only K (page 27) felt this was unimportant, with people not changing much over the relationship.

Amongst those reasons attributed to lower tolerance as overall experience increased were increasing client confidence (B, page 8), increasing awareness of different ways of doing things (A, page 20), and elevated expectations (D, page 12). F (page 6) echoed the same feelings.

Amongst those reasons attributed to more tolerance with broader experience were the incidence of personal bonding (D, page 12), the tendency for experienced clients to experiment more with the same creatives (G, page 8) and the sober recognition by clients that they hold some responsibility when things go wrong (I, page 45). Less experienced clients (with < 18 months overall experience) tend to misjudge the capabilities of their agencies, in which over-estimating or under-estimating may be either intellectual or technical (I, pages 45- 46).

7.4 Agency perceptions of variables considered to influence client tolerance

The following is a selection of the narrated transcripts of agencies that support either the retention or deletion of variables that might be considered to influence tolerance that were originally derived from the literature review.

7.4.1(a) Performance variables subsequently deleted

Perception (or reputation) for winning Effectiveness Awards

Only 5 from 11 agencies who were asked felt that Effectiveness Awards were important for affecting tolerance levels. These were M, O , V and W who felt it could improve tolerance, with only agency T feeling it could lead to more intolerance.

According to the Chairman at M (page 11), the IPA Effectiveness Awards demonstrate greater accountability, removing the suspicion by clients that agencies remain self-indulgent.

According to (N, page 24), in comparison to Creative Awards that are internal and approved by peers, Effectiveness Awards are the real yardstick because they are considered more independent, prove work is accountable, and so add value to a clients' businesses.

According to the MD of V (page 14), Effectiveness Awards were more important than other Creative Awards because advertising can only be judged how good it is according to the budgetary constraints it was produced under. Similarly, QRBT (page 5) inferred that creative awards could be important.

However, N (page 16) felt that these were more useful for pitching and less useful when in a relationship where maintenance is an objective. A senior planner at T (page 10) felt that Effectiveness Awards could work negatively when expectations of current performance fail to match those built on reputation associated with the original selection process.

Several advertisers (from N, P and R) felt that certain clients gravitated towards certain agencies because of their creative style, rather than for Effectiveness Awards. P suggested these were in some consumer markets where brand differentiation was important. S held reservations about Effectiveness Awards, whereas U and X considered them a waste of time.

However, a general feeling of good creative work that may improve tolerance need not necessitate Effectiveness Awards, so these can be construed as largely unimportant in themselves:

“ I mean, if they get famous campaigns that look good to their people internally and are talked about they'll forgive an awful lot”, (R, page 17).

Similarly, an Account Executive at U (page 39) considered word-of-mouth reputation and references are more vital than Effectiveness Awards.

S also felt there was a potential conflict between creativity and effectiveness, inferring that these Awards per se could be over-rated (Deputy Chairman, S, page 17). The MD of X (page 12) believed Effectiveness Awards did not show accountability because figures could not be quoted, so defeating true measurement. Overall, less than half of agencies felt Effectiveness Awards to be an important influence.

Intensive research culture

Agencies appeared split on this issue, with only half acknowledging its importance. R, S, Y considered this to be unimportant. However, although U and V felt its importance was dependent on the type of client. Only M and O felt unequivocally of its importance in terms of achieving accountability, whilst this was strongly inferred by T.

Neither R nor Y felt this would influence forgiveness because outsourcing is considered relatively easy to do (R, page 18, Y, page 11). R (page 18) argued that despite the importance of stunning advertising, this is not always assisted by research. Y and S felt that trust replaced the need for much research, providing the agency offers reliable service and creative work (Y, page 4).

The Deputy Chairman of S was dismissive of a research culture, although admitting that it may have some importance for some clients:

“Research is predicated on a lack of belief in either your own judgements as a client or the judgement of the agency.” (S, page 19).

Both the Chair and an Account Director of S explained that clients that were concerned about cheapness or speed of production over quality would be less reliant on an intensive research culture, in which:

“ Their own judgement, their own response to an ad is all they need”, (page 20).

Both M and O, in contrast, explained the importance of an intensive research culture in affecting tolerance. Reputation for research excellence was considered important because clients are increasingly needing to justify their decisions. Many clients would be reluctant to admit its importance, but effective research is probably more important than creative quality and creative ideas that may not see the light of day (M, page 4). T argued that in presenting research to a client with a strategic direction, they were able to gain the confidence of their client and agree with the agency which they would not otherwise have done (T, page 2).

According to U (page 39), this was of moderate importance, but was influenced by the deficiencies of clients that expected their agency to do the market research.

An intensive research culture was considered important for providing the intellectual evidence to support a decision to take the heat out of a personal argument (V, page 16).

To V, the amount of research was dependent on creative demands shaped very much by the category of product. Specifically, research was considered important for many competitive

f. m. c. g. markets that require differentiation to transfer them from commodities into strong brands. For example, a strong brand of chocolate needs:

“ all your planners, you need huge amounts of research to do it because, at the end of the day, it's one of 500 products that are identical apart from the wrapper and how it's actually promoted on TV”, (V, page 18).

Perception for using proprietorial models

P, R, S, U, V, W and Y felt this to be an unimportant issue in affecting tolerance. Only N and X considered this important. Both R (page 20) and Chair of S (page 21) felt this was not important for similar reasons, in terms of delivering to a set formula, since processes tended to be similar for all agencies:

According to V (p 17), the use of proprietorial models, in terms of demonstrating process, was more important for big spenders in the city to justify their investments internally, whereas clients of the regional agencies are less interested in process and more about what they get at the end of it.

Y suggested that proprietorial models are of only marginal importance as a selling tool, as a means to an end to demonstrate how clever an agency is, but the actual models themselves are of no importance during the relationship (page 11).

However, N (page 16) felt this could help bond the client to an agency, insofar as getting the client involved with advertising models for every brand enables the client to understand what goes on behind just writing a nice ad that can add strength to the relationship. Only X (pages 11-12) suggested unequivocally that proprietorial models (such as segmentation and positioning models unique to the agency) could enhance tolerance without qualification, arguing they might put some kind of quantitative measure on the success of a campaign. Overall, most agencies felt a reputation for offering proprietorial models to be a weak issue in influencing tolerance.

Ability to deliver international campaigns of quality

According to P, R, U, S, and Y, the importance of a perception that agencies can achieve an international campaign of quality depends on type of client, and the client organisation, with some people having a need for that. The majority of agencies felt it was only important for clients with an international coverage. U (page 40) suggested local knowledge becomes more important with a greater weight of sales in export markets.

According to the Deputy Chairman of S (page 24), the value of an agency with an international association is that it indicates a size and reputation that can be impressive even for domestic clients. It enables powerful thoughts to be shared between cultures and countries, avoiding the lowest common denominator, illustrated by the Levi's brand:

"...built on the premise that every 18 year old girl putting on a pair of jeans in the world shares something at that moment that unites them", (N, page 19).

Overall, the importance of this appeared to depend on whether the client operated in foreign markets, similar to the views of many clients.

Accreditation to an independent quality standard

This was either considered impractical, scorned or dismissed by most agencies. N, O, Q, R, U, X, with V and Y suggesting it depended on the type of client or function respectively. Only L, M, and S were more positive that already had it in place, whereas W commented that only their clients thought it important. According to N:

"A complete red herring! ...It didn't take any account of the just way our business does work. It's very mechanical, very procedural and just not the way ads are made. It just added a layer of bureaucracy", (N, page 21).

The MD of O felt similarly (pages 29-30). However, the Client Services Director (CSD) at Q commented on the work processes of agencies generally:

"...But our controls and systems in making sure our client's money is spent most effectively often are a source of interest, not to mention criticism. " (CSD at Q, page 5).

R (page 25) also felt accreditation was unimportant, since client's don't care, but should do. U (page 43) felt their clients' opinions of their own high standards of service and quality were more than a substitute. U reckoned the only reason that most organisations take up ISO9000 is peer pressure.

The MD of V (page 21) felt its importance depended on size and scope of operations of the client. It was considered important for larger agencies that are actually dealing in unknown foreign markets, since it can serve as a useful benchmark of assurance.

Y felt that accreditation was not particularly important for creative work, but more so for account handling. Some agencies felt it should be important to their clients insofar as clarification of written briefs. According to M (page 6), ISO inspectors are appalled at how reluctant clients are in giving up any kind of written instruction.

L commented that they were one of only eight agencies with TQM in the UK-bearing a process description of almost everything. This was influenced by their attitude towards costing of creative output, to which they advocated fixed process costing, based on critical path analysis, in which the processes used to create particular types of ads were known (pages 9-10). Based on examining historical volumes of output, they could produce average costs per unit of creative output, despite the unpredictable swings acknowledged in terms of creative hours for achieving particular jobs. They suggested this contributed towards their typically long relationships of 7-9 years, becoming a repository of knowledge for clients with typically high staff turnovers. L remarked that agencies typically have little process or quality management procedure (L, pages 6, 10, 21-22).

Agency S (page 1) commented that offering more process inhibits creativity in agencies. Its importance depends on how procedural the client is. According to S (page 1), a very procedural business such as financial services tend to reward agencies for providing that. More newer, industries like telecommunications, the media, or retailers tend to want much less of that.

“Multinational clients tend to be more procedural because they’re trying to replicate the same process in a number of different markets around the world”, (S, page 1).

An account executive at S, (page 26) explained that these systems create more work for clients that they don’t necessarily want to get involved with. Overall, most agencies felt this issue was less relevant for them than their clients.

(Ability to offer) evidence of intensity of effort on account

The reactions by agencies to this were split. O, S, U, and Y felt it was important, whereas N and P felt it depended on the type of client, and Q, R, W, and X felt it was unimportant. O (page 28) felt this required commitment on their account.

An Account Director of S, (pages 24-25) implied this was important, on the basis of managing client perceptions of how they are treated. Despite that agency account staff are allocated to work on two or three pieces of business, individual clients expect the agency to be committed to their account one hundred percent of the time.

Y suggested that it was very important to demonstrate the agency was fully behind the account, but the way in which this is demonstrated depended on whether it was a retail account or not. Since retail accounts are hugely demanding in terms of time, with quick turnaround, it’s important that clients see that things are happening all the time. With a

traditional client there may be a long lead time up to a piece of communication, and more effort goes into strategy for branding which the client would not necessarily see (or want to see) on a day-to-day level, but would see in the results of a presentation (Y, page 14). However, it was important to keep a perspective in over-servicing that can be counter-productive. There is a danger an agency can adopt a servile attitude in their service mentality beyond what they are generally paid for and actually lose sight of what the agency is paid for (Y, page 4).

Both N and P commented that it depended on the sophistication of the client. According to N (page 20), those who feel it's important tend to be less secure, less confident and less professionally capable clients.

The MD of P commented:

"[]... if they are a very active bunch of people appearing to work long hours and all seem to be so, they kind of expect that at the agency. So we need to mirror that—it's account-handling sensitivity.... They're normally middle to lower level that expect that kind of effort. They can be throughout different sectors", (P, page 17).

Q (page 12), W (page 5), and X (page 14) felt clients were more interested in the output rather than any evidence of their intensity of effort they're achieving in terms of inputs. Similarly, R felt that intensive effort would not make clients more forgiving if something's still going wrong (R, page 21).

7.4.1 (b) Additions to the original performance variables:

The interviewing suggested that proactivity, interpretation of the brief; and empathy in changes to creative work were additional variables to supplement the original literature review.

Proactivity

Proactivity was increasingly an expectation by clients, but not always from agencies. In terms of service, it might also include pre-emptive steps to avoid problems arising (L, pages 13 and 21) such as outlining sketches to pre-empt the chances of any finished creative work being disliked (V, pages 5-6). For example, The MD of O explained:

"The most frequent need is more proactivity in their work, more 'what if? thinking', unsolicited thinking, genuine innovation and new ideas." (page 18).

Alternatively, the added value might arise from tactical approaches to the campaign or more strategically, in terms of achieving IMC. For example, Q argued the importance of delivering IMC across the different forms of communications, not just advertising. An Account Manager at U (page 3) argued that there was an increased need to offer more proactivity reflecting breadth of thinking that is required to retain clients in an ever more competitive market. This was the role of the full service ad agency over the past 5 or 6 years that had grown in to a more marketing consultant role.

Interpretation of the brief

Impressionable words extracted from the discussion, such as ‘vital’, ‘critical’ (M, page 6), and ‘key’ to the relationship were flagged as indicators that strongly inferred importance (where this was not specifically stated). The findings suggested that interpretation of briefing was considered important in influencing tolerance by all agencies that discussed it. The following comments suggest why agencies felt interpretation is so important:

First, only adequate briefing clarifies what the client wants. The brief can make both agencies and their clients more accountable, prior to any creative work done, acknowledging their client’s contribution to that process.

M, (page 6) suspected that rarely are briefing documents signed off, with many clients not approving creative briefs before the agency starts work because they fear they would be used against them, in the event of them disliking the subsequent work. Similarly, unsophisticated clients may not offer clear instructions to their agencies on the false assumption that their agency knew what they wanted. According to U, (page 8), faced with unsophisticated clients, the agency creates the brief that is then re-submitted back to the client, or the studio is hit with it to get the client's agreement to manage the problem.

V (page 5) said that contact reporting enabled the client to check whether the client interpreted the client intentions, and if necessary offered the agency evidence of a contractual obligation (structural assurances) about the client.

Second, appropriate interpretation of the briefing is also important for directing the creative decisions, being on the same wavelength that provides a means of managing expectations, outlined by P O, and Q. This can reduce the prospect of client over-expectations about the agency, such as expecting “nuclear magic wands that can solve all manor of problems”, despite the limitations in the client’s marketing (P, pages 2 and 5).

" I'm a great believer that you have your disagreements over the brief, not over the creative work", (MD of O, page 15).

Being on the same wavelength requires an avoidance of briefs that are either too prescriptive or too brief to avoid problems (Client Services Director of Q, pages 4 and 8).

Third, P illustrated the importance of the briefing, in terms of reducing creative re-work that puts pressure on the relationship, in terms of additional costs and time. There is a quality standard that the brief has to achieve before it will be accepted by the creative department to work from to ensure their productivity. However:

"If the brief is very slack, how can you expect the creative people to resolve these issues?", (MD and Group Account Director of P, page 15).

An Account Manager at U (page 10 and 18) also suggested that either misinterpretation by the client of the brief they give the agency adds to studio frustration and demotivation, that may cause re-submission of creative work. Additionally, clients may be unwilling to pay for the extra creativity, and/or blame the agency.

Fourth, client misinterpretations that waste time requiring a fast turnaround that can arouse tension in relationships:

"The briefing is often where it falls down. On many occasions you can come back with your ad and the problems begin because they [the client] didn't voice that the brief wasn't clear from their angle. They may have misunderstood the needs of their people internally", (Account Director of S, page 11).

An Account Manager at U explained that account executives need to make sound judgements about the clients' level of know-how, and sometimes adapt their resources accordingly.

Another Account Manager at U (page 10) explained how clients find it so difficult to conceptualise and provide an adequate brief. This was attributed to a lack of appreciation of visual communication, and an inability to benchmark best practice by clients outside London.

The Managing Director of V (pages 14-15) explained the response to poor briefing was partly attributable to the poor calibre of marketing staff, since senior marketing positions are often filled internally from the best sales staff, and so are unqualified in marketing. The MD also felt that the interpretation of the brief from unsophisticated clients was a bigger problem than the creative work itself, and that if Marketing Directors spent a little more time in devising a good brief, agencies would perform better for them.

Fifth, the importance of interpreting briefing can be inferred by the complexity of the process between client and agency (external briefing), and account handler and creative (internal briefing). For example, T argued that clients want to say many things about their products, so agency to identify a single point from which the creative staff can work from, and from which an execution can be sufficiently dramatised (T, pages 2-3).

Empathy to changes in creative work

N, P and U all suggested that this could have a positive effect on tolerance. N suggested that agencies who show empathy in how they respond to their clients in changes on creative work, could make a difference. According to N, (page 7), agencies are criticised for not listening, when clients feel their views are not getting as far as the creative department. According to an Account Director P, whenever changes are made, agencies should listen to their clients:

“They have got to feel part of the solution and not that they’ve been sold a solution they don’t want”, (Account Director of P, page 11).

Sensitivity to changes was linked to types of account, because in areas of high subjectivity, it is difficult to justify a viewpoint. According to the MD of P, (pages 11-12), this was particularly with business-to-business accounts because creative advice tends to be predicated more on opinions than research, so clients are justifiably more sceptical of agency advice. However, clients who call for incessant improvements and changes to keep their clients pleased can be frustrating for agencies (U, page 21).

7.4.1 (c) Performance factors supporting the literature review

Integrity of account team

All agencies asked about this (M, O, P, R, S, U, V and X) felt this to be very important, so confirming it as a critical issue. As the MD of P suggested, without integrity, the agency is just a studio supplying ads (page 14).

“If you had no integrity, the client would have no tolerance”, (MD of P, page 15).

R (page 17) thought that clients who felt their agencies were honest about their relationships would be more forgiving, especially in replying to errors, that can improve tolerance. An account executive admitted a production error to their client instead of passing on the blame to others. The client took it well. By making other people aware of the problem that has happened, clients are alerted for controlling it, (R, page 14). It would appear that transparency is vital, getting it out in the open rather than hiding it that would give credence

to the client feeling the agency is underhand (MD of V, page 7), and second to put systems in place to ensure errors are not repeated, to get the desired response from the client.

The MD elaborated that responses to errors varied amongst agencies:

"I've worked for agencies where I've been told that you do not, under any circumstances, let the client know this [a problem] has happened", (MD of V, page 8).

An Account Manager at U felt integrity was considered vital to treat an incident in isolation from a sea of consistent work (page 38). He felt that it was about giving the client what was best for them, not necessarily what they wanted to hear:

" [J... what he wants isn't always good for him, so you've got to put your argument forward in terms of what's good for his business and he will respect that most of the time".

V also felt that demonstrating openness and integrity could reduce inefficiencies in time-wasting over petty squabbles about invoices:

" I always pre-quote everything so they shouldn't get a surprise", (V, page 20).

X suggested that integrity and quality of creative work were most important for redeeming a rocky relationship (page 15). Comments from L, M, O, S, and X suggested that integrity was linked to trust. According to the Chairman of M (page 11), lack of confidence and trust in creative advice is predicated over several campaigns of hyped promises.

L suggested that the agency has a vested interest in keeping cost bases as high as possible in order to protect their earnings that were generally derived from commission. Therefore the true cost of creative output was not transparent to clients (L, pages 23-24). This is strong ammunition for those clients who believe agencies should not be trusted.

O felt this was fundamentally important, and was about conveying transparency:

"We work in an industry fogged by mistrust on the financial side, and movements towards transparency and open book accounting and access to audits is a move in the right direction." (O, page 23).

S reckoned integrity was likened as to whether the agency staff are liked.

"At our broadest level, we are offering advice. If you don't trust the person giving advice, then you're wasting your time. Your tolerance is all about trust", (S, page 16).

This lack of trust is shown by the suspicion of peers about their Marketing Directors that can be a source of frustration for agencies (pages 5-6, X).

Access to number of creative teams:

Agencies N, S, and Y considered choice to have a positive influence on client tolerance, whereas O, P, U, V, X, and W felt this depended on either the type of account or client. N (page 2) explained how switching creative teams could salvage an account with a different set of faces, when the client doesn't like the creative work produced. Choice was also linked to how agencies are remunerated, as with North American clients:

" A lot of them are remunerated on time of staff. So they want to see choice. They'll say ' I want to see 4 creative routes to this brief'.", (Account Executive of S, page 22).

An Account Director at Y (page 11) suggested that numbers may offer some importance in serving a psychological benefit of reassurance to a client, since absurd ideas are thrown out.

The number of creative teams was dependent on whether the work was routine or strategic:

"If you have a client that is developing a strategy of change, they will welcome new thinking. If you have a client who is building on a theme strategy, an evolution, that they invariably want the people who have been through the learning curve as custodians of their brand." (O, pages 26-27).

Similarly, U and V felt that different creative teams can bring in fresh perspectives for particular campaign situations, reducing the tendency of becoming stale:

"If it's a highly creative intensive account, they want to know you've got large support in different perspectives with different people working on it because creatives can have burn-outs, especially if they're working with one client for any length of time." (U, page 40).

P suggested it is dependent on the type of client rather than the campaign situation above discussed by O, U and V. P suggested experimenting with different creative teams would be expected for clients at the top end of the consumer market, and for big spending brands, but less so for business-to-business clients who might be alienated by creativity that is too close to the edge (page 16). The former groups would require a high amount of creative resource.

Likewise, the importance of access to number of creative teams could be inferred from discussion with X (page 13). Management suggested that they would involve other creative teams when a big campaign arose, but this required balancing fresh ideas with the familiarity to understand the client, business and market from the established teams.

According to W, this was important for particular client situations, although for different reasons, whether justification depends on a size of a project, whether new business, or whether new management is involved (page 5).

Number of creative proposals:

Only just over half of agencies felt this issue was important. M felt offering a series of creative proposals might reflect negatively on the relationship, whereas P, W and X felt it was important, but in a more positive direction. Many agencies (N, O, Q, U) felt its importance was dependent on the type of client. The number of creative proposals was inevitably client-driven, indicating strain in the relationship, since effort and attention had to be spread over several ideas reflecting poor briefing and lack of clarity over what is wanted:

"What we're selling is creative ideas and we are finding we are having to produce anything up to twenty proposals to get one sold, and that is a very poor strike rate (M, pages 5-6).

This was regarded as a strike rate that would not be tolerated in other businesses.

P, W, and X felt that clients would like to see a series of proposals. P argued that awkward clients often have difficulty in articulating what they want. A choice can be important to increase the likelihood they will like something. Inarticulate clients procrastinate:

" now I've seen it, I don't actually like it and now I want to tell you what I really meant in the first place'. It's like sometimes they can't articulate what they mean until they fit the words to the pictures", (P, pages 12-13).

Account Directors of N (pages 20-21), Q (page 12) and U (page 42), and the Managing Director of O (page 29) felt that the importance of offering multiple creative proposals depended on the type of client culture, in terms of matching their expectations, although a clear recommendation was often required. O (page 29) suggested that multiple proposals might offer a chance for the client to understand the way the agency thinks, in which some clients prefer to get involved in the internal process of that.

U (page 42) suggested that a series of creative proposals offers tangible evidence of time spent on an account to some clients, whereas to others that would appear that the agency could not make a decision: thus a double-edged sword.

R, S, and Y felt the number of creative proposals was unimportant. According to S and Y, it was critical that they only offered one proposal that was well thought through and appropriate for the client. This was demonstrated by involving the client so they felt part of that process by educating them in the way they [the agency] worked so that clients bought into it (Y, pages 15-16). The alternative of using the law of numbers was considered to undermine the judgement of the agency (S, page 22).

Can demonstrate stable account management

The vast majority of agencies asked about this issue (i.e., N, O, P, Q, S, T, U and W), felt it could be a critical factor in tolerance. It was inferred as important by comments examined by spokespersons for L and V. Only R and X considered it unimportant.

With respect to the Audi account held by N (page 6), stability made a large difference. Changing the personnel is often a critical part in relationships. Their client didn't perceive they were getting the respect of the best people on their business, as a priority client, which might have jeopardised the business. This was resolved by restructuring the team by one account manager, ensuring that people working in the account spent most of their time with it, with the remaining business constituting small accounts.

Sometimes you need staff turnover because clients are looking for new thinking and new people but there still needs to be a long standing custodian in there (O, page 28).

According to Account Directors of P (page 17) and Q (page 11), it was very important to ensure continuity at both the agency and client end for good rapport on a personal level, with turnover of staff affecting comfort levels, since trust has to be established again (U, pages 41-42). According to S, clients hate change and are therefore absolutely a key factor in the relationship (page 24). T also felt this to be of some importance, with W (page 5) feeling it was very important, with certain people jeopardising an account if they left, losing invaluable learning from the longer-term relationship (page 7).

L and V were not asked about stability specifically, but its importance can be inferred from general discussion as follows:

Client L (pages 17-18) suggested how stability of account management contributed to performance, affecting the relationship. Specifically, the volatility of marketing departments meant they suffered from little operational depth, in terms of understanding cause and effect. This can upset performance, adding tension and frustration to relationships.

"....the longevity of a client relationship is very much a case of the senior member of the agency getting a relationship with the senior member of the client because those senior positions are usually the most stable...", (L, page 21)

However, R (page 21) and X (page 13) felt this was unimportant. Y felt that stability of management teams was only of some importance. Spokespersons suggested this was

dependent on type of client. If the client knows the agency has the got the same quality of people across the board then the client may stick to the agency, despite constant change of personnel (Y, pages 13-14).

Keeps client regularly (or constantly) informed on account status

M, N, O, Q, R, U, W, Y all felt this was an important factor. S explained that it depended on the client culture (bureaucracy). M implied the importance of this by reference to the premium on client's time, inferring that agencies might report by exception when things go wrong. According to N, this was very important because:

"If they don't think that you're administratively good or that you're sharing information with them, then they feel out of control [] so it affects perceptions of everything else", (N, page 20).

Lack of day-to-day contact may create the perception of losing control that may be important to the client, illustrated by Abbott Mead Vickers losing the Prudential account on the basis of not returning phone calls, despite their award-winning creative work:

"The point was that the relationship was painful and Prudential weren't prepared to put up with it. That proves my point that its not [always] the quality of the work", (Client Services Director of Q, page 3).

This Director identified two types of corporate clients who might want different levels of service, in terms of being informed about their accounts. The first group involves:

"clients who produce a high volume of advertising, most notably retail advertising, who have deadlines to meet. They've got a large amount of ads to monitor [the production]. Therefore the creative process plays a relatively low level of importance in their lives. What is important is the physical production of it, on time, on budget, on quote, painlessly. [] If you're not efficient, not on the ball, then that can very easily puncture your relationship..."

The need to establish working business norms was highlighted by the second group, who might only produce an ad once a year. To make a significant contribution it was considered best to establish when they expect to see you, and under what circumstances (Client Services Director of Q, pages 2-3).

According to R, if agencies constantly contact clients then at least they feel that agencies are on top of the problem if something goes wrong. Since clients don't perfectly understand the advertising process, they feel very uneasy if they don't hear anything for a few weeks, whereas if they're constantly hearing and then something does go wrong, there's a better relationship, the client is warned, and feels more a part of it. Hence R felt that this was an

important issue (page 24). An Account Director from U suggested that the client was more likely aware of the agency's efforts if they were kept informed, illustrating its importance with reference to information required for a media schedule. If there's a delay, there's a need to manage their interpretations:

"The trick is to keep the client informed and explain why there is a delay rather than to just have a period of silence which is going to infuriate them" (U, page 4).

Speed was particularly important when responding to errors, with greater control assured when admitting errors:

"A client would rather you get in touch to let them know you're aware of these issues and explain why and reassure them it won't happen in the future", (U, page 21).

W also commented that this was an important issue on a daily basis (page 5). Y suggested this was important for keeping a client (page 15). Earlier statements made about the importance of contact reporting also supported this. Contact reports, if worked properly, are an accurate record of what's going on a piece of business for those who were not present at meetings and can be a hygiene factor if completed erratically or sporadically. (Account Director of Y, page 1).

Accountability and proven effectiveness were the part of the mission for one agency, with most clients wanting regular contact, considered good housekeeping (O, page 29). However, the Managing Director was keen to qualify this, inferring that it could work positively or negatively for some clients. O felt it was most important for bureaucratic clients, whereas self-confident clients might find it a painful irrelevance (page 29). This corroborated with S, suggesting its importance was dependent on the "type of client" (page 25), with more hierarchical clients wanting regular information because they delegate to others the management of work-in progress; whereas entrepreneurial clients are more direct. In managing the process of their clients:

"It's absolutely critical for an agency to manage and understand how the client process of business works", (S, page 25).

Perceptions of strength in strategic thinking

Virtually all agencies that were asked about this (N, O, Q, R, S, W, X and Y) believed it to be very important. However, N, P, and U felt its importance depended on the sophistication of the client. N (page 2) explained that clients valued the strength of strategic thinking differently. This could affect the relationship, with some buying into strategic analysis, whereas others would expect to tell their agencies simply what they wanted producing.

O explained that the vast majority of clients go to agencies because they want strategic thinking or because they're looking for other people to add value to their own thoughts (Group Account Director of N, page 27). There was a strong indication from R that agency shortcomings in other areas might be traded off if there was perception of strategic thinking.

The Deputy Chairman of S (pages 5 and 22) argued that the value of strategic advice was only appreciated after the first six months of a relationship and depended on type of client.

An Account Director of P (page 16) felt the calibre of their clientele discounted any value in strategic thinking, since they wouldn't understand it.

The Account Director at U (page 14) felt strategic thinking aided longevity. U viewed it as integrating different communication elements to achieve objectives. Its importance was considered dependent on the sophistication of the client.

7.4.2 The importance of advertising

The relative level of investment in the relationship.

All agencies asked about this (i.e., N, O, R, T, V, W, and X) considered it an important variable, with twice as many suggesting it would affect relationships positively than negatively. The level of investment from both agency and client sides appears to be a factor in terms of reciprocating further commitment to the relationship. According to N (page 22), a client that offers both time and open access to company information makes the job of the agency easier and can help forge trust, with the opposite leading to a more fragile relationship.

According to an Account Director, if something goes wrong with the Audi account, they work harder at it because they have 15 years invested in it, (N, page 24).

In terms of how the client reacts to an agency that has invested heavily in it, over-reaction can have a detrimental effect on how agency personnel feel they are valued, respected, and how they respond, as an Account Director at agency N (page 12) testified about a client that left scars of distrust in the relationship.

According to O:

"You can segment clients. The best clients get the best work and the best clients are those that treat the ad agency as a true business partner, investing time and money in the

relationship. Great clients make great ads. You work much harder on evaluation with clients that have a partnership", (O, page 32).

O (page 31) also explained that client investments in the agency in the relationship, such as training the agency staff in their culture, products, markets, strategies or methods of business will influence tolerance levels positively, since the better you are induced in the client's culture, the more knowledge you have of the business, the better you will perform.

T (pages 4-5), suggested clients that do not invest sufficiently in resources in marketing and advertising tend to have shorter relationships, with STR inferring lower tolerance. X felt that investment by the client would be an important issue in increasing tolerance (page 15).

However, R and V pointed to problems with significant investments. R (page 25) felt that when there's a significant amount of investment by the client in terms of educating the agency about it's brands and markets and so on, it would make clients much less willing to forgive when things go wrong, especially if they've put all their effort into making the agency understand and they've still messed up. This was particularly fraught at the beginning of a relationship, since the client has invested time and effort into developing and making agency people understand their business without necessarily having anything immediate in return (R, page 35).

The level of investment can also be related to size of agency. According to N, smaller agencies tend to take on smaller things that may not come off (page 25). When the agency's business is largely attributable to one client, (i.e. the agency has invested most of its business there), the client may act opportunistically by demanding increases in service level, more people on their account, or issue threats about account reviews (V, page 23).

W suggested that an over-reliance on one client's business could be exploited both ways:

"We get some really good praise from Dunlop all the time but we over-service them. This is because they're important to us strategically and, although we have a lot of blue chip clients, Dunlop is a more glamorous one in a brand building situation", (W, page 1).

Prior relationships with focal agency, (i.e., by at least one member of the account team)

Virtually all agencies asked about this considered it important, with N, P, and T suggesting it would increase tolerance, whilst Q and R suggested the direction of tolerance was dependent on prior quality of experiences. Only Y indicated its importance was dependent on the quality of prior relationships, with S undisclosed the direction of tolerance.

P (from additional notes) suggested it could develop rapport at the start of relationships. Both

N and P felt it has more importance at the start of relationships. T felt this could strengthen the relationship structurally, from a strict economic perspective, since the agency can become guardians of that knowledge and experience:

"One of the common themes coming through is that the agency provides a continuum in their knowledge, particularly if you've got people who have been here a long time", (Board Account Director, T, page 3).

Prior relationships also cultivate personal relationships. Specifically, T discussed the cost of severing a relationship from their client's point of view, in relation to the asset specificity of knowledge and information technology shared between the parties. This computer information involved marketing intelligence on targeting or segmentation that the agency held on a client's franchise operations. Severing the relationship requires smoothing out the overlap period so it doesn't affect the business, (Board Account Director at T, page 4).

Q, R, and Y suggested prior relationships could make a relationship stronger or weaker, depending on the prior quality and direction of previous experiences. According to an Account Directors at Q (page 10), and at R (page 31), the past history of the agency of who they've been working will lead to more client tolerance if they've experienced good relationships. They are less willing to trust in the relationships if the agency messes up.

One explanation of indulging in prior experiences was to fulfil the ego of clients:

"They want to look good amongst their peers and amongst their, you know, bosses", (R, page 31).

Y commented that an additional influence of past experiences was the importance of the person within the team. Clients might start demanding more because they have worked unsuccessfully before and require that person to prove to them that they're actually good. Previously good experiences would be a positive influence unless they are not important. If the people were unimportant, then prior relationships are probably unimportant (Y, pages 21-22).

The Deputy Chair of S also felt this to be of some importance, insofar as it makes an agency more wary (page 31), but this might be inferred as decreasing tolerance.

Actual length of client-agency relationships, and the likelihood of tolerance affected by length of relationship

Most agencies (N, R, T, U, W, and Y) suggested that duration should help to improve tolerance. Only P suggested it would reduce tolerance. S and O suggested it was unimportant.

According to N (page 24), positive experiences can add equity to the relationship. R (page 33) also felt length would improve relationships:

"...we've had some clients since then who, because they are the same personnel, we have very strong relationships with and, I would say, would be more tolerant to problems."

According to a senior planner at T (page 11), the monumental effort set by agencies in securing relationships could set a precedent for high expectations, so influencing tolerance, with more normalised productivity in the longer term. This suggests that over time, the agency is better equipped to manage client expectations that may facilitate tolerance.

U linked the importance of the relationship duration to the timing of errors:

"In the early days with a client if there is some kind of error, then it's a lot more difficult to overcome and develop the trust than if it happened later on", (Account Director of U, page 20).

For example, despite poor service by a third party supplier acting for agency U, established business norms from an eleven-year client relationship saved the business, (U, page 32).

W implied length of relationship was important for achieving continuity in client briefs (page 7). A level of continuity in briefs is presumably made more difficult if new relationships are constantly being formed, wasting client's money.

The duration enables the client to know whether the agency can deliver service and business results, providing scope for trust to develop (Y, page 4, third paragraph).

Only P suggested that tolerance would be reduced as the relationship lengthened, in line with clients raising standards over time. Longer relationships were also associated with wearout and over-familiarity (P, additional notes).

Only O and S felt length of relationship was unimportant on the strength of the relationship.

Number of alternative quality suppliers

N (top page 23), R, T, U, and V felt that fewer qualifying suppliers could have an important influence on tolerance levels, with most indicating increased tolerance and vice-versa, but P, S, and Y felt this would be unimportant.

R (page 29) felt that fewer suppliers leads to less options and more difficulties for clients.

According to a Senior Planner at T (page 11), they possibly obtain such loyal clients because they are one of only a handful (of agencies) offering full service in the city. This would suggest that perceptions of more suppliers would reduce tolerance.

According to U (page 24), the quality of suppliers can influence repeat business, since clients often like to shop around, but return after sampling elsewhere. However, suppliers were less restricted on budget considerations than previously, inferring they might become less tolerant:

“ I think a client's choice with regard to agencies is bigger than before - because agencies will travel and work to smaller budgets. To the specialist, there may be that bit more tolerance”, (U, page 44).

However, some clients feel differently about the numbers of alternative suppliers. The MD of P (page 18) remarked that there wasn't a constraint of supply, inferring this was unimportant for building tolerance. Similarly, Y (page 18) commented that advertising was in such a competitive market, this situation would never arise, dismissing it. They added they would never become complacent.

7.4.3 General beliefs about client-agency relationships

Preference for a solus agency, or roster of agencies

Although all agencies asked about this felt it to be important, agencies were split on whether a solus agency or roster of agencies would be preferred. N, P, and R suggested a roster of agencies were preferable to a more centralised approach of using one agency for everything. Q recognised that either might be preferred. Amongst the advantages of a roster included playing one agency off against another to keep agencies alert, N, (page 26), Account Director of P, (page 19). Accordingly, agencies are believed to work harder under more competitive situations (Q, pages 12-13).

R suggested that rosters enabled clients and their agencies to:

“...get fresh outlooks and talents from different agencies and different strengths and weaknesses”, (R, page 34).

In terms of using a solus agency, R (page 34) remarked there was no benefit, other than money.

However, O, T, U, and W believed that clients preferred solus accounts. The MD of O, (page 14) felt that a roster should enable you to have the best provider for each service, but could be disadvantageous, with some of their clients sharing as many as 15 agency relationships on perhaps one brand, in which integration from everyone might be sacrificed. Similarly, U (page 50) felt conflicts of interest and a lack of synergy might develop with a roster of competitive accounts, and a lack of synergy.

W suggested that a solus agency might be used due to economies of scale, or with foresight, to ensure continuity in corporate image, (page 7). This importance of integration, synergy or continuity was reflected by Q for global alignment of the IBM brand using an agency network for each country:

" The ads are more efficient and cheaper with one voice across the world", (AD of Q, page 13).

The weaknesses of the roster approach was elaborated on:

" What I don't think it does is motivates, it don't think it creates the right culture of trust and the culture of over-commitment that you can get from a hugely motivated organisation", (MD of O, page 33).

This was contrasted with a solus agency that becomes more confident, enabling it to develop the appropriate level of resource to the account, and with added security, the better they should work (O, page 32).

The need for liking agency contact personnel

All agencies that were asked about this (M, N, P, Q, S, T, U and V) felt it was important for influencing tolerance. Some agencies (e.g., M, page 9) felt that clients were reluctant to criticise individuals in agencies, and this might be related to the subjective evaluation behind personal relationships, and whether they simply like you.

The difference between kinds of clients was earmarked by N. The unpredictable over-reactions of one client (classed as a bad reaction to a small incident) had an irreversible effect on the relationship with the Account Director of N (pages 12-13) who would never trust him again, whereas other clients demonstrated they wanted a close personal relationship (N, page 15).

P remarked on how professional relationships may develop further into personal relationships that might influence tolerance (page 20). People skills were considered important for sewing

the relationship together, particularly in having the right face for selling creative work, in which an oddball acquaintance couldn't adapt to different client personalities (MD of P, pages 3-4).

Personal relationships and rapport were considered very important for tolerance (Account Director of Q, page 11 of report 1, Media Director at Q, page 1 of report 2).

V (page 4) argued that clients could sabotage business-to-business campaigns by generating no internal support from marketing or the sales force. In this regard, those clients that have an axe to grind against their agency could affect the success of advertising adversely.

S felt liking was important, but could work either way.

On a positive footing, clients that show they like the agency can help motivation and vice-versa:

"... If you get an individual client who isn't that bothered, doesn't value our contribution, that makes it difficult to produce good work at the end of it", (Account Executive of S, page 10).

On a negative footing, disliking can bring about distance.

Although agency staff are paid to be liked and like to be liked, that may lead to clients thinking that they are jointly responsible when things go wrong. This can lead to confusion over responsibilities as to who pays for what when any changes are required in communications. S was adamant that they do not pay for their client's communications, only for devising ideas on paper.

The need for liking could work in either direction. Whilst disliking may be linked to perception of poor servicing, over-liking could create inertia if a client doesn't want certain people to be taken off an account (T, pages 7-8). If this is commercially inappropriate, this could create tension between other members of the client team.

Belief in, or preferences for, long-term relationships by clients

This examines the client's preferences towards long-term relationships that implicitly can be linked to their commitment in the relationship. Although this was considered universally important, there was a distinction between agencies in how they felt about their clients' direction of tolerance on this issue. N, Q, R, and U felt that clients generally believed in being committed towards long-term relationships, whereas L, M, P, S, W, and X felt that most clients wanted short-term relationships. T, V, and W stressed that it depended on types of clients.

N likened a long-term relationship to a partnership that involved the sharing of credit and blame when things go well or badly: a cultural fit.

Growing the existing client base (associated with long-term relationships) was considered important since investment into new business was costly, with returns not immediate (Client Services Director at Q, page 2).

R felt that clients generally wanted long-term relationships as the norm, and generally held a preference for a partnership, but they pointed to exceptions provided by the existence of HHCL Brasserie. R (page 33) viewed a partnership as a relationship lasting beyond a single campaign to solve a one-off problem, with the agency jointly responsible for the success of their client's business.

Two account executives both suggested the likelihood of clients wanting a particular relationship was about 70:30 in favour of long-term relationships. They felt that clients generally preferred more of a partnership approach with their agencies to understand the culture of the client better, providing strategic advice over a longer period of time, building up brand values and so on, rather than a transactional approach towards advertising that would require continually explaining the goals and objectives of the company to new people (U, pages 49-50).

However, cynical perceptions related to harsh clients treating their agencies as suppliers instead of partnerships (Account Manager of PR at U, page 52). An agency can do little about making amends to certain types of clients who write to them, informing them they've moved agencies, when things go wrong:

It maybe part of their long term business philosophy to just keep changing their agency", (U, page 23).

Long-term relationships might also arise from client inertia and comfort. Apparently these clients were small, local, and older in age group (U, page 51).

L and the Deputy Chairman of S (page 32) felt that the industry as a whole believed in short-term relationships. L suggested there was short-termism in both the UK and US, whereas a longer-term perspective was associated with Japan (page 29). L suggested that short-termism impeded the stability required in the skills base.

Amongst the co-factors that influenced this continuity were international issues, the kinds of business engaged by clients, and continuity of management. However, only a minority of

clients believed that a long-term relationship would help reduce transaction costs (Deputy Chairman of S, page 33). In response to a question on client inertia in relationships:

“There are people who are inherently risk averse and value loyalty. There are others who are much more cavalier and much more experimental, much more willing to follow a roller-coaster”, (S, pages 33-34).

P (page 14) felt that there was much less likelihood that the agency is treated as a total business partner over the last ten years, with M (page 6) suggesting that clients are lucky if they're in a three month contract.

Although the Account Director of P (page 19) recognised that most companies that understood communications as an investment would probably say 'yes' to desiring long-term relationships (since they would know the client's market better), these clients tended to be in the minority:

An Account Director said many clients would be content to work on a project basis:

“These days there's far more short-termism. There's a definite change, with less brand-building, less big investment programmes around, and there's a lot more short-termism in terms of results”, (Account Director of P, page 19).

However, a relationship that is piecemeal is fraught with problems, since:

“You don't get good creative communicative solutions with that sort of relationship. There has to be a commitment from the client to try and understand what makes the agency tick”, (Account Director of P, pages 13-14).

The popularity of short-term, arm's length relationships was indicated by W (page 3):

“Clients mostly don't want contracts. Clients want a jobs by jobs basis of working, preferring to know what it will cost in advance.”

“Some treat you as a commodity, just as a service industry. There's no relationship at all”, (W, page 4).

Agency X blamed the short-termism of clients on the general lack of calibre of marketing staff.

A senior planner at T, (page 11) reckoned that fmcg multinationals preferred long-term relationships because they can get a strategic input without buying management consultancies, implying its importance was dependent on the type of client.

V (page 22) felt that more forward looking clients were beginning to appreciate the huge benefit in seeking long-term relationships, with the client benefiting from both the market understanding of its agency and the experience of the agency in that market. This benefit was

not only in learning the business, but in terms of cultivating personal relationships that can create high switching costs. In serving retail accounts with multiple relationships, any change may be hugely disruptive to the account handling team with all those relationships to rebuild (ibid, page 23). The importance of being a partnership was stressed (associated with a LTR) rather than a mere supplier (V, pages 1-2).

Compatible working styles

All agencies that were asked about compatible working styles (i.e., M, P, Q, S, V, X), or that could be inferred from the discussion arising from the interviews, suggested this was important. This was illustrated by an impersonal Dutch client who discouraged smalltalk, moving straight to the performance of the business. This highlighted the importance of compatible personal relationships that were difficult to develop there:

“It is a much tougher business environment in that sense and I found them much more willing to tell you exactly where you stood without even being asked”, (M, page 12).

P (pages 3-4) outlined the need for having a face that fits the client’s expectations, especially in selling the idea rather than simply creating it. Apart from adapting to different clients, there is a need to have a temperament the client feels comfortable with.

Similarly, the need to be flexible to meet the wishes of clients was discussed by the Deputy Chair of S, (pages 1-2).

This flexibility, in terms of ensuring a compatible style of working, was demonstrated by referring to particular types of clients, in which retail is fast turnaround because of the marketplace, but with a culture of expecting quick daily responses. With financial services, they have customers who don’t reaffirm their choice everyday and may have chosen for life to back institutions, so the advertising is a much more considered, slower process, (S, page 4).

In terms of developing agency skills as relationship managers, V explained it's easier to develop relationships if the politics of the client is understood, (V, page 3).

The importance of compatibility is built on expectations of what should be done. For one agency, their speed of interaction with their client was perceived as over-servicing, since they use first class postage to keep the client informed on contact points. Since second class postage had been expected, first class postage was construed as unnecessarily adding to costs, creating tension within the relationship (Managing Director of X, page 4). With respect to

interaction style, it was believed they operated at two levels, those who value strategic advice for which the agency feels part of the client's team; and those were deemed 'purely supplier accounts', production-led, that don't have the marketing expertise within their company. The MD elaborated that it included large companies, even well-known brands, where a strategic input has been turned down because they can't cope with it internally (X, pages 21-22).

Much informality within relationships

Specific questions about informality were not asked directly to several agencies in the formative interviewing because it arose from examining the narratives of formative interviews, and subsequently adding it to the repertoire of questions in later interviews. Informality is defined in terms of deriving personal relationships that need not be strictly necessary to conduct professional duties. Most agencies interpreted this as offering some kind of hospitality. All agencies that raised the issue considered it important except larger London agencies represented by O. Agencies N, Q and R suggested it could affect the relationship either positively or negatively. Several smaller agencies, P, W, and X felt it could work positively.

In relation to offering hospitality, it could be important if it was official and sincere, but clients may perceive it as an unnecessary cost, so was not actively encouraged (N, page 9):

"Less and less clients want it and I think you have to mean it", Group Account Director of N (page 8).

R also thought that informal meetings could affect the client either way. They corroborated with Q insofar as hospitality can be taken too far, too lavish (pages 26-27). According to R, some clients actually ban that sort of thing now because they all have written norms that say their employees cannot accept, or they're not allowed to accept, extras. Also, it would not fit organisations that promote an ethical stance.

P, W, and X were all believers in getting close to their clients, believing it could work positively. It was suggested that clients feel morally obliged to an agency if given hospitality and entertainment that can influence tolerance levels (Account Director of P, page 20).

X (pages 15-16) restricted their events to those that encouraged social bonding with low-cost, themed events that ran twice a year, and one-to-one social relationships to demonstrate their creativity. However the MD was quick to point out that they didn't keep business because of this (page 7).

Only O felt hospitality was now rather unimportant as a discriminating factor because everyone did it (as a norm) and what really mattered was the serious side to the business (MD of O, page 30).

7.4.4 Environmental forces

Degree of discretion offered to client in choosing how to deal with relationships

All agencies that were asked this question thought it would affect tolerance. The amount of latitude or discretion given to clients appeared to influence the speed of decision-making that may have a knock-on effect in affecting tolerance between agency and client. What both the Chairman at M and Account Director at N explained (pages 9-10) was that senior management often enter the advertising process too late. Also, according to N, senior management of the client organisations do not necessarily have sufficient confidence to judge advertising at the script or concept stage. Marketing Directors often come in at the end when money has already been spent creating the ad, only for it needing to be re-done. Since this can affect temperaments on both sides of the relationship, tolerance is likely to be affected.

Degree of discretion may also reflect lack of peer support. V suggested that when a Marketing Director does not have 100% support from their Board of Directors, there is a lot more conflict and the chances are the agency will produce worse work (V, page 19). Another situation is if the client didn't gain approval from superiors for an invoice, and are later questioned, they will blame the agency (V, page 6). X discussed the lack of trust in relation to the status of the Marketing Directors by their peers, and how this affected a client's discretion in spending:

“ They don't believe in the results it may achieve and so they won't back the Marketing Director to sanction the spend”, (X, page 5).

An Account Director at Q (page 12) argued that the client may become less tolerant with stronger directives over him, possibly arising from a change in senior management, or due to global alignment, in which decisions on whether to retain a particular agency or not is out of people's hands in the domestic country.

According to S, the importance of discretion may depend on the way the client is evaluated internally by senior managerial peers:

“Some clients know they don't have the right of hire and fire. Some clients do. [] The partners career will be measured by the success of his relationship with his agency”, (S, pages 34-35).

According to S (page 1), a multinational relationship with a client can offer an agency a safety net if they're considered to be doing alright elsewhere. This contrasted with domestic clients:

"Domestic clients can fire you straight away. So you tend to be much more sensitive to their dissatisfactions; those critical points you talk about. [] You tend to be more flexible with servicing. Therefore, the process tends to be more tailor-made to their requirements", (S, page 1).

According to R (pages 37-38), a lack of discretion would definitely make clients less tolerant if it was manifested in terms of somebody breathing down their necks.

If/ when market prospects are bleak and/or uncertain

Most agencies (N,O, P, S, T, V,W, and Y) stated explicitly this would make clients less tolerant. Only R felt it was unimportant. According to an Account Director, uncertain, recessionary markets can make clients more demanding and less tolerant.

"...the last recession saw a lot of negotiating on price and clients switching a lot of stuff they were doing themselves into the agency. So the agency took up a lot of the strain of the workload, at the same time being told they could have less money", (N, page 22).

"When clients are in difficulty, they are less tolerant. When do you get more complaints, more requests for compensation? It's when times are tough." (O, page 31).

P suggested that clients would demand better value for money constantly under such circumstances, in which clients were unlikely to accept the view from the agency that more investment is required to buck the trend (P, page 19). According to S, bleak market prospects would mean the agency's judgement might become more important, making clients less tolerant (page 30). According to W, the joint effect of cutting corners arising from cutting the advertising and promotion budget, together with the client questioning things, means that both quality and service suffer, since the agency is forever justifying things instead of focusing on what is best for the client, (W, page 6). The net effect is possibly further intolerance. V (page 19) felt uncertainties in the market would create a shorter fuse with clients, because their job was under threat, and that pressure is transferred to the way they deal with their agency. Y felt it was like a ship without a captain when there is uncertainty about the future, so clients will lean on their agencies and become intolerant (Y, page 20).

R (page 30) felt this would not make an awful lot of difference either way.

Intensity or severity of competition in the market

All agencies (M, N, P, R, S, U, and Y) that answered to this, suggested it was important, creating more intolerance. The tougher business climate of the eighties brought about by creative hot shops and the management consultancies contributed to shorter relationships (M, pages 6-7), inferring less tolerance. P and R felt this was difficult to answer but would possibly be more intolerant. P commented on the fact that everybody was in highly competitive markets these days.

Where clients felt the challenge from competitive intensity, such as BT faced with deregulation, R felt they would be they probably become more demanding through desperation of the market they're in, although some clients might feel it doesn't really matter what's going on outside (R, page 28). Y suggested that more intense competition clients would be of some importance, insofar as clients would lean on agencies more for strategic advice.

It would appear that a similar pattern of agency responses arose to that of bleak / uncertain market prospects.

Limited potential for product attracting customers

This was explained as for clients (refer to page 203).

Most agencies (R, S, W, and Y) thought it would make little or no difference to enhancing tolerance if the client was aware of limited intrinsic interest in the marketplace, despite the fact that some categories are inherently more appealing to sell. The reasoning for this was that in the client's mind the agency was the professional being paid to do a job, however difficult. According to R, (page 30), no client can observe weaknesses in their own product.

The Deputy Chairman of S (page 28), said that greater tolerance was unlikely to be given to an oligopoly because their product is difficult to differentiate. It was unlikely for breakthrough advertising that was more difficult to achieve, nor for a category considered inherently less sexy (ibid, pages 29-30). An Account Director elaborated that for declining products like Vimto, it really does depend on the advertising, with the agency under a great deal of pressure, and a client who is no more tolerant if it doesn't work (page 29).

W commented that the agency must be creative with an uninspiring product by understanding the client's business. Clients often lamented that agencies did not do this sufficiently.

Y (page 19) also felt it would make no difference if the product was intrinsically less appealing. The differentiation would need to shift from rational claims to emotional ones, and the client would expect their agency to deliver that.

However, N, P, T, and V felt it could be important, increasing intolerance. Only U felt that this would increase tolerance.

N (page 23) explained that the kind of clients who advertise ball-bearings are likely to be less imaginative, leading to more awkward relationships, whereas they have to create an emotional difference in distinguishing Levi's from just another pair of jeans.

Both P (page 19) and a senior planner at T (page 11) felt clients whose products had limited intrinsic potential would be less tolerant because their expectations would be unrealistically high, expecting the Holy Grail.

V felt that ball bearings are easy to communicate to because the suppliers will know their market well, with the narrow target audience already knowing the product benefits in business-to-business markets anyway, with clearly defined procedures for testing quality, although the information may be boring. This was contrasted to carving a usp from nothing (page 18). Additionally, clients would be less tolerant where the risks out-weighed the rewards, as in products that are difficult to differentiate (Managing Director of V, page 20).

However, one account executive from U observed the vulnerability of working on larger brands:

"It's more expected of you if you're on a higher profile. If they're looking after brand image, you've got something to damage!", (U, page 46).

General involvement with changing marketing strategies.

Agencies appeared split over this issue, with about half considering it an important issue. P, Q, and X felt this would increase intolerance, whereas S and W felt it would make little difference, whilst R, T and U felt that its importance depended upon the kind of business the client was involved in that could increase intolerance. P felt this would increase tolerance due to a greater appreciation of the value of the agency's input (P, additional notes).

An Account Director of Q believed that clients moving into new or changing strategies would make them more nervous and would be less tolerant (page 25). The Managing Director of X (page 20) suggested that they would have a problem with clients who outgrew them on this if it meant dragging them into areas outside their expertise, so this might be construed in a negative way.

W (page 6) suggested that the issue was one of belief in the agency's competence, and that instead of being edgy a client is likely to be enthusiastic in moving into new areas of business, providing it has belief in its agency.

On a personal level, R (page 32) felt it could make clients embarking on a strategy for the first time more nervous, because they would be looking after their own personal success.

With reference to a client moving into a new strategic area for the first time, the senior planner of T explained the significance of how it impacted on the core business:

"In a new strategic area, (a line extension without brand associations) the client may be more experimental since there is less to lose because its basic business is not used. If the line extension is associated with the core business, then the client will be more concerned and possibly be less tolerant", (T, page 11).

According to U, it would depend how comfortable clients were with the new task, and if under pressure, would become less tolerant. However, this would be influenced by how much reliance was placed on the agency, since extra dependence on the agency could help bonding, (U, page 48).

7.4.5 Personality factors or style within relationships

Growing pressure on client to achieve results

All nine agencies asked about this felt it was important for influencing tolerance levels. According to N, Q, S, T and U, if clients are under pressure, in terms of their own companies performance, they transfer that pressure.

L suggested the climate was tense to work under for agencies working with marketing departments that were smouldering from the last recession to improve returns on investment and achieve accountability (pages 8 and 16 of L). N explained that a good way out for a Marketing Director who's under pressure is to call a pitch. P argued that a client who has a short life needs to make things happen and is likely to overrule an agency in disagreement, only later for poor results to be thrown back at the agency (P, page 3). According to an

Account Director of Q (page 10), pressure points revolve around transition periods involving big decisions and results, such as presenting creative work, presenting the final ads, and other key moments where you're being tested. Another factor is time constraints.

The Managing Director of O considered personality differences were the biggest factor in determining tolerance levels to service quality incidents:

"It sounds a defensive point but I genuinely feel clients react differently. I think that's more important than anything else", (page 20).

An Account Director said:

" If they're under pressure to achieve goals by their boss, then it does affect tolerance, like any other business", (S, page 27).

U (page 36) concurred, suggesting it was easier to blame an outside source like the agency.

It is the combination of time pressures, personal involvement, and subjectivity that creates personal perspectives and some very bitter disputes, with enthusiasm directed either way, such as 'This is great or this is crap' with little room for a middle ground, (senior planner of T, page 8).

According to the Managing Director of W, client personality could make all the difference in how much tolerance was given to service quality issues. According to this MD, (page 5), agencies are there to make their clients look good in front of their bosses. However, he spoke about some clients who treated them as a commodity with no relationship, considered to have a definite power lust to blame the agency when things soured for which the agency couldn't help them with (ibid, page 5).

Broader experience of relationships generally

All agencies asked felt this factor was important, with L, N, O, R, S, U, V, and W suggesting that greater experience should increase tolerance. According to L and R, lack of experience can be associated with intolerance. L suggested that inexperienced staff allow themselves enough slack to think they've a new broom that can sweep clean (page 12 of transcripts). R (page 14) commented that inexperienced staff harbour unrealistic expectations that can fuel the level of intolerance in the relationship.

As long as relationships are positive, you're adding equity to it with experience (page 24). N cited their Audi client, where if something went wrong they would work harder to rectify it because of 15 years invested in it.

“Ten year's in the business would be more forgiving than someone with six months experience because they've seen it, because they've got a lot of experience, (R, page 32).

The Chair of S made a similar comment, with clients becoming more tolerant of tension points, (page 31).

V (page 21) explained how client experience linked to better briefing, to improvements in agency performance, so implicating improved tolerance.

Y commented that experience enabled clients to know their agencies better, so they tend to avoid the pitfalls that novices would encounter, and can side-step them. Also, since less-experienced clients tend to be more junior, so they may be easily embarrassed in making mistakes amongst their peers, and are more likely to hit out at their agencies and be less tolerant.

Most agencies felt client tolerance would increase with prior experience, (except for situations offered by M, U, W, T and X). M, U and W suggested the direction of tolerance depended on the type of prior experiences, the relative amount of experience, and type of client respectively, whereas T and X feel it could work in a negative direction. This bears some resemblance to the more even split in direction of tolerance shown by client views.

M commented:

“ [clients that have] failed in the agency business can be absolutely awful clients because they can be bitter, frustrated and angry. [] ...The other kind of client has never worked with an agency before, hasn't a clue what the business is about, but has absolute faith in what they're doing in buying a consultancy or professional service firm and therefore takes the advice that the agency is giving them”, (M, page 10).

U also felt that *some* experience of working with other clients would enable clients to make more realistic expectations than those with no experience of working with prior agencies (less tolerant). Inexperienced clients may have moved jobs internally and have a lack of foresight in creativity, in knowing what they want, making them difficult clients that is all too common (U, page 35). However, they felt that those that were *very* experienced of other agencies might become more demanding with higher expectations (less tolerance), possibly as their confidence grows (U, page 47).

A senior planner at T (page 11) and X (page 19) felt tolerance would decrease with experience, as clients become more confident, more discerning, and possibly more sensitive to the tricks of the trade. This was compared to existing clients who expected the agency's work to be superlative, but would rarely offer praise or gifts in recognition of their [agency's] work (pages 6-7 of X).

7.5 Analysis of initial variables that might influence client tolerance to service quality problems

Analysis of decisions based on the depth interviews involved examining the percentage of respondents acknowledging importance of each variable for both client and agency perspectives, together with the summated findings, based on variable analytic displays (Miles and Huberman, 1994). These findings were first developed for client and agency individually and subsequently summarised, shown in Table 7.6. They offer condensed evidence, based on the previous narratives. Additional support is given by the reasons (if any were offered) for supporting that importance per respondent per variable, and the strength or conviction indicated of the response (in terms of emotional language used) based on analysis of the transcripts. The richness from the previous narratives indicates that each respondent had thought about each question, providing considered responses, rather than simply agreeing with what might otherwise be considered loaded questions by virtue of asking about the importance of each variable in the questioning. Reasons supporting each response also facilitate the interpreting of the later quantitative findings of the survey. The original displays for each client and agency reported the direction of tolerance (+/-) wherever possible, although not shown in the summary (Table 7.6).

Analysis of the qualitative findings is based first on a client perspective, then an agency perspective about their clients, and then summated scores. The first two rows from Table 7.6 compare the client perceptions with those of the agency perceptions. The penultimate row of Table 7.6 provides the combined ratio or proportion of respondents who felt the variable was important for influencing tolerance from the total number of respondents asked about the variable. This is then converted into a percentage in the final row of each table.

The decision rule for retaining variables for the survey were those that scored over 50% (i.e. more than 50% of respondents considered the variable was important), with those scoring less than 50% being excluded. The scoring was dependent on the strength or conviction of replies (based on explanations for their beliefs) extracted from the transcriptions. In some cases, if the respondent qualified the level of importance according to circumstances, such as dependent on type of client or agency, this was allocated a score of one-half.

7.5.1 Performance variables

Starting with the importance of performance variables, the data from Tables 7.6a show that agency opinions are very similar to client opinions, with a few exceptions. Hence it is practical to report by exception. Where there are notable differences between clients and

agencies, agency perceptions are generally higher (with the exception of creative proposals scoring only 54% by agencies). The only performance variable derived from the literature review that scored 100% for both client and agency was professional integrity of the account team. Intuitively, this would appear central to trust that features strongly in the relationship literature. This was followed by constant information on the status of the account, strength in strategic thinking, and stability of account management (with aggregate percentages of 97%, 94% and 85% respectively).

Deletion of specific performance variables

Based on the aggregated findings (Table 7.6), Effectiveness Awards, intensive research culture, use of proprietorial models, ability to offer international campaigns of quality, accreditation to an independent quality standard, and evidence of intensity of effort on account scored $\leq 50\%$ (refer to Table 7.6) and so were subsequently eliminated as variables for further analysis.

In examining the narratives from the transcripts on these variables overall, it suggests that clients want results that cannot be compensated for by specific awards, models, and off-the-peg processes (highlighted by Effectiveness Awards, research cultures, proprietorial models, quality standards, and evidence of intensive effort). These issues may not be an appropriate means of achieving results that clients want, or may be insufficient, or even unnecessary. Whilst intensity of effort may offer proof of good intentions by an agency (contributing towards their professional integrity), this may not be guided in the right direction, or may be redundant (in the case where there is prevailing trust in the agency's competence). As one client jibed, he was not concerned whether the creative staff spent their afternoons on the golf course, providing they delivered the results. However, whilst intensity of effort was not needed, the ability to offer constant information on an account was considered important.

Table 7.6a: Summary of client and agency perceptions of importance about performance variables that might influence tolerance.

Issue	Effectiveness Awards	Intensive research culture	Use of proprietorial models	Ability to offer international campaigns	Accreditation to independent quality standard	Intensity of effort on account	Proactivity*	Interpretation of briefing*
Client ratio	4/7	4.5/9	1/6	1/5	1.5/7	4/10	5/5	4/4
Agency ratio	5/11	4/8	2.5/9	4.5/7	5/12	5/10	4/4	8/8
Aggregate ratio	9/18	8.5/17	3.5/15	5.5/12	6.5/19	9/20	9/9	12/12
Percentage	50	50	23	46	34	45	100	100

Table 7.6a (continued)

Issue	Empathy to changes in creative work*	Professional integrity of account team	Access to number of creative teams	Number of creative proposals	Stability of account management	Constant information on status of account	Strength in strategic thinking
Client ratio	3/3	8/8	5.5/9	8/9	9/10	6/6	8/8
Agency Ratio	4/4	9/9	6.5/10	6/11	10.5/13	8.5/9	9/10
Aggregate Ratio	7/7	17/17	12/19	14/20	19.5/23	14.5/15	17/18
Percentage	100	100	63	70	85	97	94

*Note. Specific questions were not generally asked about these variables, but raised from discussion, so ratios and percentages might inflate the ratio of importance, and so cannot be compared on a par with the results for the other issues. Hence there needs to be caution in interpreting the results for these specific variables.

Table 7.6b: Perceptions of importance about other variables considered to affect tolerance levels

Issue	Significant level of investment in relationship	Prior relationships with focal agency	Length of client-agency relationships	Availability of alternative quality suppliers
Client ratio	7/7	3/4	8/8	3/3
Agency ratio	7/7	6/7	7.5/9	5/8
Aggregate ratio	14/14	9/11	15.5/17	8/11
Percentage	100	82	91	73

Table 7.6c: Perceptions of importance about general client general beliefs/ preferences and personality of client in affecting tolerance

Issue	Belief in exclusivity of contracts	Belief in need of liking staff	Belief in long-term relationships	Preference for compatible working styles	Preference for informality in relationships	Pressure to get results	Broader level of experience
Client ratio	4 /9	4/5	11/11	4/4	4/5	3.5/4	7/8
Agency ratio	5/8	8/8	13/13	5/5	6/7	9/9	12/12
Aggregate ratio	9/17	12/13	24/24	9/9	10/12	12.5/14	19/20
Percentage	53% preferring exclusive contract	92	100	100	83	89	95

Table 7.6d: Perceptions of importance about environmental variables affecting tolerance

Issue	Discretion in decision-making	Uncertain/bleak market prospects	Intensity of competitive market	Limited intrinsic potential for attraction	Changing market strategies
Client ratio	7/7	7/10	2.5/4	5/10	4/6
Agency ratio	7/7	9/10	7/7	5/9	4.5/8
Aggregate ratio	14/14	16/20	9.5/11	10/19	8.5/14
Percentage	100	80	86	53	61

This might be explained by the clients' fatalistic attitude towards the inevitability of service problems on their accounts, mandating an efficient checking system. It might also convey the need to earmark signs of early volatility that could impact on the clients' business.

The ability to offer international campaigns of quality was considered important by some client organisations that could be explained by their operational coverage. Although most clients suggest this variable is unimportant, many of the respondent client organisations hold responsibility for a limited market coverage that extends little beyond the domestic market. Since it would not be a strong variable for every organisation, and the intended model of tolerance is meant to represent *general* client applicability, it was felt this variable should also be eliminated, [despite the much higher score of 64% based on agency perceptions].

Additional performance variables

A summary of the decisions made for each of the performance variables is shown in Table 7.7. Only those performance variables confirming the literature review or added from the depth interviews were used in the forthcoming survey. Since several variables of importance were discovered from the depth interviews, these are now discussed, supported by additional literature.

Since several clients and agencies used their own internal processes rather than ISO 9000, it would appear that consistent work processes are more appropriate than necessarily any external accreditation. The use of media auditing by many clients also suggested that clients preferred their own processes. Accordingly, the ability to offer consistent work processes replaced accreditation to an independent quality standard in the questionnaire.

Consistent work processes, (CWP)¹

Advertisers are in the business of presenting ideas that are predicated on information. Suppliers should adapt how they communicate to suit the cognitive styles of their clients so that they are properly understood. Without this, adequate knowledge transfer will not take place that leads to added value (Dawson, 2000: 73). This can be verified by their own quality control systems, implemented by following a set of procedures. Decisions based on following a set of procedures provides consistency that is associated with fairness (Leventhal, 1980). Suppliers should be able to adopt similar quality control systems to the

client that can potentially increase transparency and reduce transaction costs. In one respect, CWP provides evidence of reliability (popularised from the service quality literature, Parasuraman et al., 1985) that is closely associated with trust.

Table 7.7: Decisions made about each performance variable

Extracted from list of hypotheses (pages 101-104)	Variable	Decision
H1.1	Effectiveness Awards ²	Deleted
H1.2	Intensive research culture	Deleted
H1.3	Use of proprietorial models	Deleted
H1.4	Ability to deliver international campaigns of quality	Deleted
H1.5	Accreditation to an independent quality standard	Deleted
H1.6	Intensity of effort on account	Deleted
H1.7	Professional integrity	Confirmed
H1.8	Proactivity	Added
H1.9	Interpretation of briefing	Added
H1.10	Access to number of creative teams	Confirmed
H1.11	Number of creative proposals	Deleted
H1.12	Stability of key account management	Confirmed
H1.13	Consistent work processes	Added, in lieu of accreditation
H1.14	Empathy to changes in creative work	Added
H1.15	Constant information on status of account	Confirmed
H1.16	Strength in strategic thinking	Confirmed

Additionally, proactivity, interpretation of briefing, and empathy³ to changes in creative

¹ This replaced accreditation to an independent quality standard after conducting depth interviews

² Effectiveness Awards were also included in a pilot run, but were subsequently deleted.

³ N.B. Although proactivity, interpretation of briefing, and changes to creative work scored 100%, these scores were derived differently, based on inferences from transcripts rather than answers to

work were added to the survey for further analysis. Strategic information measures the strategic insight of the agency, in terms of strategic thinking, proactivity beyond client thinking, and correct interpretation of the briefing (avoiding misrepresenting the strategic intent).

Proactivity in generating new ideas

Lack of creativity and a low standard of creative work have been shown to contribute to agency switching and relationship conflict (Michell, 1984a; 1987: 30; Verbeke, 1989: 26). The ability to revive a campaign or develop fresh ideas when they are needed (in contrast to clinging to old ones, referred to as institutionalised creativity, Halinen, 1997:220). The need to avoid institutionalisation of creativity becomes more significant as the relationship lingers, with the increase in routine tasks. But creativity just doesn't happen spontaneously. To avoid institutionalised creativity, it is suggested that productivity in generating new ideas be encouraged. Proactivity in generating new ideas might be measured as an indicator of creative talent. The ability and willingness to conduct speculative work and add value to the account, *in additional ways to the client's brief and interaction* may be viewed either as an attraction factor or a hygiene factor (in its absence).

Correct Interpretation of briefing

The interviews offered explanatory support as to why briefing is a necessary but insufficient condition for effective advertising planning. Briefing is a process (the means) to assist in achieving the advertising strategy as intended. ISBA (1991) suggest that briefing should be a continuous and cumulative process, building up through all the stages of advertising planning. Ideally, briefing should be two-way, with continuous dialogue between advertiser and agency. After an initial advertiser brief, separate briefs are recommended for specialist agency groups, such as media, copy design, and research.

After an initial briefing to the agency about marketing plans, the agency will then study it. The Advertising Manager or Marketing Services Manager will then probe to clarify any queries and draw upon a programme of briefing meetings between appropriate personnel. The client should allow the agency to get to know about their business in order to develop the most effective strategy. Ideally, agency personnel should meet the sales staff of the

specific questions that is likely to inflate their importance, and so cannot be strictly compared in the same way as most other variables.

client, their distributors and customers. The agency Account Handler is normally responsible for progress control on briefing, to deliver expected work previously agreed upon within a given time. Action points on meetings are recorded and circulated to clients for discussion.

Misinterpretation of briefing might include over-briefing, over-systemised briefing, under-briefing or dogmatic briefing. In over-briefing, the frequency or extent of the demands made are over-elaborate. This can be time consuming, confusing and wasteful. In over-systematised briefing, management becomes preoccupied in rules and procedures instead of the brief being consummated as a tool to guide advertising objectives. Typically, no priorities are given to different elements. At a risk of making mistakes, bland advertising may result. Under-briefing involves the agency being deprived of the right kind of information. This may be symptomatic of an unwilling client to make available all market information. This might be at the start of a new relationship, where trust and respect has yet to be earned. However, a new agency needs as much advice as possible to become immersed in the client's problem. There is a danger that a lack of information or closed communication will offer a signal to the agency to do their own thing. The client should not encourage the agency to write the brief on their behalf. Typically, the client has less control, giving too much uncontrolled imagination to creative staff, in which thinking may not be geared along strategic lines. Briefing may be too dogmatic, such as if the client has pre-conceived ideas about what the advertising approach should be. Alternatively, the findings of background research may be interpreted too literally. Briefing should be regarded as guides-rather than rules. The most prevalent form of misinterpretation from the interviews was under-briefing, followed by dogmatic briefing.

Empathy to creative changes

This illustrates the responsiveness, or willingness to serve the client that has been popularised in the service quality literature. Geyskens and Steenkamp, (1995) discuss benevolence (the perception that partners care about each other in the relationship). This is demonstrated most visibly with response to creative changes, since creativity is often the main reason for using an agency, and creative changes periodically occur, testing the agency's patience. According to Mills, (1990), where standards of quality are difficult to establish, the *perceived intensity of effort* may be important to some clients, particularly in response to client wishes for changes, or new requests on creative work.

Another dimension of this is how creative staff are encouraged to get in to a working mood and concentrate on the client's business. The willingness shown by creative staff to accept

changes may reduce the need for conflict between the account management and client.

Access to creative teams

"Access to number of creative teams" (63%), was preferred to "number of creative proposals" (70%), since the narrative supporting either showed them to be similar concepts, with greater consistency in scores displayed between clients and agencies for "access to creative teams". It was therefore decided to restrict further analysis to "access to creative teams."

7.5.2 Importance of advertising affecting relationships

Agencies largely agreed with client perspectives that all four issues: level of investment, prior (personal) relationships, length of existing relationship, and availability of alternative suppliers, had an important influence on tolerance. However, a notable difference arose from the narratives, with fewer agencies feeling that alternative quality suppliers would have a bearing on tolerance. This can be explained by clients feelings in lack of choice due to globalisation of brands, agency and client networking, and the relative demise of full agency services, at least by most of the big London agencies. In contrast, agencies lamented on the over-supply of advertising agencies. The supply issue was dropped since it was covered by the level of competitive intensity under environmental conditions. The remaining three variables were retained for further analysis.

The interviews revealed that the level of advertising investment was complex, and could be measured in several ways. It was decided to examine the size of an agency account by billings, the proportion of business with the focal agency, and the number of brands allocated to a client's business with it.

7.5.3 General beliefs about relationships

In examining this section, (Tables 7.6c), there is a similar pattern of agreement between clients and agencies, in which most variables examined were considered important, based on aggregates ranging from 53% to 100%, with agencies tending to feel some variables were slightly more important than their clients. This may suggest that agencies adopt a slightly fatalistic attitude towards some clients who they feel do not value advertising as much as they should.

Of those variables relating to general beliefs about relationships, the need for liking of the agency contact staff and degree of informality in relationships were added to the existing variables for further analysis. Compatible working style was considered easier to interpret rather than asking about degree of cultural fit (the original label). Variables were labelled as specifically as possible, to assist in respondents interpreting them as intended.

Whereas only 80% of clients felt a need for liking staff was an important variable in influencing tolerance within the relationship, 100% of agencies felt this way. Similarly, whilst 80% of clients believed informality in relationships would be an important variable in influencing tolerance, 86% of agencies felt this way.

7.5.4 Environmental variables

In examining the data from Tables 7.6d, there is a similar pattern of responses in client and agency perceptions associated with environmental variables. However, agencies tend to feel the state of the market, and competitive forces to be more important than clients (with 90% and 100% compared to 70% and 63% respectively, (Table 7.6d). The vast majority of agencies felt their clients would react more intolerantly towards them with changing environmental conditions, in contrast to clients, whose views were more equally split. One explanation for this is that some agencies may act defensively and prefer to attribute environmental forces for their own shortcomings on performance. Agencies might then rationalise that environmental forces are beyond their control, and so no fault of the agency. From the other side of the fence, clients may not always appreciate the difficult constraints that agencies sometimes work under, and may feel that they are paid to deliver even in difficult circumstances.

For all environmental variables, the scores > 50% for both client and agency perceptions combined, and so all 5 environmental variables are retained for further analysis. The only variable that appeared questionable by significant numbers of clients and agencies was the limited intrinsic potential for attraction. All clients and agency respondents considered discretion in decision-making universally important.

Effort required in making changes to relationship

The amount of effort required in making changes to the relationship was also not specifically asked as a preliminary environmental issue in the interviewing, but apparently emerged from examining the narrative transcripts from interviews as a whole. Consequently, it was not recorded in the Table 7.6 but added to the variables in the later survey. The fact that several

clients mentioned that talking to their agencies in shorthand was an important benefit of longer term relationships, suggests that client's time is valuable, finite, and needs to be used effectively to devote their energies to those variables in the relationship that really matter to them. For example, E lamented that "[R]esponses to information required had been consistently a bit hit-and-miss." As argued by the Communications Manager for D, they didn't have six months to get a new agency up to speed, the time they reckoned for an agency to understand their business. This would suggest that tolerance may often be tongue-in-cheek, where the client has to take a step back from exploding a potentially volatile situation.

7.5.5 Personality variables

Of those variables relating to personality style within relationships, it was decided to split pressure on agencies into behaviour based on pressure to achieve results and behaviour based on past results⁴. The importance of this arose largely from the interviews and not from any literature review on client behaviour.

7.6 Summary

A study of the contact points between agencies and clients revealed that accountability, co-ordination and planning were crucial for the smooth running of the relationship. Advertising is a multistage activity requiring both management of tasks and service delivery.

The classification of critical incidents was influenced by the service quality literature. Negative incidents were classified according to core service failure (errors in technical quality), misalignment (role disputes), failed service encounters (including unresponsive management), gestalt perceptions (overall accumulated feelings), extraordinary service (intentional malpractice) and third party involvement. Classes of positive incidents were fewer, and classified according to unexpected value or service, service recovery efforts, and trust-confirming behaviour.

Response styles were examined in terms of mode of communication and seniority of personnel. The level of seniority increased with more direct forms of communication as grievances escalated in gravity.

⁴ These correspond to points 14.1-14.2 of the questionnaire

Variables that were considered important in greater than fifty percent of combined (client and agency) responses qualified for the subsequent survey. Reporting by exception, perception of (or reputation for) Effectiveness Awards, intensive research culture, use of proprietorial models, international campaigns of quality, accreditation to an independent quality standard and evidence of intensity of effort on an account were removed from subsequent analysis. Consistent work processes, proactivity, interpretation of briefing and empathy to changes in creative work were added for subsequent analysis to the original list of performance variables [with decisions summarised in Table 7.7]. The need for liking agency contact staff and degree of informality were added to the list of general beliefs about types of relationships. Effort required in making changes to the relationship was added to the list of environmental variables, whilst client pressure (treated as personality) was split according to past and future results.

Chapter 8: Quantitative analysis and findings

8.1 Introduction

This chapter discusses the research findings from RQ1-RQ3. Much of the methodological approaches leading to the findings, including their justification, are described in the appendices. Recall that three research questions were posed from chapter 1.

RQ1: What are the critical incidents in service quality encounters that affect agency relationships?

RQ2: How do critical incidents affect tolerance levels in relationships?

RQ3: Based on critical incidents what factors or variables are associated with tolerant clients?

RQ1 examines the most frequent negative and positive experiences of a relationship using critical incidents. RQ2 examines the extent to which client attitudes, voice and behaviour, including trust represent, or are associated with, responses to both negative and positive incidents within relationships. Blame, disapproval, and reduction in business are used to represent negative incidents, whilst credit, approval (praise), and additional business represent positive incidents, and trust is used to represent net incidents. These seven dependent variables are used either individually, or in combination, to form grouping variables. The grouping variables enabled clients to be 'a priori' classified according to tolerant, intermediate, or intolerant subgroups. Grouping variables in combination were based either from pair-wise dependent variables representing attitudes, voice and behaviour across both sets of incidents, or by comparing pair-wise variables with trust. Before classifying clients as tolerant or intolerant from grouping variables alone, it was necessary to examine if responses were related to the relative amount of incidents experienced. Grouping variables were divided into high, intermediate and low scoring groups and then compared across mean levels of incidents. Where scores on grouping variables were significantly associated with mean levels of incidents, they had to be accounted for.

In answering RQ2, it was found that relative amount of mean incidents experienced were significantly associated with responses to individual dependent variables, and particular combinations thereof. For these, the grouping variables were modified to account for the incidents. Accordingly, client responses were reinterpreted as either proportionate or disproportionate to their levels of incidents experienced. Clients could then be categorised as either tolerant or intolerant to disproportionate responses, with proportionate responses deemed as intermediate. These subgroups were entered into a discriminant analysis for assisting with RQ3.

To answer RQ3, after purifying the data, the qualifying independent variables from the depth interviews were entered into a stepwise discriminant analysis (SDA) with either the unmodified or modified grouping variables to reveal predictor variables of tolerant groups. The 'a priori' findings were assisted by cluster analysis, inputting dependent variables that represented each grouping variable. The SDA was screened to assess the strength of the discriminant function and the accuracy of the groups being correctly classified. Qualifying predictors of tolerant groups were content analysed for facilitating interpretation. The bulk of this chapter is concerned with RQ2 and RQ3.

8.2 RQ1: Examining patterns of incidents

In examining the incidence of critical incidents (as a proxy for their relative salience), it is possible to build a picture as to the most critical functional areas of responsibility. The first objective was to identify how the range of incidents were distributed across the functions. To achieve this, experience of incidents were ranked in order of frequency. Each type of incident was tabulated alongside their expected functional responsibility. The functional responsibility provides an insight into where advertising agency relationships may be most at threat. These details are shown in Tables 8.1 and 8.2 for the negative and positive incidents respectively. In observing the frequency distributions of negative critical incidents (Table 8.1), there are two main findings. First, only two types of incidents, briefing problems, and late delivery, occur in over half of all responses, with another five types of incidents occurring in over forty percent of cases. However, ten types of incidents occur in less than thirty percent of cases, suggesting that alternative incidents are patchier, with a set of incidents belonging to an individual client being very much contextual to relationships. This supports the rationale for examining critical incidents both qualitatively and quantitatively, restricting the quantitative analysis to overall responses about overall incidents, rather than by examining behaviour in terms of individual incidents.

Second, the majority of critical incidents that frequently occur appear to be related to the account management function, with media problems appearing infrequently, being ranked 17th-19th in decreasing order of frequency. Since effective account management function rests on ensuring a good interface with the client, it would be expected that service quality would be an important contributory factor in managing negative incidents that would influence tolerance.

Table 8.1: Rank order of negative critical incidents from CI 1 to CI 21 (n = 122)

Rank	No	Description	Count	%	Expected Functional Responsibility
1	1	Briefing problems	78	63.9	Account Management / Creative
2	8	Late delivery of work	65	53.3	Traffic
3	19	Nasty surprises in invoicing or billing	58	47.5	Account Management
4 =	2	Disappointment with creative execution/standard of finish	51	41.8	Production/Creative
4 =	15	Over-reacting to criticism	51	41.8	Account Management
6 =	6	Role incongruity over selecting creative concepts	49	40.2	Account Management / Creative
6 =	20	Questionable added value to client contribution	49	40.2	Creative
8	21	Irresponsibility in managing third party	43	35.2	Account Management /Planning
9	3	Admin errors in producing ads	40	32.8	Production
10 =	11	Failure to clarify accountability for creative changes	37	30.3	Account Management
10 =	14	Perceptions of being undervalued as a client	37	30.3	Account Management
12	5	Unnecessary costs due to overprotecting creative staff/involving re-work	32	26.2	Account Management
13	12	Failing to inform client about significant changes	30	24.6	Account Management
14	17	Late admission or non-disclosure to mistakes	26	21.3	Account Management
15	4	Technical printing errors	25	20.5	Production
16	13	Unresponsive to special requests that may embarrass client	20	16.4	Traffic
17	7	Failure to justify media spend	17	13.9	Media
18	9	Failure of notifying client about volatility of media events	12	9.8	Media
19	10	Coding errors on media	5	4.1	Media
20	16	Disloyalty between accounts	3	2.5	Account Management /Planning
21	18	Embezzlement	2	1.6	Account Management

In addressing RQ1, it would appear that major negative incidents arise from either inadequate communication issues (e.g., briefing, information flows and procedures), unacceptable perceptions of agency attitudes or behaviour (e.g., lateness, complacency, lack of accountability), conflicts on cost (either cost- or value-driven), or from breakdowns in technical functions (e.g., errors in production, printing, or media coding). Many of these

incidents are service-driven, so service quality would be expected to hold a prominent influence on tolerance. However, some are industry-specific to the advertising function, such as briefing and printing.

In observing the frequency distributions of positive incidents (Table 8.2), four types of incidents occur in about forty or more percent of cases: willingness to pay for mistakes, providing unsolicited added value, providing a continuity of quality checks on creative work, and offering service beyond the call of duty.

Table 8.2: Rank order of positive critical incidents from CI 22 to CI 30 (n = 122)

Rank	No.	Description	Count	%	Expected Functional Responsibility
1	26	Willingness to pay for mistakes	54	44.3	Account management
2	22	Provides unsolicited added value	51	41.8	Any function
3	30	Exudes confidence in quality-control of creative work	48	39.3	Creative department
4	24	Offering service beyond expectations	45	36.9	Client service/Account management
5	27	Appraised recognition of O/S creative work	39	32.0	Creative department
6	23	Willingness to play supportive role	38	31.1	Account planning
7	28	Recognition rewarded for continuity of O/S work	18	14.8	Account planning
8	29	Extends/adds business role	12	9.8	Account planning
9	25	Ensures smooth transition for new relationship	2	1.6	Client service/Account management

To some extent, they all provide one common factor: matching or exceeding client expectations. Whilst the major negative incidents are associated with account management, the major positive incidents are associated with the creative department. This would appear to accord with the industry adage that accounts are won on creativity, but lost on service.

8.3 The dependent variables

Before responding to RQ2, there is a need to describe the dependent variables, from which tolerance is derived. Three separate dimensions of tolerance were chosen and compared for both negative conditions (represented by negative incidents) and positive conditions (represented by positive incidents). These three dimensions of tolerance are attitudes

attributed to the agency, voice, and consequent behaviour. Attitudes attributed to agency refer to either blame (representing negative incidents) or credit (representing positive incidents) allocated to the agency based on its overall contribution to the business. Voice refers to how the client demonstrates its feelings to the agency (or overt feelings made known) by disapproval (negative incidents) or approval and praise (positive incidents). Behaviour is specific to the overall effect on the business, in terms of either a reduction or addition of business. This is the greatest tangible measure, and should have the greatest commercial value to agency and client organisation. These terms were discussed in chapter 2.

Dependent variables were measured from closed responses to items 2-4, 6-8, and 9 of the questionnaire, representing negative incidents, positive incidents, and overall responses respectively. Responses range from none to a total or maximum feasible amount for the first six dependent variables. Since the last dependent variable, trust, incorporates both negative and positive incidents, it is measured on a bipolar scale, from much worse to much better. The dependent variables were subjected to purification, as outlined in appendix M. To retain parsimony, these findings are reported with the independent variables in section 8.10.

8.4 RQ2: Establishing construct validity of the dependent variables with the critical incidents

To respond to RQ2, how critical incidents affect tolerance, there is a need to establish how critical incidents are associated with the dependent variables from which subgroups of respondents will be compared in making judgements about tolerance. Without accounting for critical incidents, critics might argue that responses based on dependent variables merely reflect experiences of respondents rather than the broader range of independent variables that form part of this study.

To support internal validity of the dependent variables chosen (i.e., credit, praise, additional business; and blame, disapproval, reduction in business, and trust) for the study, it is necessary to ensure that they reflect the collective experiences of critical incidents for the respondents. That is, it would be expected that *collective* experiences would be a better test of validity in comparison to examining *individual* incidents, since in the questionnaire, the dependent variables are based against overall experiences. The steps required to determine validity are shown in Figure 8.1. These include determining the collective experiences of respondents, re-categorising dependent variables into subgroups based on their scores, and comparing the mean differences in experiences between each subgroup.

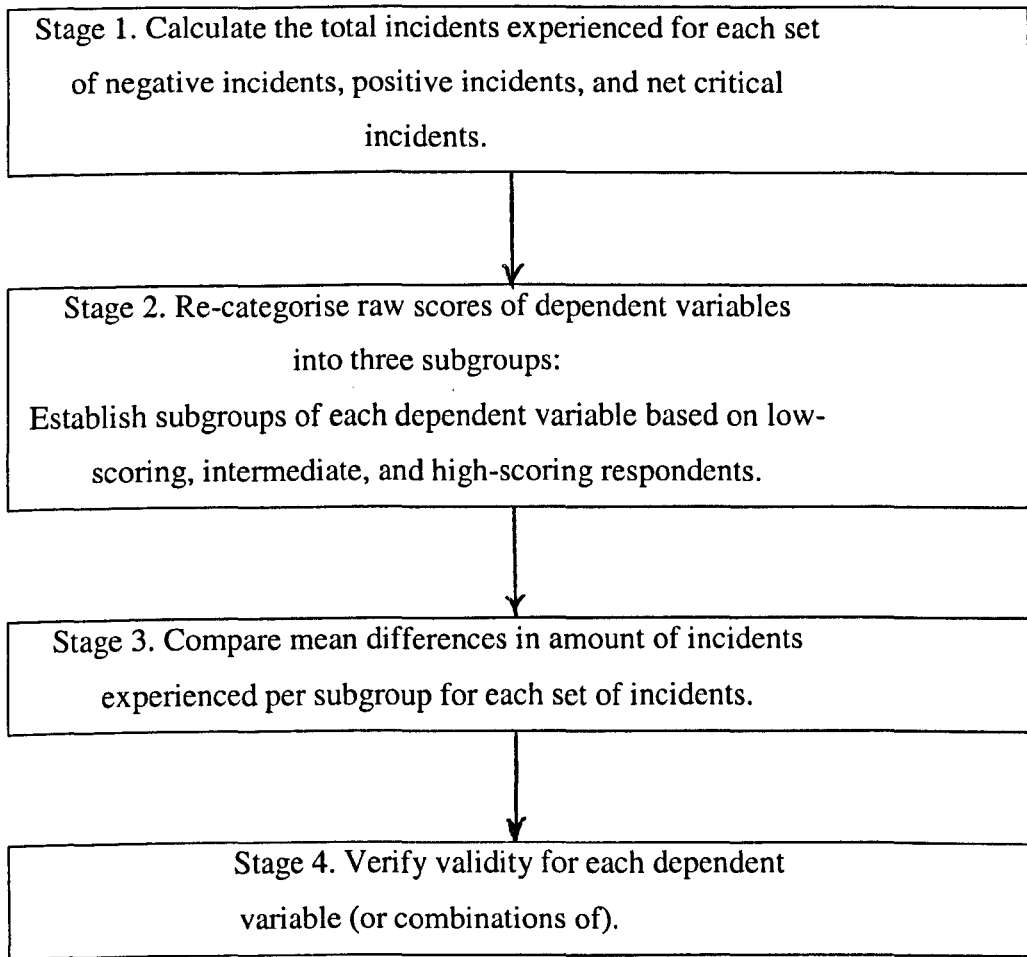


Figure 8.1: Supporting validity of the dependent variables

To determine the collective experiences of respondents (stage 1 of Figure 8.1), the variables TnegCI and TposCI, refer to the total negative and positive incidents experienced respectively. TnegCI can be computed from adding up all the negative incidents for each case (i.e., from CI 1 to CI 21). TposCI can be computed from adding up all the positive incidents for each case (i.e., from CI 22 to CI 30). NetCI refers to the net incidents arising from the combined set of negative and positive incidents. In SPSS (version 10), the count command is chosen to calculate these sums, by inserting the variables representing the appropriate critical incidents in the numeric variables box. To calculate NetCI, the compute command is used, in which $\text{NetCI} = [\text{TposCI}] - [\text{TnegCI}]$.

8.4.1. Re-categorising the raw scores of the dependent variables (stage 2 of Figure 8.1)

The number of categories to use for splitting the data was influenced by the need to have possibly three subgroups representing high-scoring, low-scoring and intermediate-scoring

subgroups. A further requirement was to ensure that there would be a fairly even loading of responses per subgroup, since low sample sizes would otherwise restrict statistical analysis and might lead to spurious conclusions. The frequency distributions of responses for each dependent variable show the overall spread of scores across the alternative responses available. SPSS version 10 offers a facility for deciding how the raw scores of data may be split into categories for each of the dependent variables by examining the overall pattern and spread of scores by using the categorisation command (Brace, Kemp and Snelgar, 2000: 139-140). By inputting 3 for the preferred number of categories (subgroups) required, scores from the original seven-interval scale for each original dependent variable were converted into a revised scale, with each score allocated to one of three new subgroups. The lowest scoring subgroup was coded 1, 2 for the intermediate scoring subgroup, and 3 for the highest scoring subgroup. This was conducted for dependent variables representing negative incidents and repeated for those representing positive incidents.

Each new variable representing the revised scale was prefixed with "nu". Hence, for negative incidents, the revised equivalent scale of the variables blame, disapproval, and reduction of business are represented by nublame, nudisapp(roval) and nureduct(ion) respectively. Similarly, for positive incidents, the revised equivalent scale of the variables credit, approval, and additional business are represented by nucredit, nuapprov(al) and nuaddit(ion) respectively. Similarly, the variable trust can also be split into 3 subgroups based on low scores, intermediate scores, and high scoring responses, referred to as nutrust. This can be achieved using the categorise command of SPSS (version 10). By requesting three categories or subgroups of trust, the distributions are equivalent to those respondents scoring < 4, = 4, and > 4 respectively.

The allocations per subgroup depend on the original labels of the scales for each dependent variable from the questionnaire, from 1 representing none to 7 representing total or maximum. (Refer to the questionnaire for the full set of labels).

To establish any relationship between the amount of incidents and the raw scores of the dependent variables, it is useful to establish suitable categories or subgroups that represent high-scoring and low-scoring respondents. If the amount of negative incidents is significantly greater with the subgroups associated with higher scores for blame, disapproval or reduction in business in comparison to the subgroups associated with lower scores, validity of the dependent variables representing negative incidents is supported. If the amount of positive incidents is significantly greater with the subgroups associated with higher scores for credit, approval, and additional business in comparison to the subgroups associated with lower

scores, validity of the dependent variables representing positive incidents is supported (stages 3-4 of Figure 8.1).

8.4.2 Data preparation for range of incidents

Recall from section 8.4 that to determine tolerance from behaviour, it is necessary to establish the impact of critical incidents. Since the number of incidents is used as an indicator of the gravity of experiences, the range of incidents is first explored. Table 8.3 shows the numbers of respondents, the range of responses (maximum and minimum), the mean scores and the standard deviations for each set of incidents. The Kolmogorov-Smirnoff Z Test Scores (1.63, $p = 0.010$, and 2.02, $p = 0.001$) suggest some departure from normality for each distribution of negative and positive incidents respectively. The KSZ Test for the distribution of the net incidents = 1.01, $p = .258$ that confirms normality. Whilst results arising from using either set of incidents alone should be treated with this reservation in mind, findings using net incidents, or both sets of incidents, appear normally distributed. From Table 8.3, it can be established that:

- (1) There is a generally greater amount of negative incidents experienced (mean = 6.0) than positive incidents (mean = 2.5), suggesting that many clients are dissatisfied with their client-agency relationships.
- (2) Client experiences varied between 0-14 negative incidents and from 0-9 positive incidents. Only 3 respondents experienced an absence of negative incidents, but 16 experienced an absence of positive incidents. With 730 negative incidents recorded (mean of 5.98 x 122 respondents) but only 307 positive incidents recorded (mean of 2.52 x 122), several respondents only experienced negative incidents.

Table 8.3: Descriptive statistics for critical incidents, with one-sample K-S-Z Test

Type of critical incidents	Numbers of respondents	Minimum	Maximum	Mean	s.d.	KSZ Test	Significance (2- tailed)
Total negative incidents	122	nil	14	5.98	3.37	1.63	.010
Total positive incidents	122	nil	9	2.52	1.87	2.02	.001
Total net incidents	122	-13	8	-3.47	3.67	1.01	.258

s.d. = standard deviation

Table 8.4 shows the frequency distributions of responses for the net critical incidents, with valid percentages for the range of incidents experienced. The greater number of negative incidents is confirmed by the mode of 5 negative incidents, -3 net incidents and 2 positive incidents experienced.

Table 8.4: Frequency distributions of amount of net incidents experienced

Net critical incidents	Frequency	Valid percentages
-13	2	1.6
-11	1	0.8
-10	5	4.1
-9	4	3.3
-8	5	4.1
-7	7	5.7
-6	8	6.6
-5	12	9.8
-4	12	9.8
-3	16	13.1
-2	15	12.3
-1	13	10.7
Nil	9	7.4
1	5	4.1
2	2	1.6
3	3	2.5
4	1	0.8
5	nil	0
6	1	0.8
7	nil	0
8	1	0.8
total	122	100

8.4.3 Re-categorising the dependent variables

Subgroups representing low, intermediate and high-scores for each dependent variable were first calculated. The allocation to the low-scoring subgroup of nublame is 38 that represents the scale labels 1-4 together, the intermediate subgroup is 59 representing the original label 5, whilst the high-scoring group is 22 representing the labels 6-7. Similar allocations to scale labels were repeated for nudisapproval and nucredit. The allocation to the low-scoring subgroup of nudisapproval is 43, the intermediate subgroup is 58, whilst the high scoring group is 16. The allocation to the low-scoring subgroup of nucredit is 53, the intermediate subgroup is 43, whilst the high scoring group is 21. The allocation to the low-scoring subgroup of nureduct(ion) is 45 that represents the scale labels 1-2 together, the intermediate subgroup is 35 representing the original labels 3-4, whilst the high-scoring group is 37 representing the labels 5-7. The allocation to the low-scoring subgroup for nuapprov(al) is 20 that represents the scale labels 1-3, the intermediate subgroup is 41 that represents the label 4, whilst the

high-scoring subgroup is 55 that represents labels 5-7. The allocation to the low-scoring subgroup for nuaddit(ional) business is 33 representing the labels 1-2, the intermediate subgroup is 47 representing the original labels 3-4, whilst the high-scoring subgroup is 37, representing labels 5-7. The frequency distributions for nutrust are similarly derived, with 50 low-scoring respondents and 45 high-scoring respondents, as shown in Table 8.5.

Table 8.5: Frequency distributions for alternative responses based on the trust variable and per subgroup using nutrust

Original Labels for Trust	Frequency	Valid %	Nutruster based on new categories (or subgroups)	Frequency	Valid %
1, Much worse	5	4.1	1	50	41.3
2, Significantly worse	21	17.4			
3, A little worse	24	19.8			
4, Neither better nor worse	26	21.5	2	26	21.5
5, A little better	24	19.8	3	45	37.2
6, Significantly better	20	6.4			
7, Much better	1	16.5			
Total	121	100		121	100
Missing -99	1			1	

8.4.4 How critical incidents are associated with the dependent variables

Independent paired t-tests were calculated to examine any significant differences in mean incidents experienced between the subgroups scoring least and highest representing each dependent variable (by inputting subgroups 1 and 3 into the programme). Appendix N show the numbers of respondents N for the lowest and highest scoring subgroups, with mean scores per subgroup for both total negative incidents, total positive critical incidents, and for net critical incidents. Also included are the mean differences, t-tests, degrees of freedom, and levels of significance produced for each set of mean differences.

Equality (or more precisely, similarity) of variance is a usual requirement of using parametric statistical tests, although an adapted t-test can be used for unequal variances. The original SPSS output provides t-tests for both equal and unequal variances, so it is important to identify when to use which. This is identified by the Levene's Test for equality of variances (Brace, et al., 2000:76). If the Levene's $p > 0.05$, then there is equality of variance, whereas if the $p < 0.05$, there is not equality of variances. For each output, equality of variances was

determined and the appropriate t-tests used, as reported in appendix N.

The findings in appendix N show that the amount of negative incidents experienced by those categories (subgroups) that score lowest on blame and reduction in business is significantly less than for those categories (subgroups) that score highest. The mean difference in negative incidents between the subgroups, based on nublame, is -2.30 , with $t = -2.39$, df of 37.45 , and $p = .022$. The mean difference in negative incidents between the sub-groups, based on the nureduct (ion) variable, is -2.47 , with $t = -3.64$, df of 66.18 , and $p = .001$. Also, the amount of positive incidents experienced is not significantly different between the same subgroups, based on responses to blame and reduction in business. The mean difference in positive incidents between the subgroups, based on nublame, is $.325$, not sufficient to show significance, with $t = .587$, df of 58 , and $p = .559$. The mean difference in positive incidents between the subgroups, based on nureduct (ion), is $.268$, not sufficient to show significance, with $t = .672$, df of 80 , $p = .503$. The mean differences in net critical incidents are also significantly different between the subgroups that score highest and lowest for both blame and reduction in business, but not significant for disapproval. The mean difference in net incidents, based on nublame, is 2.63 , with $t = 2.77$, df of 58 , $p = .007$. The mean difference in net incidents, based on nureduct (ion), is 2.74 , with $t = 3.97$, df of 80 , $p = .000$. All these results support the validity of blame and reduction in measuring what they purport to measure: the collective incidents experienced of respondents.

Although mean differences for disapproval are generally in the expected direction, they are not supported by the significance tests. Despite the subgroup scoring the most disapproval as experiencing more negative incidents than the subgroup scoring the least disapproval, the mean difference in incidents experienced is not sufficient to show significance at the 0.05 level, (with a mean difference of -1.64 , $t = -1.77$, df of 57 , and $p = 0.082$). The finding is significant at the 0.10 level, offering mild support for its validity. Whilst there are no significant differences between the subgroups representing positive incidents experienced, the validity of the variable disapproval to represent negative incidents is supported.

The amount of positive incidents experienced by those subgroups that score highest on praise (approval) and additional business are significantly more than for those subgroups that score lowest. The mean difference in positive incidents between the subgroups, based on nuapprov (al), is 1.72 , with $t = 4.67$, df of 62.88 , and $p = .000$. The mean difference in positive incidents between the subgroups, based on nuaddit (ion), is 1.92 , with $t = 4.60$, df of 52.54 , and $p = .000$. Also, the amount of negative incidents experienced is not significantly

different between the same subgroups, based on responses to approval and additional business. The mean differences in net critical incidents are also significantly different between the subgroups that score highest and lowest for both approval and additional business. The mean difference in net incidents, based on nuapproval, is 2.51, with $t = 2.50$, df of 73, $p = .015$. The mean difference in net incidents, based on nuaddit (ion), is 2.27, with $t = 2.71$, df of 68, $p = .009$. The results suggest that praise and additional business are valid constructs that purport to measure the positive incidents in the relationships.

However, in examining the variable nucredit, a significant difference was found for the amount of negative incidents experienced between the subgroups scoring highest and lowest credit, but not between the positive incidents as expected. Although the difference between the positive incidents is significant at the 0.10 level, with a mean difference of 1.12, $t = 1.91$, df of 26.96, $p = .067$, it is not a comparatively strong finding in relation to those for praise or additional business. Later, factor analysis of dependent variables reveals that credit does not comfortably fit with other dependent variables into factors. These collective findings suggest that the credit variable may only contribute marginally towards helping to understand tolerance, so analysis based on it should be treated with caution.

Appendix N also shows how the mean incidents vary between the different groups based on their reports of trust, (i.e., nutrust). The findings show that the mean number of negative incidents is significantly higher for those scoring lower on trust (at 7.06) in comparison to those scoring higher on trust (at 5.02), with $t = 2.941$, df of 93, $p = .004$. The mean number of positive incidents is significantly higher for those scoring higher on trust (at 3.38) in comparison to those scoring lower (at 1.74), with $t = -4.77$, df of 72.52, $p = .000$. The mean number of net incidents is significantly lower (at -5.32) for the low scoring subgroup in comparison to the high scoring subgroup (at -1.64), with $t = -5.07$, df of 93, $p = .000$. The results provide strong support for the collective experiences associated with the grouping variables of trust, suggesting trust is an appropriate measure of these incidents. It can be observed that even the high scoring trust subgroup experiences a net mean of incidents that are negative. This might suggest that *residual* tolerance (possibly related to overall trust) is a characteristic that can remain, despite the level of negative incidents experienced.

8.4.5 Implications of critical incidents associated with dependent variables

The findings of RQ2, based on individual dependent variables, indicate the importance of critical incidents on client responses, requiring that critical incidents are factored in when making judgements about tolerant and intolerant clients. Since the CI's are generally

associated with behaviour reflected by the dependent variables (in the direction expected), it is not sufficient to simply conclude that tolerance exists for groups that score high on dependent variables that represent positive aspects of a relationship, or for those that score low that represent negative aspects of a relationship, and vice-versa. This is because respondents scoring high on *nucredit*, *nuappro(val)* or *nuaddit(ion)*, or low on *nublame*, *nudisappro(val)* or *nureduct(ion)* *may* simply reflect a high level of positive incidents or a low level of negative incidents experienced respectively. These circumstances would merely reflect proportionate responses to their kinds of experiences. However, beyond the negative incidents experienced, there may be behaviour that shows particular resilience by clients with their incumbent agencies. Beyond the positive incidents experienced, there may be clients who are unashamedly rash in their behaviour with their agencies. With overall experiences, there will be some who are quick (or eager) to criticise and punish, but slow (or loathe) to congratulate and reward. It is these clients that are of most interest in examining tolerance.

It is insufficient to classify respondents as tolerant based on their raw scores of these dependent variables alone that otherwise may simply reflect a proportionate response to their collective incidents experienced. Therefore, it is necessary to develop approaches for identifying if their response is disproportionate to their incidents experienced. One such approach can be developed by examining the amount of incidents *relative* to their responses to the dependent variables. What is required is a procedure for deriving equivalent subgroups based on the relative amount of incidents experienced by each respondent. By developing subgroups for both the amount of negative and the amount of positive incidents experienced that are directly comparable to the subgroups representing the revised scores of dependent variables, responses can be gauged as to whether they are proportionate or disproportionate to their collective experiences of incidents. This should serve as a more accurate guide as to tolerant or intolerant behaviour because the collective incidents are then accounted for. Figure 8.2 outlines the steps involved in this procedure.

8.4.6 Developing subgroups for the relative amounts of incidents experienced.

First, respondents are classified into one of three subgroups according to the amount of incidents they have experienced. Accordingly, each of the variables *T(otal)NegCI*, *T(otal)PosCI* and *NetCI* were categorised (based on the *categorise variables* command) into one of three categories according to whether respondents experienced a low, intermediate, or high, amount of incidents. The new categorised variables are referred to as *NtnegCI*, *NtposCI*, and *NnetCI* respectively (stage 1 of Figure 8.2).

8.4.7 Procedures in cross-tabulating the data

A clearer relationship between incidents experienced and responses to different dependent variables can be determined from the cross-tabulations (stage 2 of Figure 8.2). The subgroups representing the relative scores of dependent variables were cross-tabulated with the new classifications representing the relative amount of incidents. From the cross-tabulations, those respondents that have disproportionately lower responses (whether negative or positive) relative to their experiences indicate tolerance or intolerance respectively (stages 3-4 of Figure 8.2).

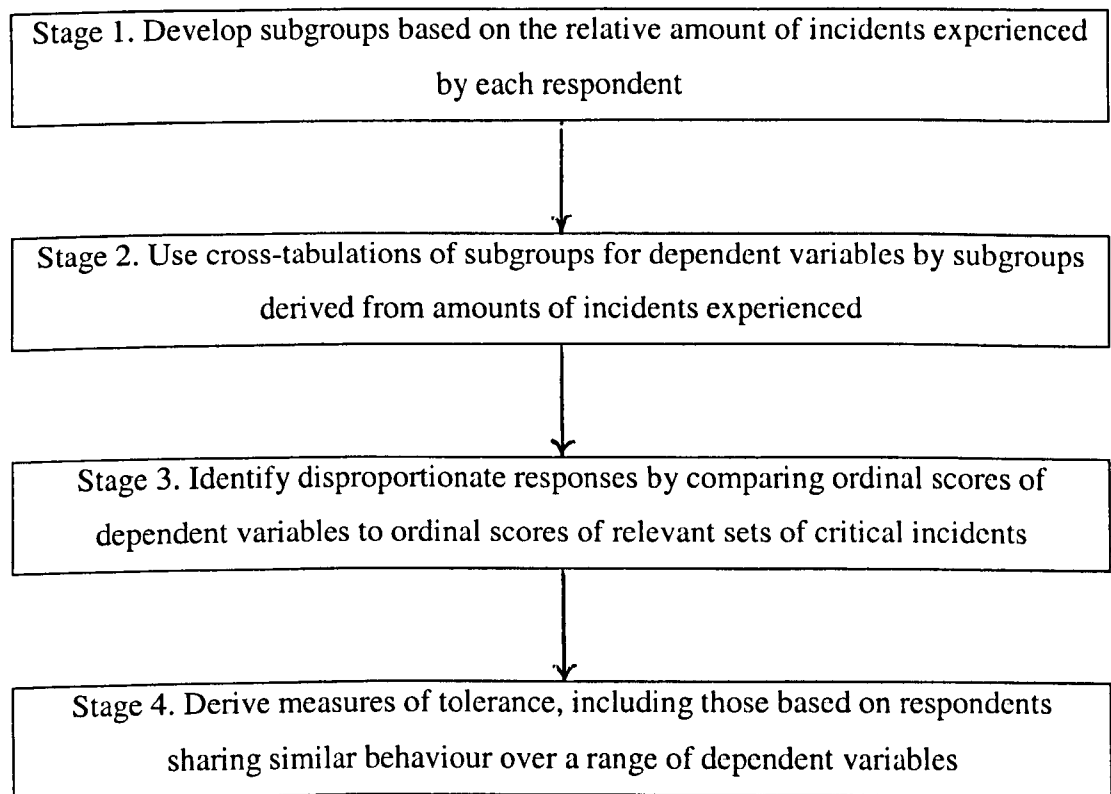


Figure 8.2: Establishing tolerant and intolerant subgroups

8.4.8 Developing subgroups for the relative amounts of incidents experienced.

The frequencies and percentages for TnegCI, TposCI and NetCI are shown in Table 8.6. How the responses were split were determined from browsing the variation in data for each variable. For NtnegCI, respondents that scored 0-4 negative incidents were allocated a code of 1, those that scored 5-7 were allocated a code of 2, and those that scored between 8-14

negative incidents allocated a code of 3. For NtposCI, respondents who scored 0-1 positive incidents were allocated a code of 1, those scoring 2 a code of 2, whilst those who scored 3 or more were allocated a code of 3. For NnetCI, for those scoring a net equivalent of between -13 to -5 incidents were allocated a code of 1, for those scoring between -4 and -2 a code of 2, and for those scoring between -1 to 8, a code of 3. As revealed in Tables 8.6a-c, each category was allocated approximately 40 respondents for each set of incidents.

Table 8.6: Frequency distributions of critical incidents experienced by subgroup

Table 8.6a: For total negative incidents experienced

Divisions for raw scores of incidents experienced using TnegCI	New category or subgroup: NtnegCI	Cases per subgroup	Valid percentages
0-4	1	46	37.7
5-7	2	39	32.0
8-14	3	37	30.3
Total		122	100

Table 8.6b: For total positive incidents experienced

Divisions for raw scores of incidents experienced using TposCI	New category or subgroup: NtposCI	Cases per subgroup	Valid percentages
0-1	1	36	29.5
2	2	34	27.9
>3	3	52	42.6
Total		122	100

Table 8.6c: For total net incidents experienced

Divisions for raw scores of incidents experienced using NetCI	New category or subgroup: NnetCI	Cases per subgroup	Valid percentages
-5 to -13	1	44	36.1
-2 to -4	2	43	35.2
-1 to 8	3	35	28.7
Total		122	100

8.4.9 Findings in cross-tabulating the data

Respondents are most likely to be tolerant when responses to blame, disapproval, or reduction in business are proportionately lower than the amount of negative incidents experienced. Cross-tabulations were computed for nublame and NtnegCI, nudisapproval and NtnegCI, and nureduction and NtnegCI, shown in Tables 8.7a-c. Tolerant respondents

would be those who score in the darker shaded top-right triangle of each table because the incidence of negative incidents experienced is disproportionately more in relation to the how they scored for blame, disapproval, or reduction in business. Responses are most likely to be intolerant when these variables score proportionately higher than the amount of negative incidents experienced, as shown by responses shown in the lighter shaded bottom-left triangle of Tables 8.7a-c. For example, in referring to Table 8.7a for nublame, the bottom left triangle shows 3 cells whose respondents share disproportionately high responses on blame relative to the amount of negative incidents they experienced. The scores are deemed higher on the basis of the ordinal ranks of subgroups, (1 representing low scores and 3 representing high scores), but not from the raw scores, since it is relative values that are being measured. By adding the shaded cells, there are (17 + 7 + 4) or 28 intolerant respondents and (12 + 7 + 19) or 38 tolerant respondents.

Respondents are more likely to be tolerant when responses to credit, approval, or additional business are proportionately higher than the amount of positive incidents experienced. Cross-tabulations were computed for nucredit and NtposCI, nuapprov(al) and NtposCI, and nuaddit(ional) and NtposCI (shown in Tables 8.7, d-f). Tolerant respondents would be those who score in the darker shaded bottom-left triangle of each table because the incidence of positive incidents experienced is disproportionately less in relation to the scores for credit, approval, or additional business. Responses are most likely to be intolerant when these variables score proportionately less than the amount of positive incidents experienced, as shown by the lighter shaded top-right triangles.

After deriving the size of respondents within each tolerant and intolerant subgroup from the cross-tabulations above, the Pearson chi-squared statistic was calculated to assess whether there is a significant difference in association between the findings for each dependent variable. These findings are also shown in Tables 8.7 a-f that largely support the earlier t-tests, insofar as credit and disapproval do not appear to be significantly associated to relative amounts of incidents experienced (with p values of .175 and .704 respectively). Generally, the Pearson chi-square tests show significance values that are less strong than the paired t-tests shown in appendix N (except for those representing approval and additional business that show very strong associations with $p = .000$). The weaker associations experienced for disapproval and reduction in business are probably accounted for by the intermediate subgroups included in the analysis. Since much stronger findings were shown by the t-tests for disapproval, in which analysis was restricted to tolerant and intolerant subgroups, the disapproval variable was retained for further analysis.

New grouping variables are produced to represent each dependent variable by adding the prefix "tol" to the old name. Following stage 3 of Figure 8.2, cases are allocated to relatively tolerant or intolerant subgroups for each dependent variable with the following decision rules:

For the variable blame:

$Nublame < NtnegCI = 1$ (tolerant subgroup, $n = 38$)
 $Nublame > NtnegCI = 2$ (intolerant subgroup, $n = 28$)
 $Nublame = NtnegCI = 3$ (intermediate subgroup, $n = 53$)

The new grouping variable is referred to as tolblame.

For the variable disapproval:

$Nudisapp < NtnegCI = 1$ (tolerant subgroup, $n = 43$)
 $Nudisapp > NtnegCI = 2$ (intolerant subgroup, $n = 30$)
 $Nudisapp = NtnegCI = 3$ (intermediate subgroup, $n = 44$).

The new grouping variable is referred to as toldisapp.

For the variable reduction in business:

$Nureduct < NtnegCI = 1$ (tolerant subgroup, $n = 36$)
 $Nureduct > NtnegCI = 2$ (intolerant subgroup, $n = 33$)
 $Nureduct = NtnegCI = 3$ (intermediate subgroup, $n = 48$).

The new grouping variable is referred to as tolreduc(tion).

For the variable credit:

$Nucredit > NtposCI = 1$ (tolerant subgroup, $n = 19$)
 $Nucredit < NtposCI = 2$ (intolerant subgroup, $n = 53$)
 $Nucredit = NtposCI = 3$ (intermediate subgroup, $n = 45$)

The new grouping variable is referred to as tolcred(it).

For the variable approval:

$Nuapprov > NtposCI = 1$ (tolerant subgroup, $n = 31$)
 $Nuapprov < NtposCI = 2$ (intolerant subgroup, $n = 24$)
 $Nuapprov = NtposCI = 3$ (intermediate subgroup, $n = 61$).

The new grouping variable is referred to as tolappro(val).

For the variable additional business:

$Nuaddit > NtposCI = 1$ (tolerant subgroup, $n = 22$)
 $Nuaddit < NtposCI = 2$ (intolerant subgroup, $n = 38$)
 $Nuaddit = NtposCI = 3$ (intermediate subgroup, $n = 57$).

The new grouping variable is referred to as toladdit(ional).

Since trust is considered to embrace both negative and positive incidents, it is appropriate to compare trust against subgroups based on the amount of net incidents experienced (rather than by distributions of either negative or positive incidents alone). Accordingly, nutrust (as trust appropriately categorised into subgroups by range of responses) were cross-tabulated by NnetCI (subgroups classified by high scoring, intermediate scoring, and low scoring net incidents experienced). From Table 8.7g, the cross-tabulations, tolerant and intolerant subgroups can be derived for the variable trust, using the following commands to select cases:

Nutrtrust > NnetCI = 1 (tolerant subgroup, n = 29)

Nutrtrust < NnetCI = 2 (intolerant subgroup, n = 28)

Nutrtrust = NnetCI = 3 (intermediate, n = 64).

The new grouping variable is referred to as toltrust.

The actual case records or respondents for each subgroup was then identified. A quick browse at the data for each dependent variable suggests that many of the respondents behave in a similar way across the measures of blame, disapproval, and reduction in business.

To recap, the formative stages of the flowchart in Figure 8.3 outline the stages completed for deriving grouping variables. Grouping variables were initially based on high-scoring and low-scoring responses for each individual dependent variable (stage 1). It was found that these subgroups showed significant differences in amounts of critical incidents experienced (stage 2). These incidents were subsequently accounted for in determining tolerant and intolerant subgroups by identifying disproportionate responses relative to the amount of incidents experienced by respondents (stage 3).

Table 8.7 (a-g): Cross-tabulations between subgroups of dependent variables and subgroups of incidents experienced

Table 8.7a: Based on nublame and NtnegCI

Variable	Sub-groups	Subgroups of TnegCI			Total	Pearson chi-square	Df	Significance (2-tailed)
		1	2	3				
Nublame	1	19	12	7	38	9.666	4	.046
	2	17	23	19	59			
	3	7	4	11	22			
Total		43	39	37	119			

Table 8.7b: Based on nudisapp and NtnegCI

Variable	Sub-groups	Subgroups of TnegCI			Total	Pearson chi-square	Df	Significance (2-tailed)
		1	2	3				
Nudisapp (roval)	1	18	14	11	43	2.174 ^a	4	.704
	2	21	19	18	58			
	3	4	5	7	16			
Total		43	38	36	117			

^a One cell (11%) has an expected count less than 5.

Table 8.7c: Based on nureduct and NtnegCI

Variable	Sub-groups	Subgroups of TnegCI			Total	Pearson chi-square	Df	Significance (2-tailed)
		1	2	3				
Nureduct (ion)	1	23	16	6	45	14.086 ^a	4	.007
	2	12	9	14	35			
	3	7	14	16	37			
Total		43	39	36	117			

Table 8.7d: Based on nucredit and NtposCI

Variable	Sub-groups	Subgroups of TposCI			Total	Pearson chi-square	Df	Significance (2-tailed)
		1	2	3				
Nucredit	1	15	15	23	53	6.339	4	.175
	2	12	16	15	43			
	3	4	3	14	21			
Total		31	34	52	117			

Table 8.7e: Based on nuapprov and NtposCI

Variable	Sub-groups	Subgroups of TposCI			Total	Pearson chi-square	Df	Significance (2-tailed)
		1	2	3				
Nuapprov (al)	1	13	4	3	20	22.383	4	.000
	2	7	17	17	41			
	3	11	13	31	55			
Total		31	34	51	116			

Table 8.7f: Based on nuaddit and NtposCI

Variable	Sub-groups	Subgroups of TposCI			Total	Pearson chi-square	Df	Significance (2-tailed)
		1	2	3				
Nuaddit (ion)	1	14	11	8	33	16.762	4	.002
	2	17	18	19	47			
	3	7	5	25	37			
Total		31	34	52	117			

Table 8.7g: Based on nutrust and net incidents (NnetCI)

Variable	Sub-groups	Subgroups of NetCI			Total	Pearson chi-square	Df	Significance (2-tailed)
		1	2	3				
Nutrust	1	29	15	6	50	24.439	4	.000
	2	8	13	7	26			
	3	9	14	22	45			
Total		44	42	35	121			

No cells have expected count less than 5 unless otherwise stated.

Key: Relatively intolerant subgroups



Key: Relatively tolerant subgroups



The resultant grouping variables for distinguishing between tolerant and intolerant subgroups were prefixed by tol. Hence the variables tolblame, toldisapp and tolreduc(tion) accounted for negative incidents, whilst tolcredit, tolapprov(al), and toladdit(ion) accounted for positive incidents and toltrust accounted for net incidents. To distinguish between respondents on the basis of independent variables, these modified grouping variables were subsequently used as inputs for a discriminant analysis (stage 4). To enrich our understanding of tolerance, further opportunities to derive subgroups are first discussed (returning to stage 1).

8.4.10 Examining critical incidents with other grouping variables: pair-wise variables and with trust

The reasoning for using *alternative* subgroups based either on pair-wise dependent variables or a revised trust scale trust is outlined in appendices O and P respectively, explaining how tolerant and intolerant groups may be alternatively derived. Independent paired t-tests were

first conducted to detect any significant differences in levels of incidents experienced for both subgroups derived from pair-wise dependent variables and the trust scale. If there are significant differences in the amounts of incidents experienced between the subgroups, then the grouping variables derived for examining tolerance were *modified (referred to as accounting for the incidents)* based on disproportionate responses to those incidents experienced. These stages follow a similar pattern to individual dependent variables for deriving tolerance as previously described (refer to Figure 8.3, stages 1-4).

The findings from RQ2 show that individual dependent variables, pair-wise variables based on credit with additional business or approval with additional business, and constructs of trust based on pair-wise variables representing attitudes or voice, needed to be modified to account for their significant association with critical incidents. These modified variables were used as grouping variables for a discriminant analysis.

However, subgroups based on pair-wise variables representing blame, disapproval, or reduction in business, credit-approval, and trust relative to additional business-reduction in business were not significantly associated with critical incidents. Consequently, these formed the basis of unmodified grouping variables that were entered directly into a discriminant analysis. Refer to stage 4 of Figure 8.3.

8.5 The hypotheses relating to RQ3

In responding to RQ3, what factors or variables are associated with tolerant clients, 32 independent variables with an additional 5 investment variables were identified from the depth discussions. The seven dependent variables used in various combinations to measure dimensions of tolerance were previously described in examining RQ2. In preparing the data for analysis, frequency distributions of all variables were calculated.

To answer RQ3 more specifically, a series of hypotheses were developed from the previous literature review, screened by the qualitative findings in the last chapter. To reiterate, clients are expected to behave as tolerant (or otherwise) depending on their level of particular competencies in agency performance (H1), their relative levels of investment in existing relationships (H2), their adoption of particular inter-organisational beliefs about relationships (H3), their experience of external environmental pressures (H4), and their feelings about how much effort (inertia factor) is required to make changes (H5). As explained in chapter 3, the

direction of each of the dependent and independent variables relating to each hypotheses could be argued either way, so two-tailed tests of significance were conducted.

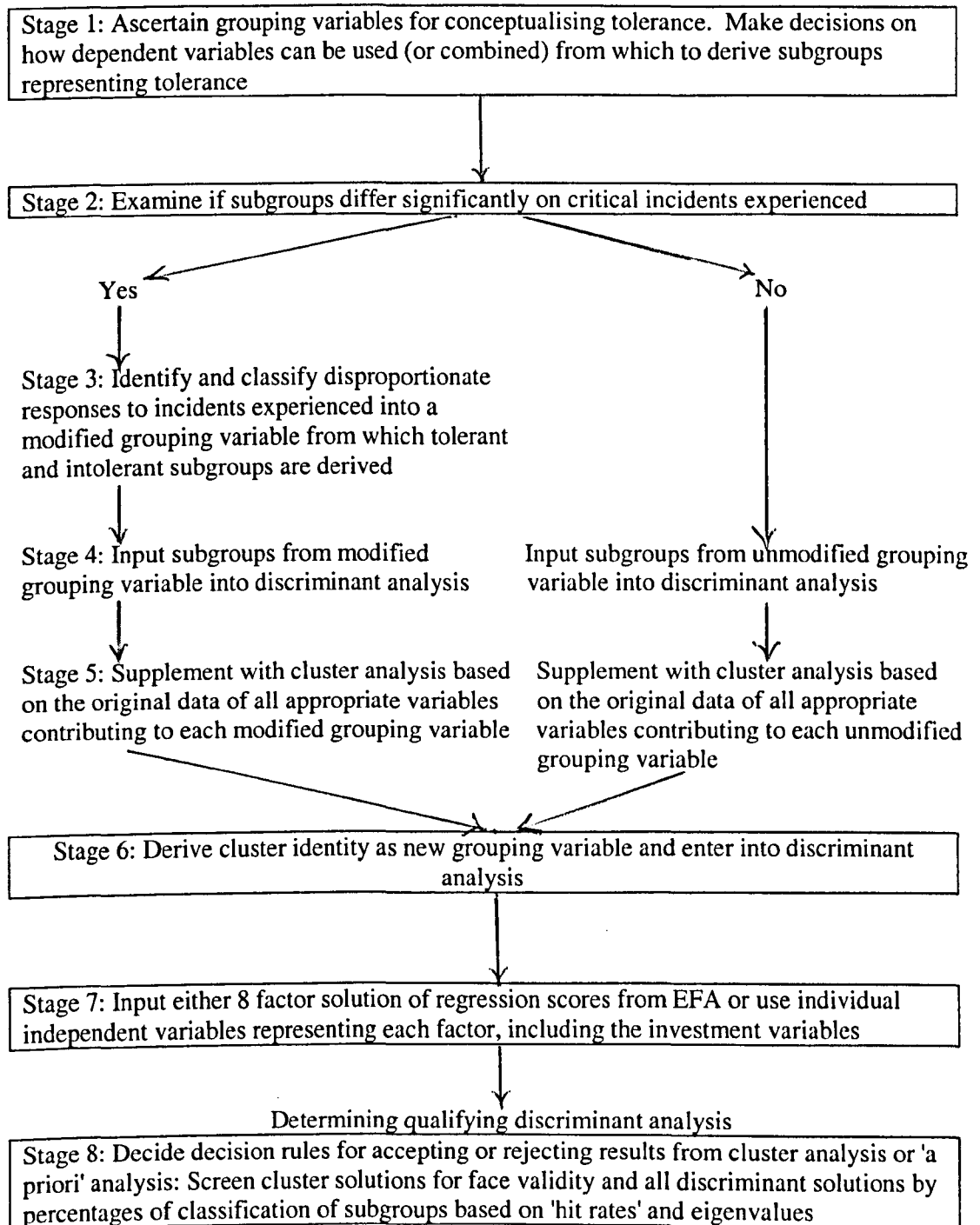


Figure 8.3: Flowchart outlining major stages of deriving grouping variables using an 'a priori' approach and cluster analysis, as inputs for a discriminant analysis

8.5.1 The specific hypotheses

Each hypothesis is based on one or more independent variables, with a source for each variable from the questionnaire described here. Questions 11-12 correspond to 9 performance variables applied to both negative and positive incidents. There are a total of 32 independent variables.

Performance factors

H1: Client tolerance is associated with agencies that demonstrate competency in performance from past exchanges (but intolerance if expectations rise, on account of experiential effects) irrespective of relationship stress. (i. e., challenged by critical incidents).

After eliminating seven performance variables from analysis of the depth interviews, nine specific competencies were retained for testing. These are integrity in offering advice, proactivity in injecting fresh ideas, correct interpretation of briefing, access to number of creative teams, stability of key account management, consistent work processes, empathy to creative changes, constant information on account status, and strength in strategic thinking. They are represented by H1.7-H1.10 and H1.12-H1.16.

H1.7: Client tolerance is associated with agencies that demonstrate integrity from past exchanges (but intolerance if expectations rise).

H1.8: Client tolerance is associated with agencies that show proactivity in injecting fresh ideas from past exchanges (but intolerance if expectations rise).

H1.9: Client tolerance is associated with agencies that perform well on correct interpretation of briefing from past exchanges (but intolerance if expectations rise).

H1.10: Client tolerance is associated with agencies that offered access to a number of creative teams from past exchanges (but intolerance if expectations rise).

H1.12: Client tolerance is associated with agencies that show a stable key account management from past exchanges (but intolerance if expectations rise).

H1.13: Client tolerance is associated with agencies that conform to consistent work processes from past exchanges (but intolerance if expectations rise).

H1.14: Client tolerance is associated with agencies that show empathy to creative changes from past exchanges (but intolerance if expectations rise).

H1.15: Client tolerance is associated with agencies that provide constant information on account status from past exchanges (but intolerance if expectations rise).

H1.16: Client tolerance is associated with agencies that demonstrate strength in strategic thinking from past exchanges (but intolerance if expectations rise).

Investments

H2: Clients who are heavily invested in existing relationships are more likely to exert efforts to show tolerance (but intolerance if expectations rise with committed investments).

These relate to the investment variables of transaction-specific (TSI) assets and importance of advertising in the relationship. TSI is indicated by experience in agency-client relationships (questions 18-19 of the questionnaire). The agency's importance to the client's business is based on size of account (annual account billings), its proportion of the total client business, and its role in brand exposure, or assignment of brands to agency (from questions 16-17 and 20 of the questionnaire).

H2.1: Clients who are more experienced in existing relationships are more likely to exert efforts to show tolerance (but intolerance if expectations rise with committed investments).

H2.2: Clients who have important accounts in existing relationships are more likely to exert efforts to show tolerance (but intolerance if expectations rise with committed investments).

General beliefs about relationships

H3: Clients that adopt specific beliefs about their inter-organisational relationships will be associated with norms of equity (inequity), leading to tolerance (intolerance).

The 5 beliefs tested (question 15 of the questionnaire) relate to business allocation practices, need for likeability, preference for long-term relationships, compatible working style, and degree of informality in relationships.

H3.1: Clients who believe in solus agencies will be associated with norms of equity (inequity), leading to tolerance (intolerance).

H3.2: Clients who believe in the need for their agencies to be liked will be associated with norms of equity (inequity), leading to tolerance (intolerance).

H3.3: Clients who believe in long-term relationships will be associated with norms of equity (inequity), leading to tolerance (intolerance).

H3.4: Clients who believe in compatible working styles will be associated with norms of equity (inequity), leading to tolerance (intolerance).

H3.5: Clients who believe in informality in relationships will be associated with norms of equity (inequity), leading to tolerance (intolerance).

Environmental factors

H4: Environmental factors may alter client needs, devaluing (or improving) the exchange, leading to intolerance, (or tolerance).

There are 6 environmental variables based on question 13 of the questionnaire.

H4.1: Bleak market prospects leading to devalued (improved) exchange leads to client intolerance (tolerance).

H4.2: Severity of client competition leading to devalued (improved) exchange leads to client intolerance (tolerance).

H4.3: Clients whose products offer limited propensity for intrinsic attraction may show more intolerance (tolerance).

H4.4: Clients faced changing, unfamiliar strategies will increase their need for reciprocal effort (familiarity) in exchange as clients become more anxious (or co-operative) implicating more intolerance (tolerance) with existing relationships.

Internal environmental factors

H5: Relationship value is predicated on a reciprocity of norms (of fairness) based on how work is allocated and responsibilities shared that is influenced by not only discretion granted but effort expended.

H5.1: If clients have maximum (minimum) discretion in the governance of their agencies, norms of fairness prevail (are breached), leading to tolerance (intolerance).

H5.2: If client effort is matched (unreciprocated) by the agency, norms of fairness will prevail (are breached), leading to tolerance (intolerance).

Personal variables

H6: If pressure is unattributable (attributable) to the agency, clients will refrain (transfer) that pressure to their agencies, reflecting tolerance (intolerance).

There are three personal variables, based on question 14 of the questionnaire.

H6.1: If pressure based on future results is unattributable (attributable) to the agency, clients will refrain (transfer) that pressure to their agencies, reflecting tolerance (intolerance).

H6.2: If pressure from past results is unattributable (attributable) to the agency, clients will refrain (transfer) that pressure to their agencies, reflecting tolerance (intolerance).

H6.3: With broader experience, clients react more tolerantly (intolerantly) toward critical incidents.

8.6 Preparation for data analysis

The variables testing each hypothesis were first prepared for data analysis using standard descriptive statistics and purified, using tests of normality and factor analysis. Details are explained by appendices M and Q respectively.

8.7 Factor analysis

Exploratory factor analysis (EFA) using principal components analysis and varimax rotation was used on both the 7 dependent variables and the 32 independent variables to identify the variables belonging to each major factor. Since the investment data was initially collected as ratio scores compared to seven-point likert scales for the 32 independent variables, the factor analysis was not practical for the 'investment variables' (Kline, 1994). The sequence of stages in purifying the data is explained in appendix Q.

8.8 Cluster analysis for determining tolerant and intolerant subgroups

Cluster analysis was an alternative approach to the decision rules used under the 'a priori' approach to derive tolerant and intolerant subgroups, explained in appendix R. The procedures follow stages 5-6 of Figure 8.3.

8.9 Using discriminant analysis

Stepwise discriminant analysis (SDA) was then used to decide which factors or variables were most likely to distinguish between the different subgroups that acted as the grouping variable. The discriminant function was used to ascertain category membership by identifying the greatest differences between the subgroups. Detailed procedures used for deciding effective discriminant functions, the relative importance given to qualifying variables, and how the variables were screened for multicollinearity, outliers, and violations of linearity are outlined in appendix S.

8.9.1 Inputting the data

To conduct SDA, the individual variables representing the final factor solution, together with five investment variables were inputted to represent the independent variables, less variables that displayed any multicollinearity. The above procedure was repeated with the regression scores retained for each factor (1 to 8) from the EFA for the trust variable only (stage 7, Figure 8.3). Regression analysis showed that trust has the best relationship with the independent variables. The grouping variables representing the dependent variables were either based on the 'a priori' approach or cluster analysis as previously described. Where two-group solutions were superior (based on qualifying discriminant analyses), these were tabulated in preference to three-group solutions incorporating an intermediate group. Common indices of tolerance were also derived from evaluating consistency across

responses, but these grouping variables are not reported in the SDA due to insufficient sample sizes (described in appendix T).

8.9.2 Screening the SDA

Several procedures were used for screening the findings derived from the output of the discriminant analysis. As advised by Aaker, Kumar and Day (1995), rejecting the DA was made when either the proportional chance criterion (PCC), the maximum chance criterion (MCC), or both, exceed the hit rate, having cross-validated the percentage of cases for correct classification. A further check was to identify any strong test statistics (e.g., lambdas of about 0.7 or below, and eigenvalues generally about 0.4 or above). Another factor was to consider the screening qualifications together for considering acceptance of marginal indicators on one criterion. The hit rate in absolute terms was also considered. When the hit rate is below 70%, the hit rate must be equal to, or an improvement on, both the PCC and MCC of up to 20% for it to be considered a marginal decision, in which only reasonably strong eigenvalues ≥ 0.20 (preferably ≥ 0.40) were then accepted. If the hit rate exceeded both indicators of importance, the corresponding discriminant analysis was accepted, and referred to as qualifying.

Where the 'a priori' approach and the cluster analysis both yield qualifying discriminatory analysis that represent correspondingly similar combinations of dependent variables, the solution with the best hit rate was selected. Where DA leads to more predictable cases belonging to cluster analysis in comparison to the 'a priori' approach, cluster solutions were chosen in preference, and vice-versa (stage 8 of Figure 8.3). From the *qualifying* discriminant analyses, the relative importance of the variables in discriminating between the groups is then examined and reported.

Marginal decisions reported are discretionary. In the interests of parsimony, they were considered useful only in the event of no discernible acceptable solutions representing each grouping variable and where the hit rates were well above 50%.

Qualifying cluster solutions were subjected to verifying the cluster centres for face validity. This involved ensuring each appeared compatible, if not similar to, the decisions used for deriving the 'a priori' solutions. The final cluster centres are used for deciding which of the clusters (C1 to C3) from any qualifying cluster solution should represent tolerant, intolerant and intermediate subgroups. The variables representing the cluster centres are compared in both absolute and relative terms to the decision rules used for the 'a priori' approach. If the

subgroups cannot be ascertained from the final cluster centres, the corresponding 'a priori' solution is chosen over its cluster alternative.

8.10 Summary statistics

First, only the general patterns of variables are described here to preserve parsimony of analysis. The pattern of investment variables are first described, derived from the frequency distributions. After having examined the spread and frequencies of raw data, responses about general experience (question 18) and specific experience (question 19) were subsequently re-coded from ratio-scale responses in to one of four categories on an interval scale. The newly coded variables (Table 8.8) were prefixed by the word *new*, (abbreviated as *newg.exp* and *newspece* respectively) as follows:

Table 8.8: Re-coding for experience variables

<u>Value Label</u>	<u>Newg.exp</u>	<u>Newspece</u>
1	1-4 years	0-1 years
2	4.1-8 years	1.1-2 years
3	8.1-12 years	2.1-3 years
4	12.1-30 years	> 3 years

Questions 16, 17 and 20 were designed to collect interval scale data of 5 or 4 response categories. The categories were decided after an examination of spread of responses from the pilot, to ensure that there would be a minimum response size for each category that would have been difficult to forecast prior to the responses. Additionally, to ensure consistency in direction and facilitate comparisons with other variables the original scale of question 20 (brand exposure) was reverse scored and referred to as *newbrand exposure*, with increasing scores indicating greater brand exposure.

The most common size of agency was with billings between £1-5 million, representing 38% of the sample. Additionally, it was common practice to assign much advertising business through a main or chief agency, with just over 40% of clients claiming their agencies represented over three-quarters of their advertising business. This might reflect a need for integrated communications, with clients feeling this is best served by using one main agency, with fewer smaller agencies. This appears supported by 52 % of clients claiming their agency was used for all their brands, with many of the client respondents involved with several brands in their respective organisations. The level of respondent experience within relationships generally ranged from 1 to 30 years, with up to 25 years for a single agency.

Specific experience of particular respondents to a relationship is a reasonable proxy for longevity since clients may move jobs, they tend to move less frequently than agency staff. The greatest number, 29% of respondents, stay in a specific relationship over 3 years, but a similar number (28%) only stay between 1.1-2 years.

The K-S-Z Test showed significance below the threshold of 0.05 for all variables, revealing some departure from normality, necessitating further examination. Due to the numbers of dependent and independent variables in this study, space precludes the reporting of every single test for each variable. In lieu of this, the general patterns of data were observed from the frequency tables that, despite showing some skewing from the centre, retained a general bell shaped pattern with obvious tails to both sides for most variables. The skew for the performance variables under positive incidents tends to shift towards the right in the direction expected. The normal plots for the vast majority of variables revealed clustering of points along a straight line, providing evidence of approximate normality. Examples of probability plots for the dependent variables are shown in appendix U. These findings do not preclude further statistical testing. Tests of means (such as t-tests) and other multivariate tests such as regression are considered highly robust, providing the data are not highly non-normal (Box, 1979, Hedderson and Fisher, 1993). Specifically, for larger data sets ($N > 40$), the central limit theorem suggests that valid results can be produced even from violations of normality.

Further summary statistics of the raw data was examined. Tables 8.9a-b reveal the means, the standard deviation, and the extreme values for each dependent and independent variable respectively. The maximum missing values for any variable was about 8% of the respondents. These missing values account for the variation in sample sizes between many of the variables. Table 8.9c shows similar output for the 5 investment variables.

Table 8.9a: Descriptive statistics of dependent variables

Dependent variable	N	Mean	Standard deviation	Minimum	Maximum
Blame agency	119	4.6639	1.1068	1.00	7.00
Disapproval	117	4.5556	1.0459	2.00	7.00
Reduce business	117	3.4530	1.7592	1.00	7.00
Credit agency	117	4.5983	1.0344	1.00	7.00
Praise	116	4.3276	0.9937	1.00	7.00
Additional business	117	3.5726	1.6469	1.00	7.00
Trust	121	3.8843	1.4843	1.00	7.00

Table 8.9b: Descriptive statistics of independent variables

Independent variables	N	Mean	Std. Deviation	Minimum	Maximum
Integrity / negative incidents	118	4.3729	1.4008	1.00	7.00
proactive with ideas / negative incidents	117	4.0342	1.3641	1.00	7.00
interpreting briefing / negative incidents	116	3.9914	1.4536	1.00	7.00
access to number of creative teams / negative incidents	116	3.5517	1.5399	1.00	7.00
stability of key account management / negative incidents	118	4.3644	1.6417	1.00	7.00
consistent work processes/ negative incidents	114	4.1053	1.3785	1.00	7.00
empathy to creative changes /negative incidents	118	3.7712	1.3738	1.00	6.00
constantly inform on account status / negative incidents	118	3.9661	1.5017	1.00	7.00
strength in strategic thinking / negative incidents	116	4.1293	1.6072	1.00	7.00
Integrity / positive incidents	117	5.0855	1.2496	1.00	7.00
proactive with ideas/positive incidents	117	4.7521	1.3890	1.00	7.00
Interpreting briefing / positive incidents	114	5.0088	1.1936	1.00	7.00
access to number of creative teams / positive incidents	114	4.1930	1.4566	1.00	7.00
stability of key account management / positive incidents	115	4.8957	1.4592	1.00	7.00
consistent work processes / positive incidents	112	4.7679	1.3219	1.00	7.00
empathy to creative changes / positive incidents	116	4.6983	1.2387	1.00	7.00
constantly inform on account status / positive incidents	116	4.7328	1.4103	1.00	7.00
strength in strategic thinking / positive incidents	115	4.8000	1.5401	1.00	7.00

Table 8.9b: Descriptive statistics of independent variables (continued)

Independent variables	N	Mean	Std. Deviation	Minimum	Maximum
discretion	119	4.8571	1.4159	1.00	7.00
(neweffort*) effort in making changes	119	4.6218	1.3403	1.00	7.00
(newbleakness*) general bleak market prospects	120	2.9333	1.5379	1.00	7.00
(newseverity*) general severity of competition	120	4.9750	1.6060	1.00	7.00
(newlimit*) limited product attraction	118	2.9322	1.5006	1.00	7.00
(newchange*) general strategic changes	120	5.1083	1.3707	2.00	7.00

*the environmental variables were reverse scored, indicated by the prefix 'new'

Table 8.9b: Descriptive statistics of independent variables (continued)

Independent variables	N	Mean	Std. Deviation	Minimum	Maximum
when growing pressure to achieve results	121	3.4380	1.4017	1.00	7.00
when pressure from disappointing results	117	3.2735	1.2569	1.00	7.00
breadth of experience	120	4.6750	1.1461	2.00	7.00

Table 8.9b: Descriptive statistics of independent variables

Independent variables	N	Mean	Std. Deviation	Minimum	Maximum
preference for solus accounts	121	4.6860	1.6585	1.00	7.00
belief in need for liking staff	121	5.6694	1.0197	2.00	7.00
preference for long-term relationships	121	5.6694	0.9949	3.00	7.00
belief in compatible working style	121	5.6281	1.1190	1.00	7.00
preference for informality	121	5.1074	1.2767	1.00	7.00

Table 8.9c: Descriptive statistics of investment variables

Investment variables	N	Mean	Std. Deviation	Minimum	Maximum
account size (billings 1997/8)	120	3.0000	1.2768	1.00	5.00
agency proportion of total business	116	2.8621	1.1104	1.00	4.00
new general experience Ψ	119	8.29	6.36	1.00	30.00
new special experience Ψ	119	3.20	3.03	1.00	25.00
new brand exposure	119	3.3950	.7037	2.00	4.00

Ψ actual raw scores entered here to derive precise means in years rather than based on the recorded interval scores for these two variables. The remaining variables relate to interval data due to the way the data were collected.

8.11 Results of factor analysis

For each factor analysis, descriptive statistics (means, standard deviation, and case numbers), correlation matrices, the rotated component matrix, the total variance explained, the component transformation matrix, and reproduced correlations were reported. Reliability analysis was then applied. (Refer to appendix V for details).

Alpha analysis of independent variables

Reliability scores, based on Cronbach alphas, supported the allocation of variables to the components 1-6 indicated by exploratory factor analysis. However, the alpha scores and standardised item alphas revealed that components 7-9 were problematical, with alpha values of .4256, .4741 and -.2943 respectively. The item-to total correlations and alphas upon subsequent deletion of each variable lead to dropping the six variables representing components 7-9 since they appeared a very poor indicator of internal consistency. Refer to appendix V for the details leading to the final factor solution below. The six variables represent hypotheses H3.1 (preferences or beliefs in solus agencies), H3.5 (informality), H5.1 (discretion), H6.1 (pressure from disappointing results), H6.2 (pressure to achieve results), and H6.3 (breadth of experience).

Final factor solution

Collectively, the data was purified to finally 26 independent variables for further analysis. After removing the variables representing components 7-9, the remaining 26 independent variables were subjected to another principal components analysis with varimax rotation. Interestingly, a factor analysis using PCA with oblimin rotation yielded similar results, with variables loading similarly with each other. In the revised varimax solution, the variance explained increased from 69 % to 73% with just 8 components, an improved factor solution. The variance explained per component and rotated component matrix are shown in Table 8.10 and Table 8.11 respectively. Most of the performance variables loaded on the same factors as in the original rotated solution (prior to alpha analysis), supporting the stability of the data structure.

After examining each set of variables per component, the components were accordingly labelled, based on the knowledge of the researcher. Component 1 of seven variables represents service quality explaining 17% variance, comprising of integrity (0.585), stability (.718), consistent work processes (.689) all under negative conditions, whilst integrity (.642), stability (.820), consistent work processes (.780), and empathy to creative changes (.680) represented positive conditions. Component 2 of four variables represented importance of strategic planning explaining 13% variance, comprising of proactivity (.706), briefing (.733) and strength in strategic thinking (.907) all under positive conditions, and strategic thinking under negative conditions (.651). Component 3 of three variables represents proactivity, briefing, and empathy to creative changes under negative incidents explaining 9% that are labelled as creative challenges under pressure. Component 4 of three variables represents general beliefs about relationships explaining 8% of variance. Component 5 of four variables

represents environmental conditions explaining 8% variance. Component 6 of two variables representing access to creative teams explaining 7% variance. Component 7 represents information flows (based on status reports) explaining 6% of variance, whilst component 8 represents the variable neweffort (effort in making changes), explaining just under 6% variance. Table 8.11 shows the independent variables represented by each component.

In identifying revisions from the previous iteration before alpha analysis, constant information on account status (for both negative and positive incidents) now loads on a unique factor (factor 7) with an alpha analysis of 0.7710, (standardized alpha of 0.7717, a satisfactory solution). Variables that represented component 3 (beliefs) were reallocated to component 4, and vice-versa, retaining the same variables per component. Components 5 and 6 remained the same, retaining their original variables. Component 8 now represents a singlet variable-effort involved in changes-that was originally assigned to component 1.

Table 8.11 shows that variables representing general preferences load on the same factors, and similarly for environmental conditions, supporting construct validity of the original structure of the variables presented in the questionnaire. Component 4 confirms the classification of several general preferences (15.2-15.4), whilst component 5 confirms the classification of all of the external environmental variables (13.3-13.6). Exceptionally, the set of behavioural variables 14.1 to 14.3 previously allocated to different components were subsequently removed for failing to reveal adequate internal consistency.

The exploratory factor analysis also produced regression factor scores that represented each component. These were retained for later use in cluster analysis and discriminant analysis. Each component 1-8 corresponds to a factor score from Fac 1-12 through to Fac 8-12 in the data output as follows:

Fac 1-12 Service quality elements

Fac 2-12 Strategic information

Fac 3-12 Creative challenges under pressure (negative incidents)

Fac 4-12 General beliefs about relationships

Fac 5-12 Environmental pressures

Fac 6-12 Access to creative teams

Fac 7-12 Reliability of information flow

Fac 8-12 Effort during changes

Table 8.10: Total variance explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.409	28.498	28.498	4.335	16.672	16.672
2	2.359	9.074	37.572	3.251	12.504	29.176
3	2.053	7.896	45.468	2.440	9.385	38.561
4	1.882	7.237	52.705	2.171	8.349	46.910
5	1.764	6.785	59.490	2.039	7.841	54.751
6	1.517	5.834	65.324	1.918	7.376	62.128
7	1.086	4.176	69.501	1.471	5.658	67.786
8	1.011	3.888	73.389	1.457	5.603	73.389
9	.881	3.388	76.778			
....25	7.486E	.288	99.715			
26	7.408E -02	.285	100.000			

Extraction method: Principal Component Analysis

Table 8.11: Components extracted from rotated component matrix

Code	Negative performance variables	C1	C2	C3	C4	C5	C6	C7
11.1	Integrity	.585						
11.2	Proactive ideas			.717				
11.3	Interpretation of briefing			.758				
11.4	Access to creative teams						.860	
11.5	Stable account management	.718						
11.6	Consistent work processes	.689						
11.7	Empathy to creative changes			.768				
11.8	Constant status reports							.715
11.9	Strength in strategic thinking		.651					

Table 8.11: Components extracted from rotated component matrix

Code	Positive performance variables	C1	C2	C3	C4	C5	C6	C7
12.1	Integrity	.642						
12.2	Proactive ideas		.706					
12.3	Interpretation of briefing		.733					
12.4	Access to creative teams						.870	
12.5	Stable account management	.820						
12.6	Consistent work processes	.780						
12.7	Empathy to creative changes	.680						
12.8	Constant status reports							.557
12.9	Strength in strategic thinking		.907					

Table 8.11 (continued)

Code	Environmental variables	C1	C2	C3	C4	C5	C6	C7	C8
13.2	*New effort in making changes								.734
13.3	*New bleakness in market					.759			
13.4	*New severity of competition					.617			
13.5	*New limited attraction potential					.804			
13.6	*New changes to marketing strategies					.581			

Table 8.11 (continued)

Code	General beliefs about relationships	C1	C2	C3	C4	C5	C6	C7	C8
15.2	In necessity for liking agency				.780				
15.3	In long-term relationships				.809				
15.4	In compatible working style				.862				

Notes: Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization, with several items showing high loadings (>0.4) on 2 factors, indicating some multidimensional structure, although the leading factor is clear (generally ≥ 0.6).

8.12 Findings from the SDA

Table 8.12 presents the multivariate test statistics using SDA for each grouping variable derived from both the 'a priori' and corresponding cluster analysis after having screened the data for multicollinearity, outliers, and linearity (appendix W). Key to the abbreviations deriving the grouping variables is outlined in the glossary of terms. The multivariate test statistics show the Wilke's Lambda, the F statistic and its significance. Additionally, the hit ratio, or percentage of correctly classified responses, and the comparative percentages for the proportional chance criterion and maximum chance criterion, is shown. In the final column, the eigenvalue of the discriminant function is shown, and the decision to (A)ccept, (R)eject, or treat as a (M)arginal decision, is presented. This data was performed for the 'a priori' determination of subgroups (Table 8.12a) and repeated for corresponding variables determined by cluster analysis, (Table 8.12b). Note that only the best solution from either two or three subgroups is generally reported for the 'a priori' approach. For equivalent cluster solutions, solutions for both two and three subgroups are reported so that how the subgroups were assigned can be more easily followed.

To clarify interpretation of Tables 8.12b, cluster numbers merely refer to the order of analysis conducted by the researcher for identification purposes, so need not concern the reader. The clusters from C32 to C39, C40 and C47 did not incorporate critical incidents (CI) because the subgroups were not found to be significantly associated with the incidents experienced based on an 'a priori' approach. Consequently, the additional incident variables were not part of the grouping variables for clustering. Where pair-wise dependent variables were found to be associated with critical incidents, the appropriate CI was added for clustering, as was

necessary from C25 onwards. The clusters from C28 to C40 were further complicated by accommodating trust.

8.12.1 Assigning the cluster solutions to subgroups of tolerance and intolerance

Recall that the 'a priori' approach was supplemented by cluster analysis to derive subgroups, following Figure 8.3, stage 5. Table 1 of Appendix X shows the cluster groupings, the number k of subgroups compared, the final cluster centres, the F values and significance for ANOVA, together with intuitive comments as to whether cluster solutions C1 to C3 represent tolerant, intolerant, and intermediate subgroups respectively.

In examining the overall pattern of results from the final cluster centres (Table I of appendix X), several two-cluster solutions appeared well suited for determining tolerance, qualifying for acceptable hit rates with subsequent SDA. However, for some clusters, tolerant and intolerant subgroups could not be determined from examining either the cluster centres or individual case scores, as reported in the final column of Table I of appendix X. Indeterminate clusters were deleted from further analysis.

Screening the SDA findings from Table 8.12 yields the qualifying (enboldened) predictor variables. Several grouping variables for each of the 'a priori' and the corresponding cluster solutions satisfy all the necessary conditions.

Making preferences from solutions

Based on screening the alternatives from Table 8.12, the final analysis in Table 8.13 shows only the qualifying DA solutions that were subsequently preferred between the 'a priori' and cluster analysis. The actual variables (or factors) that serve as predictors of tolerance are also shown here, together with the statistical tests of discriminant functions yielding variance explained, the chi-squared statistic, and canonical correlation scores. Additionally, the means of each subgroup, standardised coefficients and canonical loadings are presented.

In choosing between the 'a priori' and cluster solutions, the following observations were made from Table 8.12. The percentage of correct classifications of subgroups range from 82.0% to only 53.6 % for the qualifying subgroups. The percentages are generally higher for comparing 2 subgroups to 3 subgroups.

Table 8.12a: Validating the discriminant analysis^a, using grouping variables derived from the ‘a priori’ approach

Grouping variable ^b (Individual dependent variables accounting for critical incidents)	Multivariate Test Statistics			Hit rate or percentage of cases correctly classified (with cross-validated percentages ^c)	Proportional chance criteria	Maximum chance criterion	Eigenvalue (if accepted/marginal) and decision
	Wilkes Lambda	F Stat	Sign				
Tolblame ^d	.921	3.849	.025	42.7% (c.v. 41.0% ^e)	$(38/117)^2 + (27/117)^2 + (52/117)^2 = 35.5\%$	52/117 = 44.4%	R
Toldisapp ^e	.930	4.216	.045	63.8% (c.v. 63.8%)	$(40/69)^2 + (29/69)^2 = 51.2\%$	40/69 = 57.9%	.075, M
Tolreduct ^e	.927	4.238	.044	59.1% (c.v. 59.1%)	$(36/66)^2 + (30/66)^2 = 50.3\%$	36/66 = 64.2%	R
Tolcredit^e	.636	9.921	.000	75.8% (c.v. 74.2%)	$(18/66)^2 + (48/66)^2 = 60.3\%$	$(48/66) = 72.7\%$.572, A
Tolapprov ^d	FI to F2: .723 F2: .900	8.833 7.853	.000 .002	52.7% (c.v. 50.9%)	$(31/112)^2 + (23/112)^2 + (58/112)^2 = 38.5\%$	58/112 = 51.8%	.111, (F2), M
Toladdit ^e	.826	5.171	.009	65.0% (c.v. 63.3%)	$(22/60)^2 + (38/60)^2 = 53.5\%$	38/60 = 63.3%	.211, M ^{f,g}
Toltrust (8 F.S.)	.889	5.744	.021	64.6% (c.v. 64.6%)	$(26/48)^2 + (22/48)^2 = 50.3\%$	26/48 = 54.2%	.125, M
Toltrust^e	.825	9.150	.004	63.2% (c.v. 63.2%)	$(29/57)^2 + (28/57)^2 = 49.9\%$	29/57 = 50.9%	.213, A

Notes: ^(a) All analysis used the individual independent variables based on the eight factor solution and the five demographic variables less two variables showing distinctive multicollinearity, unless otherwise stated by direct inputs of the eight factor solution, indicated by 8FS. ^(b) The prefix ‘tol’ refers to modified categories of each variable compared to categories of total incidents. ^(c) cross-validation refers to grouped cases correctly identified, in which each case is classified by all other functions derived from all other cases other than that case. ^(d) Three group solution reported because no variable qualified for two groups. ^(e) Two group solutions generally reported in preference to three group solutions.

Table 8.12a: Validating the discriminant analysis, using grouping variables derived from the ‘a priori’ approach (continued)

Grouping variable (Pair-wise dependent variables) ^h	Multivariate Test Statistics			Hit rate or percentage of cases correctly classified (with cross-validated percentages)	Proportional chance criteria	Maximum chance criterion	Eigenvalue and decision
	Wilkes Lambda	F Stat	Sign				
Blame-disapproval (2)	.787	6.346	.004	69.0% (c.v. 69.0%)	$(24/58)^2 + (34/58)^2 = 51.4\%$	$(34/58) = 58.6\%$.270, A
Blame-reduction (2)	.687	6.460	.000	78.8% (c.v. 72.9%)	$(65/85)^2 + (20/85)^2 = 63.9\%$	$65/85 = 76.4\%$.455, A
Disapproval-reduction (2)	.626	10.600	.000	80.0% (c.v. 76.7%)	$(69/90)^2 + (21/90)^2 = 64.2\%$	$69/90 = 76.7\%$.597, A
Credit-approval (2)	.897	5.995	.018	60.9% (c.v. 60.9%)	$(43/69)^2 + (26/69)^2 = 53.0\%$	$43/69 = 62.3\%$	R
Credit and additional business with total positive incidents Caposci (2)	.852	5.129	.009	72.0% (c.v. 72.0%)	$(16/75)^2 + (59/75)^2 = 66.4\%$	$59/75 = 78.7\%$	R
Praise and additional business with total positive incidents, Paposci (2)	.905	5.533	.022	46.3% (c.v. 46.3%)	$(14/67)^2 + (53/67)^2 = 66.9\%$	$53/67 = 79.1\%$	R

Notes: ^(f) Eigenvalues are only shown for marginal or accepted groups. If eigenvalues exceed 0.40 for marginal groups based on correct classifications, they may be accepted with caution. ^(g) Although an acceptable solution based on classification, reported ‘a priori’ solutions are screened out in favour of the corresponding cluster solutions that yields a greater ‘hit rate’ and/or eigenvalue. Similarly, reported cluster solutions are screened out in favour of the corresponding ‘a priori’ solutions. ^(h) The figures in brackets indicate the number of subgroups used for analysis, that was either 2 or 3. When three subgroups were chosen, the aim was to capture an intermediate subgroup. ⁽ⁱ⁾ Results are based on the independent variables representing the eight factors and demographic variables, including the two variables exhibiting distinctive multicollinearity because the predictors otherwise yield variables under positive incidents.

**Table 8.12a: Validating the discriminant analysis, using grouping variables derived from the ‘a priori’ approach (continued)
Trust compared to pair-wise dependent variables**

Grouping variable (Pair-wise dependent variables)	Multivariate Test Statistics			Hit rate or percentage of cases correctly classified (with cross-validated percentages)	Proportional chance criteria	Maximum chance criterion	Decision to [A]ccept, [R]eject or [M]arginal with eigenvalue
	Wilkes Lambda	F Stat	Sign				
Trust compared to credit-blame (tcrbl), 2 subgroups	.824	10.861	.002	67.2% (c.v. 67.2%)	$(35/64)^2 + (29/64)^2 =$ 50.3%	35/64 = 54.7%	.213, A ^g
Trust compared to praise-disapproval (trprdis), 2 subgroups	.760	6.457	.004	73.6% (c.v. 73.6%)	$(31/53)^2 + (22/53)^2 =$ 51.4%	31/53 = 58.5%	.315, A ^g
Group 7, newtrusc compared to additional business- reduction in business, 2 subgroups	.710	7.251	.000	70.6% (c.v. 67.1%)	$(41/85)^2 + (44/85)^2 =$ 50.0%	44/85 = 51.8%	.408, A ^g

Notes: ^g The subgroups representing tolerance (or intolerance) are not easily discernible from final cluster centres.

Table 8.12b: Validating the discriminant analysis, using grouping variables derived from cluster analysis

Grouping Variable (Individual dependent variables representing k clusters as subgroups)	Multivariate Test Statistics			Hit rate (with cross-validated percentages)	Proportional chance criteria	Maximum chance criterion	Eigenvalue and decision
	Wilkes Lambda	F Stat	Sign				
Blame and TnegCI, k=2, C10	.907	9.37	.003	60.2% (c.v. 60.2%)	$(44/118)^2 + (74/118)^2 = 53.2\%$	74/118 = 62.7%	R
Disapproval and TnegCI, k=2, C13	.843	5.420	.002	68.2% (c.v. 65.4%)	$(31/107)^2 + (76/107)^2 = 58.8\%$	76/107 = 71.0%	R
Disapproval and TnegCI, k=3, C14	.919	3.865	.025	38.6% (c.v. 38.6%)	$(19/114)^2 + (50/114)^2 + (45/114)^2 = 36.5\%$	50/114 = 43.9%	R
Reduction and TnegCI, k=2, C15	.844	5.372	.002	61.8% (c.v. 57.3%) ¹	$(74/110)^2 + (36/110)^2 = 55.9\%$	74/110 = 67.3%	R
Reduction and TnegCI, k=3, C16	F1 thr' 2: .765 F2: .964	6.236	.000 .071	53.7% (c.v. 52.8%)	$(47/108)^2 + (28/108)^2 + (33/108)^2 = 34.9\%$	47/108 = 43.5%	.260 (F1), M
Blame, disapproval and reduction of business with TnegCI, k=2, C17	.842	5.302	.002	61.8% (c.v. 61.8%)	$(35/110)^2 + (75/110)^2 = 56.5\%$	75/110 = 68.2%	R
Blame, disapproval and reduction of business with TnegCI, k=3, C18	F1 thr' 2: 2.660 F2: .992	6.468	.000 .699	50.9% (c.v. 42.6%) ¹	$(42/108)^2 + (30/108)^2 + (33/108)^2 = 34.4\%$	45/108 = 41.7%	.503, (F1), M
Credit and TposCI, k=2, C41	.650	12.135	.000	82.0% (c.v. 79.3%)	$(85/111)^2 + (26/111)^2 = 64.1\%$	(85/111) = 76.5%	.539, A ¹
Approval and TposCI, k=2, C19	.694	13.089	.000	82.7% (c.v. 80.0%)	$(96/100)^2 + (14/110)^2 = 77.7\%$	96/110 = 87.3%	R
Approval and TposCI, k=3, C20	F1 thr' 2: .604 F2: .948	8.397	.000 .092	54.5% (c.v. 52.7%)	$(35/110)^2 + (14/110)^2 + (61/110)^2 = 42.4\%$	61/110 = 55.5%	R
Ad'l bus. and TposCI, C21, k=2	.690	10.012	.000	77.9% (c.v. 75.0%)	$(25/104)^2 + (79/104)^2 = 63.4\%$	79/104 = 76.0%	.450, A ¹
Additional business and TposCI, C22, k=3	F1 thr' 2: .673 F2: .965	6.509	.000 .199	53.2% (c.v. 49.5%)	$(45/111)^2 + (14/111)^2 + (52/111)^2 = 39.9\%$	52/111 = 46.8%	.435 (F1), M
Trust and NnetCI, C23, k=2	.765	9.217	.000	69.6% (c.v. 66.1%)	$(50/112)^2 + (62/112)^2 = 50.5\%$	62/112 = 55.4%	.307, A ¹
Trust and NnetCI, C24, k=3	F1 thr' 2: .662 F2: .926	6.796	.000 .031	52.3% (c.v. 51.4%)	$(19/111)^2 + (64/111)^2 + (28/111)^2 = 61.3\%$	64/111 = 57.7%	R

Table 8.12b: Validating the discriminant analysis, using grouping variables derived from cluster analysis (continued)

Grouping Variable (Individual dependent variables representing k clusters as subgroups) ^k	Multivariate Test Statistics			Hit rate (with cross-validated percentages)	Proportional chance criteria	Maximum chance criterion	Eigenvalue and decision
	Wilkes Lambda	F Stat	Sign				
Blame and disapproval, k=3, C32	.835	8.579	.000	40.7% (c.v. 40.7%)	$(26/113)^2 + (25/113)^2 + (62/113)^2 = 40.3\%$	62/113 = 55.7%	R
Blame and disapproval, k=2, C33				N/A			
Blame and reduction, k=3, C34	F1 thr' 2: .785, F2: .962	5.539	.000 .068	43.9% (c.v. 43.0%)	$(33/107)^2 + (33/107)^2 + (41/107)^2 = 33.6\%$	41/107 = 38.3%	.226, F1, M ^g
Blame and reduction, k=2, C35	.727	7.997	.000	65.4% (c.v. 63.6%)	$(53/107)^2 + (54/107)^2 = 49.9\%$	54/107 = 50.5%	.376, A ^g
Disapproval and reduction, k=3, C36	F1 thr' 2: .783, F2: .993	5.582	.000 .425	46.9% (c.v. 38.9%)	$(55/113)^2 + (40/113)^2 + (18/113)^2 = 38.7\%$	55/113 = 47.8%	R
Disapproval and reduction, k=2, C37	.706	11.956	.000	67.0% (c.v. 63.3%)	$(54/109)^2 + (55/109)^2 = 49.9\%$	55/109 = 50.4%	.417, A ^g
Credit and approval, k=3, C38	F1 thr' 2: .784, F2: .935	5.749	.000 .014	55.4% (c.v. 53.6%)	$(49/112)^2 + (53/112)^2 + (10/112)^2 = 42.3\%$	53/112 = 47.3%	.193 with F1, M
Credit and approval, k=2, C39	.864	7.087	.001	64.9% (c.v. 64.9%)	$(91/111)^2 + (20/111)^2 = 70.3\%$	91/111 = 82.0%	R
Credit and additional business with total positive incidents, k=2, C25	.746	10.204	.000	74.8% (c.v. 71.2%)	$(27/111)^2 + (84/111)^2 = 63.1\%$	84/111 = 75.7%	R
Credit and additional business with total positive incidents, k=3, C26	F1 thr' 2: .661, F2: .959	6.810	.000 .154	52.3% (c.v. 47.7%)	$(48/111)^2 + (14/111)^2 + (49/111)^2 = 39.8\%$	49/111 = 44.1%	.450 with F1, M
Praise and additional business with total positive incidents, k=2, C27	.721	11.463	.000	79.6% (c.v. 76.7%)	$(77/103)^2 + (26/103)^2 = 62.2\%$	77/103 = 74.8%	.386, A ^l
Praise and additional business with total positive incidents, k=3, C12	F1 thr' 2: .654, F2: .953	6.947	.000 .115	53.6% (c.v. 50.0%)	$(51/110)^2 + (14/110)^2 + (45/110)^2 = 39.8\%$	51/110 = 46.3%	.457 with F1, M ^j

Table 8.12b: Validating the discriminant analysis, using grouping variables derived from cluster analysis (continued)

Modified categories of trust (newtrusc) compared to modified categories of pair-wise dependent variables and categories of net incidents where indicated							
Grouping variable with k clusters	Multivariate Test Statistics			Hit rate (with cross-validated percentages)	Proportional chance criteria	Maximum chance criterion	Eigenvalue and decision
	Wilkes Lambda	F Stat	Sign				
Trust with categories of credit-blame (modified group5) and categories of net incidents (NnetCI), k=2, C28	.606	7.906	.000	76.5% (c.v. 73.5%)	$(52/102)^2 + (50/102)^2 = 44.9%$	52/102 = 51.0%	.651, A
Trust with categories of credit-blame (modified group5) and categories of net incidents (NnetCI), k=3, C29	F1 thr' 2: .542 F2: .872	6.160	.000 .017	64.2% (c.v. 60.4%)	$(44/106)^2 + (12/106)^2 + (50/106)^2 = 40.8%$	50/106 = 47.2%	.609, F1, A
Trust with categories of praise-disapproval (modified group6) and categories of net incidents (NnetCI), k=2, C30	.619	13.237	.000	80.2% (c.v. 78.3%)	$(58/106)^2 + (48/106)^2 = 50.4%$	58/106 = 54.7%	.616, A, ψ
Trust with categories of praise-disapproval (modified group6) and categories of net incidents (NnetCI), k=3, C31	F1 thr' 2: .635 F2: .967	7.305	.000 .232	60.4% (c.v. 55.7%)	$(56/106)^2 + (22/106)^2 + (28/106)^2 = 39.2%$	56/106 = 52.8%	.523, F1, M, .523
Newtrusc with additional business and reduction in business k=2, C47	.684	13.41	.000	78.3% (c.v. 77.4%)	$(63/106)^2 + (43/106)^2 = 51.8%$	(63/106) = 59.4%	.462, A, ψ
Newtrusc with additional business and reduction in business k=3, C40	F1 thr' 2: .514 F2: .816	6.622	.000 .002	59.2% (c.v. 54.4%)	$(37/103)^2 + (25/103)^2 + (41/103)^2 = 34.6%$	41/103 = 39.8%	.586, F1, A

^(k) For clusters, from C32 to C12, Table 8.12b, the original scores of the dependent variables were entered separately and then derived clusters entered for the SDA, rather than using categories based on comparing variables pair-wise as with the 'a priori' approach. ψ The two-cluster solutions are preferred (i.e., cluster C30 is preferred to C31, and C47 preferred to C40).

Intermediate cases are more difficult to classify than either tolerant or intolerant categories. This might be logically expected, since these subgroups include more extreme cases than intermediate groups. Further support for the majority of qualifying grouping variables is indicated by the lambdas (several below 0.7), with eigenvalues generally about or above 0.3, as shown in Table 8.12. In particular, many of the qualifying grouping variables using trust based on clustering appear strong.

Sometimes selecting between 'a priori' and corresponding cluster solutions was marginal. Observe from the hit rates shown in Table 8.12 that in examining trust accounting for net critical incidents, an 'a priori' approach (as *toltrust*) is 63.2% compared to the corresponding cluster solution (C23) of 66.1%. However, there is sufficient ambiguity in differentiating between the tolerant and intolerant groups based on final cluster centres that merits opting for the corresponding 'a priori' solution, so *toltrust* was chosen as the preferred grouping variable.

In comparing grouping variables derived from individual variables accounting for incidents (Tables 8.12-8.13), there were few qualifying discriminant analyses. Although *toldisappear* is marginal, it has a poor eigenvalue of .075, indicating the findings are indistinct, whilst the hit rates for *tolblame* and *tolreduct* both indicate rejection. The corresponding cluster solutions, C10, C13-C15 also indicate rejection. The hit rate for cluster 16, representing reduction accounted for by total negative incidents ($k=3$) is barely acceptable, with a moderate eigenvalue of .260 based on function 1. Credit with total positive incidents (*tolcredit*) offers an acceptable solution, with a hit rate of 75.8% (c.v. 74.2%) and an excellent eigenvalue of .572 that has been chosen in marginal preference to the corresponding cluster solution C41, with a good hit rate of 82.0% (c.v. 79.3%), and excellent (but slightly lower) eigenvalue of .539. In marginal choices like this, cluster solutions were compared to the equivalent 'a priori' solutions to identify common predictor variables shared under both approaches that can reinforce the strength of the results. It was noticeable that the mean scores of the predictor variables account size billings and integrity were lower for each of the tolerant subgroups under both approaches.

No results qualified for representing approval accounting for total positive incidents. The 'a priori' solution, using *tolapprov(al)* for three subgroups is barely marginal, with a weak eigenvalue of .111. The corresponding cluster solutions for two and three subgroups (C19-

20) do not meet the maximum chance criterion and so are rejected (Table 8.12b). The hit rate for toladdit (at 65%) has only an inferior, moderate eigenvalue to the corresponding cluster 21 solution (C21). C21, representing additional business with total positive incidents ($k=2$), provides an acceptable hit rate, with an excellent eigenvalue of .450. However, although the cluster analysis identifies which cases belong to each cluster, identifying which cluster is representative of tolerant clients is indistinct from examining both final cluster centres, so cannot be used.

When comparing pair-wise comparisons, the 'a priori' solutions based on two subgroups derived from blame-disapproval, blame-reduction, and disapproval-reduction are preferred to the corresponding clusters. These 'a priori' solutions present higher hit rates (about 70% or above) that exceed the PCC and MCC, and yield acceptable to excellent eigenvalues. The corresponding clusters (C32-C37) tend to yield lower hit rates. Although blame and reduction (Cluster 35) provides an acceptable hit rate of 65.4% and eigenvalue of .376, the corresponding 'a priori' finding is preferred, with a hit rate of 78.8% and a superior eigenvalue of .455. Although disappear-reduction (Cluster 37) provides an acceptable hit rate, the corresponding 'a priori' solution is preferred, with a higher hit rate of 80% (c.v. 76.7%) and eigenvalue of .597. Although cluster 27 is preferred to paposci for two subgroups (with a hit rate of only 46.3%), it is difficult to discern from C27 which should be the tolerant subgroup (refer to appendix X).

Whilst there is no 'a priori' solution for three subgroups, the cluster solution (C12) provides a hit rate of 53.6% that is chosen, although exceptionally lower than ideal. From Table I of appendix X, for cluster 1 of C12, the values of praise, additional business and TposCI suggest that although C1 and C2 are intolerant and indistinct, either can be compared to C3 (discernibly tolerant), leading to C12 preferred over C27. Refer to appendix X for further explanation.

Both 'a priori' and cluster solutions yield acceptable results for comparing trust relative to pair-wise comparisons, but clusters are preferred because the PCC and MCC are usually comparatively lower. When comparing trust over credit-blame relative to net incidents, the cluster approach (cluster 28) has a superior hit rate at 76.5% (c.v. 73.5%) compared to the corresponding two subgroups derived from the 'a priori' approach based on trcrbl, displaying a hit rate of only 67.2%. Consequently the cluster solution is selected for the qualifying

SDA in preference to the 'a priori' solution. The equivalent solution for three clusters (C29) yielded an inferior hit rate and eigenvalue to C28.

When comparing trust over praise-disapproval relative to net incidents (the 'a priori' approach represented by variable *trprdis*) provides a hit rate of only 73.6% (c.v. of 73.6%) that is improved upon by the corresponding two cluster solution (C30) with a hit rate of 80.2% (c.v. 78.3%). Consequently, C30 (reported in Table 8.13) is selected for the qualifying SDA in preference to the 'a priori' approach and the equivalent three-cluster solution (C31) that is marginal.

Finally, although C40 (trust compared to additional business and reduction in business), with a hit rate of 59.2%, is preferred to the equivalent 'a priori' solution with a hit rate and eigenvalue of only 50.5% and .078 respectively, stronger results are reported if only using two subgroups. C47 is the corresponding cluster solution based on two subgroups, with a hit rate of 78.3% (c.v. 77.4%) and an eigenvalue of .46, preferred over the corresponding 'a priori' solution (hit rate of 70.6%, c.v. 67.1%) and an eigenvalue of .41.

8.13 The qualifying predictors of tolerance

From Tables 8.12a-b, the *qualifying* predictors are presented in Table 8.13. Table 8.14 summarises the main factors that discriminate between the different measures of tolerance (whether by sets of dependent variables based on negative experiences, positive experiences, or by some measure of trust). To achieve an objective interpretation, the number of times each independent variable was reported as a qualifying predictor from using each of the grouping variables were counted manually from Table 8.13 and classified as to whether they related to positive or negative conditions, shown in Table 8.14.

8.13.1 The indicators of important variables for the qualifying discriminant functions.

This is indicated by the means between the subgroups derived from SDA, the standardised coefficients and canonical loadings (Table 8.13), and the generality by the number of reported counts of predictor variables for each set of grouping variables (Table 8.14). From Table 8.13, it can be observed that:

(1) Trust appeared to be the most prevalent indicator of tolerance for distinguishing between tolerant and intolerant subgroups of clients. The majority of qualifying grouping variables related to measures or comparisons of trust with other dependent variables. Since trust is a holistic variable that combines experiences under both negative and positive incidents, this is an important finding. It was found that the greatest contribution of the independent variables is in explaining trust rather than for any of the other dependent variables.

(2) Recall from Table 7.7 that six performance variables failed to indicate sufficient levels of importance when tested qualitatively. These were Effectiveness Awards, intensive research culture, use of proprietorial models, ability to deliver international campaigns, accreditation to independent quality standard and intensity of effort that represented H1.1 to H1.6, so cannot be further commented on here. H.1.11, in relation to number of creative proposals, was also deleted in favour of H1.10, access to creative teams. From the nine remaining performance variables relating to hypotheses H1.7 to H1.16 tested, six were found to be predictors of least one measure of tolerance defined by the grouping variables (Table 8.13), supporting H1:

H1: Client tolerance is associated with agencies that demonstrate competency in performance from past exchanges (but intolerance if expectations rise, on account of experiential effects).

The six predictors of competency above are H1.7 (integrity), H1.8 (proactivity), H1.10 (access to creative teams), H1.12 (stability of account management), H1.13 (consistent work processes), and H1.16 (strength in strategic thinking). H1.9 (interpretation of briefing), H1.14 (empathy) and H1.15 (constant information on account status) were not predictors of tolerance, and so do not support H1. (A full listing of these hypotheses can be found at the end of chapter 3 and page 273 of this chapter).

Tolerant clients tend to be differentiated on the six performance variables that are shown as predictors between the subgroups. Tolerance was normally associated with higher mean scores of performance, suggesting that past performance was an indicator of tolerance. However, intolerant clients based on tolcredit were associated with higher mean scores of integrity under negative incidents, thus behaving directionally opposite. Performance variables reported as predictors of tolerance (based on higher means, strong canonical loadings and/or coefficients) are strength in strategic thinking under positive incidents,

stability of account management under positive incidents, proactivity under negative incidents, and consistent work processes under both sets of incidents. Recall from the final factor solution (page 282) that integrity, stability of account management and consistent work processes loaded on factor 1 (service quality), strength in strategic thinking loaded on factor 2 (strategic planning), whilst proactivity under negative incidents loaded on factor 3 (creative challenges). Collectively, all of these can be broadly considered as dimensions of performance.

Stability of account management under positive incidents appears as the strongest performance variable for discriminant analyses derived from clusters 30 and 47 that relate to trust over either praise-disapproval, or additional business to reduction in business. This is supported with higher means for each tolerant subgroup compared to their intolerant subgroups, high standardised coefficients, and high canonical loadings. It is also observed that it is tolerant clients represented by the grouping variable *tolcredit* that score higher on stability.

Tolerant clients based on a disproportionate level of disapproval to reduction and excess trust over their net business activity, (C47), tend to score higher on proactivity under negative incidents, with means of 4.38 compared to 3.00 and 4.45 to 3.47 respectively.

(3) H2.1 is supported by both general and specific experience. H2.2 is only supported by account size billings, since both agency proportion of total client business and their brand exposure were not predictor variables of tolerance.

H2.1: Clients who are more experienced in existing relationships are more likely to exert efforts to show tolerance (but intolerance if expectations arise with committed investments).

H2.2: Clients who have important accounts in existing relationships are more likely to exert efforts to show tolerance (but intolerance if expectations arise with committed investments).

In returning to H2.1, tolerant clients (based on showing more blame than reduction) appear to hold a greater amount of general experience in their relationships than their intolerant counterparts. General experience is significantly greater for the tolerant subgroup in comparison to the intolerant subgroup (with means of 2.32 and 1.73 respectively). More special experience is also associated with tolerance (based on cluster 28), with corresponding means of 2.63 and 2.18 for tolerant and intolerant subgroups respectively.

In returning to H2.2, lower account billings are associated with tolerant clients based on the dependent variables tolcredit, and praise with additional business accounting for positive incidents (C12). It would appear that account billings rather than share serves as a proxy for relationship investment, providing moderate support for H2: that investment in the relationship is associated with tolerance.

(4) Recall that H3 tested whether clients who hold specific expectations based on their beliefs about general relationships were associated with tolerance. Although H3.1 below was not tested quantitatively, findings from the depth interviews suggested they contribute in building tolerance. Agencies believed in exclusivity more than rosters, and comparatively more than their clients, with its importance geared more to motivation than tolerance.

H3.1: Clients who believe in solus agencies will be associated with norms of equity (inequity), leading to tolerance (intolerance).

H3.2: Clients who believe in the need for their agencies to be liked will be associated with norms of equity (inequity), leading to tolerance (intolerance).

The need to like the contact personnel was not found to be a predictor of tolerance, so H3.2 is rejected.

H3.3: Clients who believe in long-term relationships will be associated with norms of equity (inequity), leading to tolerance (intolerance).

H3.4: Clients who believe in compatible working styles will be associated with norms of equity (inequity), leading to tolerance (intolerance).

Clients who believed in holding long-term relationships (LTR), or compatible working styles (CWS), were found to be more likely to be tolerant clients, supporting H 3.3 or H3.4 respectively. Expectations based on beliefs (or preferences) in LTR were found to be a predictor for subgroups based on trust over praise and disapproval relative to net incidents (C30). Although the mean values were typically high for both tolerant and intolerant clients, they were predictively higher for the tolerant clients, with means of 5.96 v 5.44 respectively. Tolerant clients that show less reduction in business compared to disapproval score higher on CWS compared to their intolerant counterparts (5.85 versus 5.19 respectively).

H3.5: Clients who believe in informality in relationships will be associated with norms of equity (inequity), leading to tolerance (intolerance).

Table 8.13a: Examining the predictor variables for each qualifying discriminant analysis using an 'a priori' approach

Qualifying grouping variables	Sample size of groups	Statistical tests of Discriminant Functions			Significant variables in function	Means of subgroups			Standardised coefficients	Canonical loadings or structure correlations#
		Variance	χ^2	C.C.		Tol*	Intol*	N/a		
Tolcredit	1 (12)	100	23.760	.603	Integrity/negative incidents	3.00	4.66		1.14	.718
	2 (44)				Stability of account management / positive incidents	5.08	4.81		-.668	-.101
					Account size billings	2.67	3.09		.598	.195
Toltrust	1 (24)	100	8.199	.419	New limited product potential	5.54	4.38		1.00	1.00
	2 (21)									
Blame-disapproval	1 (22)	100	11.236	.461	Access to creative teams/positive incidents	5.23	4.21		.777	.744
	2 (28)				New general experience	1.77	2.46		-.669	-.631
Blame-reduction	1 (62)	100	27.183	.559	Belief in compatible working style	5.79	5.00		.611	.415
	2 (15)				New general experience	2.32	1.73		.542	.343
					Consistent work processes/negative incidents	4.44	3.53		.610	.413
					Access to creative teams/positive incidents	4.18	5.07		-.535	-.365
					New limited product potential	5.06	4.40		.448	.254
Disapproval-reduction	1 (60)	100	33.713	.611	Consistent work processes/negative incidents	4.57	3.00		.727	.685
	2 (16)				Proactivity/negative incidents	4.38	3.00		.425	.585
					New limited product potential	5.13	4.50		.472	.220
					Compatible working style	5.85	5.19		.426	.349

Table 8.13b: Examining the predictor variables for each qualifying discriminant analysis for clusters

Grouping variable	Sample size of groups	Statistical tests of Discriminant Functions			Significant variables in function	Means of subgroups			Standardized coefficients		Canonical loadings (or structure correlations#)	
		Variance	χ^2	C.C.		C1⊕	C2⊕	C3				
Praise and additional business with total positive incidents, k = 3, C12	1 (39)	90.2	37.832	.560	Integrity/negative incidents	Inter 4.00	Intol 5.79	Tol 4.43	F1 .671	F2 -.062	F1 .653*	F2 -.331
	2 (14)	9.8	4.327	.218	Account size billings	3.13	3.71	2.70	.570	.856	.315	.929*
	3 (40)				Proactivity/negative incidents	3.59	5.29	4.10	.601	-.360	.637*	-.512
Group5md and NnetCI, k =2 (C28) (Modified group5 > NnetCI) (Modified group5 < NnetCI).	1 (48)	100	43.873	.628	Integrity/negative incidents	Tol 4.83	Intol 4.00	N/a	.727		.372	
	2 (45)				New limited product attraction	5.29	4.62		.879		.277	
					New severity of competition	2.58	3.09		-.473		-.200	
					New special experience	2.63	2.18		.583		.333	
					Neweffort required for changes	3.65	2.89		.501		.363	
					Consistent work processes/negative incidents	4.23	4.09		-.477		.063	
					New bleakness of market	4.94	5.18		-.474		-.095	

⊕ Identifying the status of clusters 1-2 from examining the final cluster centres is not easily discernible for cluster 12 due to the way the clusters fall.

Table 8.13c: Examining the predictor variables for each qualifying discriminant analysis (for clusters)

Grouping variable	Sample size of groups	Statistical tests of Discriminant Functions			Significant variables in function	Means of subgroups			Standardised coefficients	Canonical loadings # (or structure correlations)
		Variance	χ^2	C.C.		C1	C2	C3 if applicable		
Group6md and NnetCI, k=2 (C30) <i>(Modified group6 > NnetCI)</i> <i>(Modified group6 < NnetCI)</i>	1 (50) 2 (41)	100	41.738	.617	Stability of account management/ positive incidents,	Tol** 5.56	Intol** 4.24	N/a	.652	.678
					Strength in strategic thinking/positive incidents,	5.30	4.15		.405	.515
					Neweffort for changes,	3.70	2.78		.447	.471
					Preference for long term relationships	5.96	5.44		.379	.366
Newtrusc with additional business and reduction in business, k=2, C47	1 (55) 2 (36)	100	33.259	.562	Stability of account management /positive incidents	Tol** 5.40	Intol** 4.25	N/A	.562	.649
					Neweffort required for changes	3.67	2.64		.606	.598
					Proactivity/negative incidents	4.45	3.47		.509	.535

Notes: * Tolerant groups can be verified by examining individually reported case statistics for each group and compared to the cases derived from the original commands to ensure they generally match. Cases that do not match can help explain the percentage correctly classified from the predicted groups. For example, in examining the grouping variable tolcredit, from the eighteen cases that were tolerant, twelve were predicted as tolerant from the casewise statistics as part of the SDA that appeared consistent with those from the select cases command following the decision rules adopted. #Correlations between each predictor variable and discriminant function representing variance that the predictor shares with the discriminant function. ** subgroups decided from the final cluster centres from the cluster analysis, appendix X, and from the decision rules under the 'a priori' approach. Refer to the glossary for a list of grouping variables.

Table 8.14: Content analysis of numbers of times independent variables are qualifying predictors, from the SDA

<i>Independent variable (and factor)</i>	<i>Count under 'a priori' approach</i>	<i>Count under cluster approach</i>	<i>Total count for each variable</i>
Stability of account management/+ (F1)	1 positive	2 trust-based	1 positive, 2 trust-based
Consistent work processes/- (F1)	2 negative	1 trust-based	2 negative, 1 trust-based
Integrity/+ (F1)	1 positive	1 positive, 1 trust-based	2 positive, 1 trust-based
Strategic thinking/+ (F2)	-	1 trust-based	1 trust-based
Empathy given negative incidents (F3)	-	-	-
Proactivity/- (F3)	1 negative	1 positive, 1 trust-based	1 negative, 1 positive, 1 trust-based
Briefing given negative incidents (F3)	-	-	-
Newchange (F4)	-	-	-
Need for liking staff (F4)	-	-	-
Long term relationships (F4)	-	1 trust-based	1 trust-based
Compatible working style (F4)	2 negative	-	2 negative
New bleakness of market (F5)	-	1 trust-based	1 trust-based
New limited product potential (F5)	2 negative, 1 trust-based	1 trust-based	2 negative, 2 trust-based
New severity of market (F5)	-	1 trust-based	1 trust-based
Accessibility to creative teams/ +(F6)	2 negative	-	2 negative
Constant information on account status (F7)	-	-	-
New effort required for change(s), (F8)	-	3 trust-based	3 trust-based

Similarly derived predictors, from the SDA, for investments

Account size billings	1 positive	1 positive	2 positive
Proportion of total business	-	-	-
General experience	2 negative	-	2 negative
New special experience	-	1 trust-based	1 trust-based
New brand exposure	-	-	-

H3.5 was also not tested quantitatively, with findings from the depth interviews indicating that hospitality was not important. Further research would be needed in making more concrete conclusions. Overall, expectations about LTR and CWS offer statistical support for H3.

(5) Based on the qualifying predictors, some support is given to H4: that environmental conditions or forces (factor 5) alter the quality of client exchange that may lead to intolerance or tolerance. Support is offered through H4.1 to H4.3, although the direction of scoring is dependent on the specific variable, supporting the prior conviction of two-tail significance tests.

H4.1: Bleak market prospects leading to devalued (improved) exchange leads to client intolerance (tolerance).

H4.2: Severity of client competition leading to devalued (improved) exchange leads to client intolerance (tolerance).

H4.3: Clients whose products offer limited propensity for intrinsic attraction may show more intolerance (tolerance).

Bleakness of market and severity of competition work directionally opposite to that expected. Intolerant clients reveal higher means with both new bleakness and new severity than their tolerant counterparts based on trust relative to credit and blame (C28). Since both variables are reverse scored, this means that intolerant clients feel more optimistic about their general market environment and competitive intensity compared to their tolerant counterparts.

H4.3 is supported as expected, with limited product attraction associated with intolerance. For the cluster approach, examining trust over credit and blame (C28), trust with 'a priori' variables toltrust and pair-wise variables blame-reduction and disapproval-reduction, tolerant clients believe that product attraction is less limiting than for intolerant clients, since tolerant clients score higher with new limited product attraction (reverse scored).

H4.4: Clients faced changing, unfamiliar strategies will increase their need for reciprocal effort (familiarity) in exchange as clients become more anxious (or co-operative) implicating more intolerance (tolerance) with existing relationships.

The variable newchange failed to discriminate between tolerant and intolerant subgroups, so H4.4 is not supported (less strategic change does not appear to be associated with tolerance).

One reason for this may be that it may depends on the type of strategic change as to whether tolerance might be affected.

(6) H5 tests the internal environment.

H5: Relationship value is predicated on a reciprocity of norms (of fairness) based on how work is allocated and responsibilities shared that is influenced by not only discretion granted but also effort expended.

H5.1: If clients have maximum (minimum) discretion in the governance of their agencies, norms of fairness prevail (are breached), leading to tolerance (intolerance). This is because agency opportunism can be more easily discouraged, with client opportunism assumed unlikely (since it would lead to agency demotivation).

H5.2: If client effort is matched (unreciprocated) by the agency, norms of fairness will prevail (are breached), leading to tolerance (intolerance).

Although the responses to discretion failed to convey sufficient consistency to be used in the subsequent discriminant analysis, the depth interviews suggested clients and agencies alike felt discretion was an important variable associated with tolerance. Since H5.1 was not tested quantitatively, no further comments can be made. In testing H5.2, less effort required to make changes was associated with tolerant clients, supporting H5, and representing factor 8. Tolerant clients score higher on new effort required for changes, associated with trust relative to credit and blame (cluster 28), for trust relative to praise and disapproval (cluster 30), and for trust relative to additional business and reduction in business (cluster 47). Since new effort was reverse scored, tolerant clients believe less effort is required to make changes within their relationship compared to intolerant clients.

Based on the number of reported counts of predictor variables representing different grouping variables (Table 8.14), it was observed that:

(1) Factors 1, 5, and 8 (representing service quality, environmental variables, and effort required to make changes respectively) predominate as qualifying discriminatory predictors of measures of tolerance, whether derived by 'a priori' or cluster analysis.

(2) Factor 1 (service quality) appears to be prevalent as a discriminator of tolerance, as expected. Factor 1 is reported as a qualifying predictor by integrity, stability of account management, or consistent work processes under negative incidents (each reported with three grouping variables).

(3) Strength in strategic thinking representing Factor 2 (strategic planning) appears as a predictor associated only with excess trust over voice (praise v disapproval).

(4) Proactivity representing negative incidents is reported three times, supporting Factor 3, representing creative challenges under pressure. Proactivity under positive incidents is not a discriminating variable, and so does not support Factor 2 (strategic planning).

(5) The predictor variables representing Factor 4 (beliefs about relationships) are compatible working style (CWS) and then long-term relationships (LTR).

(6) The most frequent predictor of tolerance representing Factor 5 (environmental variables) is new limited product potential (reported four times), supporting H4.

(7) Accessibility of creative teams (representing Factor 6) is twice a predictor. Clients associated with greater access appear more likely to show disapproval and reduce business than to attribute blame.

(8) Factor 7 (reliability of information flows), based on being constantly informed about account status, is not a predictor variable. The importance of factor 7 provides no additional support for H1.

(9) New effort required to make changes (representing F8) is reported as a predictor of trust based variables three times. The importance of factor 8 supports H5, that less effort involved in changes is associated with tolerance, and especially with excess trust.

(10) In terms of investment variables, both general and specific experience are reported predictors of trust-based constructs. Account size billings is reported twice as a predictor associated with positive conditions only.

8.14 Summary

The findings for RQ1 revealed that negative incidents do appear to be more prevalent than positive incidents experienced. Many of the negative incidents were the responsibility of account management and service-driven. In contrast, positive incidents comprised of matching or exceeding expectations, often in relation to the creative function.

In answering RQ2, it was found that relative amount of mean incidents experienced were significantly associated with responses to individual dependent variables, for both credit and praise compared to additional business, and for trust compared to credit and blame and trust compared to praise and disapproval. For these responses, incidents needed to be factored in before assigning tolerance or intolerance to clients. Accordingly, client responses were reinterpreted as either proportionate or disproportionate to their levels of incidents experienced. Clients identified with disproportionate responses were categorised as either tolerant or intolerant, with proportionate responses deemed as intermediate. These sub-groups were entered into a discriminant analysis for assisting with RQ3.

In answering RQ3, data was tested for normality, factor analysed to verify expected structure of scales, and tested for internal consistency, leading to six variables being dropped. No serious violations were found from examining outliers or multicollinearity, leading to two further variables dropped. To test the hypotheses H1 to H5, the remaining qualifying twenty-six variables plus investment variables were entered into an SDA. Eigenvalues and confusion matrices were used to screen the data according to the strength of the discriminant functions and accuracy of group classification. Qualifying predictors of tolerant groups revealed that all tested hypotheses were supported, with many predictors trust-based. In examining the sub-hypotheses, the most prevalent performance variables were stability of account management (H1.12), consistent work processes (H1.13), integrity (H1.7), and proactivity (representing H1.8). Moderate support was given to H3, beliefs about types of relationships, in connection with long-term relationships and compatible working styles (H3.2 and H3.3 respectively). In terms of environmental factors (H4), new/limited product potential (H4.3), and new/effort required for changes (H5.2) appeared to discriminate most. Interestingly, when severity of market was associated with tolerance (it was in the reverse direction to that expected). H6 concerning personality was not tested due to poor internal consistency of the scale.

Chapter 9: Discussion and conclusions

9.1 Introduction

This chapter accounts for the limitations of the research, interprets the findings, and outlines the conclusions for each research question RQ1-RQ3. RQ1 refers to the types of incidents found. RQ2 discusses the impact of incidents on tolerance. RQ3 discusses the variables associated with tolerance that are based around performance factors, investments, beliefs about relationships, and environmental factors.

After limitations are discussed, the findings are re-interpreted by another agency, applying triangulation. Next, in examining the findings together rather than discretely, common patterns of association with tolerance are sought. Suggestions are made for promoting tolerance. Implications are made for academicians, including revisiting the theories of inter-organisational relationships in relation to the findings. Broad implications for management are also offered. Next, suggestions are made on why and how the research might alternatively have been conducted, as epistemological reflections. Further research directions are also suggested.

9.2 Discussion and limitations

With the study drawing on literature, and reinforced by qualitative and quantitative research, there are several comments to be made on the protocol and analysis adopted. Since the study explores the effects of incidents as potential turning points on tolerance, the study is less concerned with the daily, routine interactions between client and agency. The first concern is that the survey was restricted to perceptions of clients rather than the client-agency dyad, although prior depth interviews involved additional agency perceptions (refer to chapter 7). Although future research should examine the agency perspective, the nature of the contract between buyer and supplier is not equal, and so examining the agency perspective, in terms of how they respond toward their clients may be relatively less insightful than for clients. Several empirical studies have only examined the customer perspective of the relationship (e.g. Cannon and Perreault, Jr., 1999), arguing that it is the customer that makes the final purchase decision. Additionally, the general over-supply of agencies in the UK implies that similar research conducted from the agency perspective may be less rewarding, since their response styles would be more restricted. Having acknowledged this, research at the network level (taking an IMP perspective) would provide additional insight, since depth interviews revealed that several agencies blamed third

party suppliers for their predicaments with their clients.

The second concern is with the grouping variables themselves. Although trust as a concept is well documented in the literature and appears to be well-founded as a multidimensional concept, supported by the factor analysis and multiple regression models, the grouping variables based on a priori pairs of data might appear to rely on the judgement of the researcher. Although the dependent variables that were used in the questionnaire were subjected to piloting and pre-testing, suggesting that they were easily understood and a sound basis for measurement, the combinations of variables might appear somewhat conveniently classified. However, these were backed up by cluster analysis that sometimes produced slightly different classifications because the algorithm did not rely on a single decision rule based on relative scores but also considered the actual magnitude of the scores of each variable.

Since the grouping variables are meant to represent measures in response to the critical incidents, verification of the grouping variables was made by attempting to statistically associate them with the original critical incidents as a precursor towards accounting for them. This procedure was built on the assumption that the magnitude of the incidents can be measured from the numbers of incidents experienced per case. This is probably a reasonable assumption to make, given that all incidents reported should be, by definition, critical. Nevertheless, it is acknowledged that a more precise measure of evaluating the magnitude of the incidents experienced is complex and therefore difficult to achieve because each relationship is unique. Critical incidents are nominal level data that restrict the variety of tests that may be conducted, since the assignment of 0 or 1 to whether an incident is experienced by each respondent tells nothing about the distance between levels of experience upon a given incident. It is only known that it is sufficiently critical to be reported. The qualitative research supplementing the nature of these incidents therefore provides additional insight into their influence.

In an attempt to identify the relationship or dependence between *individual* incidents taken one at a time, and the dependent variables, calculated by independent t-tests (between the tolerant and intolerant subgroups), few critical incidents in isolation were found to be statistically significant. For example, only four incidents were found to be significant between clients that were high-scoring and low-scoring for each of the dependent variables blame, approval, and additional business, with disapproval and credit revealing only one and two significant incidents respectively. There were five significant incidents based on reduction in business, with 5

negative and 6 positive incidents found significant representing trust (Refer to Table 9.1).

Table 9.1: Relationships found significant between dependent variables and specific critical incidents

Dependent variable	Number of cases	Number of subgroups	Significant critical incidents only	T value between high-scoring and low-scoring subgroups	Significance (2 sided)
Nublame ¹	60	3 and 1	15	2.126	.038
			17	2.044	.049
			19	2.646	.010
			21	3.007	.005
Nudisap	59	3 and 1	17	2.339	.030
Nureduct	92	3 and 1	1	2.569	.012
			2	2.115	.038
			14	2.284	.026
			15	3.166	.002
			20	2.811	.006
Nucredit	74	3 and 1	22	2.470	.016
			29	2.375	.026
Nuapprov	75	3 and 1	23	2.598	.012
			28	2.236	.029
			29	2.806	.007
			30	5.438	.000
Nuaddit	70	3 and 1	22	3.964	.000
			24	3.338	.001
			26	2.584	.012
			28	2.742	.009
Nustrust	95	3 and 1	1	-2.335	.022
			15	-2.017	.047
			19	-1.989	.050
			20	-3.504	.001
			21	-2.239	.028
			22	2.588	.011
			23	3.313	.001
			24	2.567	.012
			26	2.802	.006
			29	2.060	.044
30	2.569	.012			

Collectively, only nine of the twenty-one negative incidents showed significance, although the others could be implicated as important from the depth interviews. If these findings are influenced by sporadic frequency of incidents experienced (since it is reasonable to assume

¹ Recall the prefix 'nu' relates to subgroups of clients who score high and low for each dependent variable.

that several incidents had not been experienced by every client in the sample), this might underscore the significance of individual incidents on client behaviour. Nevertheless, the overall findings probably reveal the contextual nature of many relationships. However, examining each incident in isolation of all others may be a less than optimal way of understanding the general pattern of relationships, since behaviour of respondents is dependent upon their overall feelings about relationships (i.e., that relate to combinations of negative and combinations of positive incidents). In the case of analysing trust that is a composite grouping variable, this would combine both negative and positive incidents. It is therefore unsurprising that individual critical incidents seldom show significance, and that the majority of dependent variables were found to be significant based on combined sets of incidents (refer back to appendix N).

To support how the grouping variables were used, some explanation of statistical procedures is required. Although the sample sizes that were split into subgroups tended to be small, these were adequate for testing statistical inferences. However, the relatively small sample of respondents meant that certain statistical techniques were less suitable. For example, LISREL is a popular technique for examining variables that affect relationships, but would need a larger sample size for structural equation modelling to perform adequately, as recommended by Anderson and Gerbing (1988). An additional reason for not using LISREL is that this study of tolerance has been conceptually exploratory, and so could not rely on existing scales that had already been statistically verified from historical studies, (refer to Kline, 1994). As with the case of any study using small samples, here is a trade-off between sample size and comprehensive understanding of the topic. The aim of the empirical data was to collect as much information as possible ascertaining to the boundaries of the topic, necessitating a relatively large number of variables and questions that ultimately affect response rates. Having acknowledged this, there is still a need to augment the work with further studies to assess the robustness of the results.

Support for the analysis is provided by the factor solutions that could show a creditable 70 % variance explained for both independent and dependent variables. No further improvement could be made with further iterations of the combinations of variables, with additional variables contributing little to the overall variance explained, suggesting that the solution was virtually complete.

In support of the scaling method used, the majority of data were collected by using a similar ordinal scale from one to seven that facilitated comparisons between the data to be made.

Although the weaknesses in using ordinal scales, such as the true intensity of responses are not differentiated consistently between different respondents (e.g., Churchill: 1991) are well known, this was overcome by incorporating two processes. First, an accompanying ratio scale supported likert scales that traditionally record respondent's scores by intervals. Each interval was defined within a given percentage range, and printed against the scale, thus clarifying what the interval scales meant.

Second, to check on whether scoring within respondents appeared consistent, reliability was tested that indicated which variables that generally failed to provide internal consistency. Those failing to provide sufficient internal consistency were subsequently removed from further analysis.

Edvardsson and Strandvik (2000) advocate that CIT should be broadened to include the timing of incidents that includes the measuring of future intentions as well as past behaviour. To avoid clients feeling restricted about discussing their current relationships that would have reduced response rates and inhibited the generalising of findings, respondents were encouraged to report on any relationship they had held within the last three years. Although commenting on past relationships would preclude discussion of future intentions, it was felt this would provide more honest reporting. Since analysis was restricted to past behaviour, there is a need to extend the present study to future intentions and behaviour.

Recall from exploratory factor analysis that some performance variables loaded on both negative and positive incidents, so these variables are examined together where they represent discriminatory factors. This is not a problem when differences between performance variables are measured between subgroups that relate to both negative and positive incidents (i.e. for subgroups derived from dimensions of trust). Since clusters 28, 30 and 47 involved dependent variables that combine negative and positive incidents, it would be expected that performance variables would be reported as discriminatory that could describe both negative and positive experiences. Integrity, consistent work processes, stability, strategic thinking, and proactivity are reported. It is observed that there are strong significant mean differences between many of these independent variables based on grouping variables that involve trust (based on attributional attitudes, voice, or behaviour). These are particularly reflected in the findings using clusters 30 and 47. (Refer to Table 8.13c).

However, when the dependent variables that identify subgroups are based on only one set of incidents that represent either negative or positive experiences, it could be argued that comparisons of mean differences in performance variables should be restricted to describing the same set of incidents. However, the fact that performance variables loaded on common factors strongly implicate that behaviour describing performance variables might be common to both negative and positive incidents. This means that a performance variable, given a negative incident, may be somehow related to the corresponding performance variable given a positive incident. This pattern of findings between some of the performance variables can be less easily explained by a lack of client concentration or response fatigue because previous analysis of the pattern of responses between sets of incidents revealed not only similarities but also differences. It seems logical that client behaviour will act similarly in both many negative and positive situations for certain performance variables, but not to others, and this will be influenced not only by the client's experience of their individual agencies, but also the particular incidents they are confronted with. This helps to explain any residual multicollinearity between the corresponding performance variables under both negative and positive incidents. Having acknowledged this, it would be expected that there would be a greater incidence of, or stronger significance, in performance variables that match the incident in the direction of that described by the grouping variables in comparison to those that are unmatched.

Determining the significance of each qualifying predictor variable between the subgroups rather than the significance of each discriminatory function (as in Table 8.13) can reveal whether this assertion can be verified. Independent t-tests (not paired t-tests) were used to assess the significance of each variable representing each qualifying discriminatory function because cases representing tolerant and intolerant clients must be different and hence independent. However, results need to be used with caution because the sample sizes for each subgroup differ from those of the corresponding SDA. This data revealed a greater significance in performance variables that matched the set of incidents in the expected direction described by grouping variables. For example, the strongest significance for each of the grouping variables blame-reduction and disapproval-reduction are with consistent work processes/negative incidents (with p values of .006 and .000 respectively).

As might be expected, the mean differences in access to creative teams/positive incidents are insignificant for distinguishing between tolerant and intolerant clients, based on the grouping variable blame-reduction ($t = -.784$, $p = .435$). Exceptions in which variables remain significantly

different between tolerant and intolerant clients, despite the performance variables not matching the direction of the incidents indicated by the grouping variables, include integrity given negative incidents, and accessibility of creative teams given positive incidents. These are based on the grouping variables *tolcredit* and *blame-disapproval*, (with $t = -2.72$, $p = .008$, and $t = 2.52$, $p = .015$ respectively).

For *tolcredit*, (in which intolerant clients were defined as exhibiting less credit in relation to positive incidents) the mean scores for integrity given negative incidents appear higher for intolerant clients. Although the amount of positive incidents experienced is controlled for in determining *tolcredit*, it is plausible that intolerant clients experience more negative incidents, and so more integrity is required, valuing integrity higher than tolerant clients. Perhaps the salience of integrity is raised for intolerant clients who consider that integrity has to be demonstrated, whereas tolerant clients feel it is more of a given, already in place. This would suggest that integrity may have acted as a hygiene factor in possibly raising intolerance under negative experiences, but does little to raise tolerance under positive experiences. Alternatively, possibly due to the caution already noted in analysing clients based on credit, the finding is little more than a statistical quirk or design artefact.

The mean scores for accessibility to creative teams given positive incidents appear higher for tolerant clients, based on tolerance defined as exhibiting more disapproval in relation to blame. This may be explained in how tolerant clients are derived from the grouping variable. The distinction in defining tolerance in terms of more disapproval in relation to blame was rationalised because disapproval tends to be event-specific, and blame is more likely accumulated over successive events. Since successive events include both negative and positive experiences, the propensity to blame may be a function of both sets of experiences. Whilst this may be arbitrary reasoning, it is an alternative explanation for the finding. A second reason may be what accessibility to creative teams given positive incidents actually represents. Recall that access to creative teams/ negative incidents was removed due to excessive multicollinearity. However, the removal of this would distort the findings (should accessibility to creative teams/positive incidents prove to be a proxy for accessibility/negative incidents). Third, the result at face value appears rational. Less blame attributed to tolerant clients associated with greater accessibility appears a sensible explanation. When disapproval beckons, assuming there is high accessibility, the creative team can be switched. The explanation is also consistent for the similar predictor based on the grouping variable *blame-reduction* in business. Here, intolerance is associated with

higher accessibility, but is derived from less blame relative to reduction in business (i.e. the definitions of tolerance and intolerance are reversed according to the pair-wise comparisons). Thus the findings about high accessibility are consistent with relatively low blame compared to the referent variable.

9.3 Triangulation

Consistent with the research strategy, the predictor variables of tolerance were revealed to a large Scottish agency to gain further explanation on the findings. There were two objectives behind this. First, to gain a practitioner perspective that may reveal additional explanation. Here, it was considered appropriate to obtain an agency viewpoint to the previous client responses. Second, to ascertain whether the findings were typical or atypical, thus adding further support to the findings. Since only one agency was approached, it cannot be substantiated that the feedback would be necessarily representative. However, four staff from the agency participated, representing the Marketing Director, a Board Account Director, the Planning Director and a Marketing Manager, adding weight to the feedback supplied.

A brief explanation of the sampling design, research stages, response rate, and research objectives were supplied in a covering letter. The interview lasted about ninety minutes. Apparently the group had commissioned an internal study on client behaviour that had achieved a similar response rate (20%). The protocol was to report on each predictor, in turn, and to ask the group for their explanation.

Their views added further support to the findings. Stability of key account management was interpreted as a predictor of tolerance because key members become custodians of the brand. It was argued that since the job movements at marketing director level on the client side are typically short, agency staff may hold more knowledge about brands than their clients.

Consistent work processes was interpreted as a predictor because continuity is achieved. It was suggested that this was something clients adhere to when faced with difficult situations, so accounting for the prevalence of CWP given negative incidents in Table 8.13.

Proactivity was interpreted as a predictor, in terms of making clients appear good internally to their peers, so enabling them to enhance their careers. The importance of proactivity to agencies

was indicated by using cases studies to provide evidence. The Planning Director even suggested using client testimonials to provide evidence of proactivity in pitching. It was suggested that other predictors (e.g., integrity) would be more difficult to prove-this simply cannot be sold to a client.

It was suggested that agencies need to know how and when to be proactive, because it could be treated as something that is being loaded, unnecessary and frivolous, so creating extra work for the client to manage this internally (particularly if over-budget). Hospitality was dismissed for this reason-it is only used when the relationship has developed, but was considered of little benefit in seeking new business.

Integrity was applied both to the way billings is organised, and the honesty of daily transactions. Despite integrity occurring three times as predictor, intuitively it might have been more prevalent. The Account Director suggested that integrity may be less important since the shift in agency remuneration from standard commission to performance-related fees, since commissions were often mistrusted.

The need for liking account staff may not appear as a predictor because the onus may be on respect rather than liking, particularly as billings become larger. Another reason for dismissing liking related to particular client beliefs about relationships. Some clients deliberately keep agencies at arm's length because it enables them to make tough business decisions (such as reducing business) when they need to.

The only explanation offered for more tolerance associated with more severe competition and more bleak markets was that of clients being more realistic in what can be achieved under such circumstances, implicating that managing customer expectations may become more difficult in good times. The conflicting responses to the findings from depth interviews might suggest that clients factor in environmental conditions subconsciously.

9.4 Conclusions

In drawing conclusions from this study, it is necessary to comment on some on the preliminary findings during the analytical approach. Recall from the poor alphas revealed in appendix V that client pressure (questions 14.1-14.2) was dropped from subsequent analysis. One explanation for

the poor alphas may be due to the pressures in clients to give favourable impressions of their ability as a manager or their feelings of vulnerability and /or accountability to perform irrespective of organisational conditions. How managers define how they react might be considered to be a critical perspective of their own abilities that they would prefer others not to know about, and so are unable to give an objective opinion. It would appear that these questions involve self-evaluation that relies on inherent subjectivity.

9.4.1 RQ1: The nature of the critical incidents

Recall that RQ1 is: What are the critical incidents in client-agency encounters? Returning to Table 8.1 examining negative incidents, it can be observed that service issues are more frequent than outcome-related incidents. Disappointment with creative execution (ranked equal fourth), an outcome-related incident, follows briefing problems, late delivery and nasty surprises in billing, all service issues. Distinctive patterns emerge from the types of incidents displayed. Over-reacting (CI 15), irresponsibility in managing third parties (CI 21), and late disclosure of mistakes (CI 17) suggest a lack of respect for clients. It is also a lack of agency initiative that appears to be at fault. Failure to recognise and notify matters of importance to the client that affect them internally and adversely are suggested by CI 9 and CI 12-CI 13. Since these are mostly account management issues, these could be avoided if suitable training in account management skills such as nurturing customer relationships, was given. Collective incidents relating to disrespect and lack of initiative contribute to about 1 in 4 of all critical incidents that could be avoided with improved practice. More significantly, these issues are probably the least costly to put right, since issues concerning the quality of the advertising creativity are somewhat more subjectively evaluated, less easily resolved, and might require an upgrading of creative staff. Therefore, it should be in the interests of client *and* agency alike to avoid incidents relating to service quality. In returning to Table 8.2, it can be concluded that positive incidents are generally concerned with exceeding expectations of the creative work, in sharp contrast to account management that appear to be responsible for many of the negative incidents.

9.4.2 RQ2: The impact of critical incidents on tolerance

In answering RQ2: how critical incidents affect tolerance, it can be argued that this is dependent on how tolerance is derived from the grouping variables. All dependent variables were significantly associated with sets of critical incidents as expected, but disapproval and credit held

the least association with negative and positive incidents respectively, although weakly associated at the .10 level. Findings from appendix N show that trust and reduction in business have the strongest association with net incidents, offering support to the study of both negative and positive critical incidents in affecting business performance.

Positive incidents appear to have a greater significant influence on positive attitudes or behaviour than negative incidents influencing negative attitudes and behaviour. Results from Table I of appendix O show that the frequency of incidents may be less of a significant factor in distinguishing between different respondents based on their responses to pair-wise variables, particularly in terms of negative incidents experienced. Several reasons may be attributed as to why negative incidents generally may not appear as closely linked to responses as for positive incidents. First, responses might reflect more about how clients *feel they should* manage their relationships rather than how they *actually* responded. Clients may have more discretion in how they respond to positive incidents, since they are more likely to be adding to a relationship. When responding to negative incidents, they may be more internalised, treated personally, and considered potentially harmful for legitimising their decisions, so this may support the tenets of impression management (Rosenfeld, Giacalone, and Riordan, 1995: 65-98). There is always the need to respond proportionately to the offence. When this is not the perception by the recipient of the response, relationships may be intractably damaged. In other words, the stakes are greater when committing an error of judgement in how to respond to a negative incident than committing an error in how to respond to positive incidents. Therefore it is likely that some clients would 'play down' negative incidents to distance themselves from any failure. This would also make their relationships appear more stable.

Additionally, net critical incidents are associated with differences in trust when compared to attitudes and voice, but not subsequent behaviour. (Refer back to Table IV of appendix P). Several reasons may be attributed as to why business activity may be less associated with the amount of incidents experienced. First, clients might prefer to remain with their incumbent agencies, using switching or awarding business as last resorts. This reasoning is logical due to the high switching costs in seeking appointment of a new agency and subsequently developing it into a productive relationship. Second, the client-agency literature (e.g., Halinen, 1997) suggests that business planning is not purely driven by account satisfaction. With the growth in global branding, mergers, acquisitions, and global networks on both sides of the relationship are not uncommon. One consequence is that the discretion of the individual client may be restricted or

frustrated, with decisions made increasingly at arm's length, divorced from the true feelings of the client faced with a domestic relationship. Staff who have served well on an account may also be poached away to new pastures, providing ample motives as to why overt behaviour may not reflect covert attitudes.

A further reason is about timing of the business planning. Budgets may be allocated well ahead of actual business performance, since they normally reflect *anticipated* (not actual) performance that may be inflated by an optimistic or ambitious brand manager, or equally deflated by over-cautious financial management (West, 1995). When clients can exercise a sanction to add to, or restrict the share of business allocated to an agency, it may have to be ratified further up the hierarchy. In a hierarchy of many layers, this might take considerable time, so delaying any direct link between attitudes and behaviour.

A final reason concerns relationship inertia. Any changes made to business activity will affect the balance of power between agency and client. A reduction in business might signal less future co-operation from the client, and demotivate creative staff, or signal to the agency that the client is likely to pitch somewhere else in the near future. An expansion in business allocated is likely to invoke a probationary or trial period by the client organisation in assessing the agency's provenance and resourcefulness, since more investment is at stake. Thus changes of any magnitude in either direction are likely to create fresh challenges that neither party may wish to endure.

The association of critical incidents above with tolerance appear to contradict previous work by Edvardsson and Strandvik (2000). Using CIT, they reported that both negative and positive incidents had only a minor impact on customer behaviour. However, their study was limited entirely to service quality, was geared to consumer markets rather than business-to-business markets, and used a sampling frame of respondents restricted to *existing* customers of a hotel chain (so perhaps it was unsurprising to learn that the vast majority were happy with the service!). Having acknowledged this, they recognised that accumulation of incidents may have a separate effect from examining negative or positive critical incidents alone (Edvardsson and Strandvik, 2000: 89). Moreover, since different customers hold different sensitivities to critical incidents, the 'criticality' of incidents may rest with the individual customers. For these reasons, it is argued that critical incident analysis is best examined as sets of negative, positive and combined net incidents (equivalent to the 'accumulation effect' or similar to Gestalt feelings),

rather than individual incidents alone. As Edvardsson and Strandvik argue:

" It is quite clear that a single incident may not always be decisive but rather the cumulative effect of several incidents. The build-up of such effects have, however, not been studied in earlier research [...]", (ibid, page 90).

In this research, an attempt has been made to show this over a broad range of grouping variables.

Explanations for the findings based on the qualifying discriminant functions (Table 8.13), were supported by previous depth interviews. Trust incorporates both negative and positive experiences of a relationship. Unsurprisingly, more independent variables are correlated with, and contribute to trust than for any other dependent variable. In an advisory capacity, it would be recommended that clients and agencies focus strategically in developing their relationships to encourage mutual trust to develop, and to cultivate episodes more tactically for achieving other dependent variables, based on the more peripheral contribution made by responses using attributional attitudes and voice.

The relationship of trust with other dependent variables shows that trust is inversely associated with negative experiences in relationships. A lack of trust is more likely associated with blame and reduction in business (Pearson correlation of -.411 and -.371 respectively, whereas the presence of trust associated with credit and additional business provides only correlations of .247 and .260 respectively (Pearson Correlation Table, Table I of appendix P). It would appear that agencies should monitor their client's trust in order to avoid negative reactions rather than to use it more positively, in the expectation of praise and/or securing new business.

9.4.3 RQ3: What factors are associated with tolerance?

Performance variables

H1: Client tolerance is associated with agencies that demonstrate competency in performance from past exchanges (but intolerance if expectations rise, on account of experiential effects)

Most performance variables showed higher means associated with tolerant groups, with the previously noted exceptions. It would appear that intolerance seldom arises from rising expectations based on experiential effects. Virtually all performance variables showed higher

means for tolerant clients defined by grouping variables relating to trust, offering good support for the need to demonstrate competency, as revealed by H1. Trust may be experientially driven, in accordance with the concept of experiential trust, acknowledged by McKnight et al. (1998), and is consistent with performance-related trust argued by Moorman et al. (1992).

In referring to point 2 of the findings from Tables 8.13c, stability under positive incidents is a strong discriminatory variable for displaying excess trust, but not stability under negative incidents. Stability under positive incidents is associated with the highest standardised coefficients of all predictor variables for C30 (at .652), and is .562 for C47. Perhaps campaign success exemplified by positive incidents creates a stimulus for account management to seek more lucrative employment or maybe they are switched internally on to more prestigious or demanding accounts (reflecting personnel switches either externally or internally). Either cause of instability is likely to lead to client disappointment and frustration, and raise the salience of stability as a performance criterion, particularly if trust is based on future expectations. The depth interviews also revealed that stability was considered an *important variable* by 90% of clients and by over 80% of agencies. Stability might provide the evidence that clients feel they need in order to trust their agencies, since stability may be closely aligned to consistency in beliefs, activities, or behaviour. Perceptions of consistency may offer comfort to some clients, in which one upshot would be less effort required in making changes during the relationship. Surprisingly, only less effort in making changes was a predictor of tolerance, not strategic changes. The tendency to shift effort required in a relationship onto the agency may reduce perceived risk and reduce threats to the client's survival. When clients need to make changes, presumably they need to legitimise those changes to others, that shifts the spotlight on them rather than their agencies. As one agency quipped from the depth interviews, "We're here to make the clients look good." Conversely, when the client doesn't look good, the client feels vulnerable that may affect tolerance. There may be multiple explanations as to why stability (consistency) is a significant predictor of trust. One explanation is the importance of managing people in the marketing of services literature, in which service quality is represented by the service provider. Just as investors might shift their funds to a competitor, in the event of a valued Fund Manager leaving, key staff in the account team should be equally treasured.

Consistent work processes (CWP) under negative incidents is a strongly significant predictor of tolerance for grouping variables that involve a disproportionate reduction in business. Why are the means of consistent work processes under negative incidents consistently higher with these

tolerant groups? It is possible that the salience of consistent work processes increases under more negative experiences because it may facilitate management in understanding how their agencies can work better when required, with a greater opportunity of evaluating them accurately. Under more positive incidents, steps designed to convey consistency may be less required, with management taking more of a back seat role. Since management is more likely to be hawkish of its agency activities under negative incidents, an agency that demonstrates transparency in how it works is more than likely to reassure the client. Consistency that is transparent enables a client to understand, and therefore predict, how a negative incident might be resolved, with more conviction and confidence in the outcome. The upshot is a more relaxed environment, with conflicts more quickly resolved, instead of developing into bitter disputes.

It is observed from Tables 8.13a-b that high scores of consistent work processes are also associated with high scores of integrity (based on C28) and proactivity (based on disapproval-reduction in business) both under negative incidents. It would appear that, in the absence of consistent work processes, there may be less opportunity for rating an agency highly on these performance variables. Further support for this assertion is shown by the bivariate correlations between these variables. Consistent work processes is positively and strongly correlated with integrity (.583), and proactivity (.351), both yielding p values of .000 (2-tailed test, n = 113) under negative incidents. Additionally, CWP is associated with strength in strategic thinking as expected (of .371), although not a predictor. It is further argued that consistent work processes will be more difficult to demonstrate where there is less stable key account management (correlation of .616, $p = .000$, $n = 114$). It is suggested that stability of key account management may offer insight into why some clients appear more tolerant than others.

CWP also appears as a predictor with compatible working style and neweffort (all higher scores associated with tolerant clients) suggesting an association. Collectively, it would appear that CWP might be used as a facilitator for governance of agencies, a key task of the client.

Based on the grouping variable blame-reduction, why do intolerant clients appear to have greater access to creative teams than tolerant clients do? One explanation is that access may be a less important issue under favourable circumstances. That is, additional creative teams are only required when faced with creative problems. By then, it may be too late, reflecting a disproportionate reduction in business in comparison to blame.

An alternative explanation can be extracted from the depth interviews, suggesting that there can be too much accessibility, since it can signify lack of conviction by the agency, in terms of creative proposals. According to a client:

"I would be wary at both ends of the spectrum. If there was only one or if there were a lot. When it moves to more than four, it indicates two things. They don't know what they are on about,just hoping something good comes out of this" (client I, page 33).

As client J explained about offering the client a lot of creative concepts for one creative brief:

"...(I)t's almost a case of well, we'll present a number of options and see which one the client picks, you know, almost a scatter approach.... rather than really believing in a particular strategy..." (client J, page 3).

Tolerant clients share greater proactivity under negative incidents. This would suggest that more agency effort is put into seeking proactivity when negative incidents are experienced. Proactivity under positive incidents is not a predictor. Under more positive conditions, the best approach by agencies might be to discuss proactive ideas before they reach the costly development stage, to get the client to buy into the idea rather than confronting them with undue surprises.

Investments

H2: Clients who are heavily invested in existing relationships are more likely to exert efforts to show tolerance (but intolerance if expectations rise from committed investments).

From Tables 8.13a-b, only three of the five investment variables serve as predictors of tolerance, with these offering mixed support for investment associated with tolerance, as tested by H2. General experience, special experience and account size billings are predictors of tolerance, with general experience associated with negative incidents and special experience associated with grouping variables connected to trust. Neither share of business nor brand exposure appeared as predictors of tolerance.

Both general experience and specific experience were treated as relationship investments. General experience as a predictor of tolerance suggests the importance of clients using their learning from previous agency interactions rather than simply making knee-jerk reactions to current problems. It would appear that general experience of agencies helps to encourage reflective behaviour rather than reactive behaviour that may later be regretted, such as the

premature switching of agencies. Such learning might reflect the realisation that switching agencies is not an ideal option (unless a last resort), since it will result in considerable client effort in seeking alternatives. Conflict (measured by disapproval or blame) can also be over-reactive, in which the agency is hardly motivated to reap the best creative work if treated harshly.

It was previously observed that clients that reply later with their questionnaires tend to share less general experience in agency-client relationships. This can be attributed to a lack of confidence in being openly frank about how they manage their relationships, reflecting hesitancy and procrastination. It is suggested that when clients lack confidence due to lack of experience, they are more likely to act defensively and shift the blame on to others in the event of negative critical incidents. It is believed that intolerant behaviour can be attributed, in part, to this. Depth interviews revealed a pool of other explanations for greater experience associated with tolerance. These include opportunity for bonding (client D, page 12), recognising the need to motivate agencies (client G, page 8), a greater understanding of the size of the task facing the agency by more experienced clients, and a greater ability to judge accurately (with more realistic expectations, client I, page 46). Clients that are allowed internally to develop their own roles, in terms of motivation and training, are likely to do so over time. It seems plausible that tolerance might also be associated with an expansion of roles, since this should be linked to a greater understanding of what makes relationships work.

Findings (based on grouping variables *tolcredit* and *C12* from Tables 8.13a-b) revealed that smaller account size was associated with tolerance. This would appear to accord with intolerance associated with raised expectations from larger investments, supporting the alternative H2. Smaller account size (measured by billings) may be a predictor of tolerance in the qualifying DA because it may reflect lower client expectations. This may be linked to a matching process on size, in which smaller clients may be less demanding, less pressurised, or possibly lack expertise or confidence in being more pedantic in their requirements. To support this theory, the business is likely to grow as expectations advance in the relationship. Larger account size associated with intolerance might reflect an ecological model of relationships, insofar as clients become over-realistic about what they can achieve over successive campaigns until eventually the agency shows campaign staleness, possibly over-relying on achievements from their archives. This is what Davies and Prince (1999) referred to as institutionalised creativity.

However, it is observed that tolerance is generally associated with greater experience, and it would be expected that larger clients would normally have greater experience than their smaller counterparts. Overall, perhaps expectations rise with relationship investment reflected by billings, but are somehow moderated by experiential effects. Accordingly, greater experience can provide opportunities for learning and adaptation with successive exchanges (Davies and Prince, 1999). Thus experience may help to nullify any threats of intolerance exposed from over-hyped expectations associated with greater client investment in their agency relationships.

Both general experience and specific experience can be explained as predictors of tolerance. In support of general experience, clients are likely to develop realistic expectations based on benchmarks of competencies that rely on their overall experiences involving the consideration of other agencies, when deciding how a given agency has behaved. Whilst benchmarks are better served by general experiences than one specific experience, this is offset with the case for making realistic expectations from specific experience, in which more intensified, recent and/or first-hand knowledge about an agency is acquired. With more realistic expectations, clients are less likely to become disappointed and are more likely to react favourably.

Beliefs about relationships

H3: Clients that adopt specific beliefs about their inter-organisational relationships will be associated with norms of equity (inequity) leading to tolerance (intolerance).

The findings offer partial support for H3, in which clients who expect or believe in long-term relationships (LTR) and compatible working styles (CWS) are more tolerant, but belief in the need to like contact staff was found not to be discriminatory. Although this might suggest that process is more important than people, recall the importance of stability of *key account* management for selected grouping variables (implicating the continuity of personnel). This might suggest that it is the level of personnel that is important rather than the overall account team, and that relationships built on business understanding are more influential than those based purely on personal friendship. The depth interviews indicated that agencies recognise the need to keep in close contact with their clients at a *very senior* level.

Strong scores in LTR and CWS related to tolerance are unsurprising. LTR suggests an attitude for relational exchanges, whilst CWS provides the means for achieving it through greater

understanding of stakeholder needs, providing the credentials for creating equity in relationships.

Environmental conditions

H4: Environmental conditions, may alter client needs, devaluing (or improving) the exchange, leading to intolerance (or tolerance) in which:

H4.1-4.3: Bleak market prospects, severity of client competition, and limited product attraction respectively lead to devalued (improved) exchange and intolerance (tolerance).

Environmental variables, in terms of bleakness of the market, and severity of competition, were more associated with tolerance than intolerance, offering support for H4, but in the opposite direction expected. An explanation for intolerance associated with less bleak markets and less severe markets (point 5 of the findings, relating to Table 8.13b) can be given by expectancy theory. The feelings of intolerant clients might reflect false optimism, raising expectations, only to be later more disappointed than tolerant clients that achieve their aspirations under a more realistic forecast. However, whilst tolerant clients are less optimistic about their future, they are more optimistic about the potential of their product for attracting the market that also appears to require less effort in making changes. Thus H4.3 is directionally supported: beliefs in product attraction are associated with tolerance. The difference in perceptions may rest on what clients feel is under their control, with the external market being considered as a 'given' force. In contrast, the product may be considered to be influenced by their decisions, or the decisions of their agency. Thus optimism with product potential may be an indicator of confidence in their own ability, and by implication, the ability of the agency they hired. Despite a tough business market, there may be high confidence in achieving product objectives with minimal effort.

Drawing on the collective comments from depth interviews, the vast majority of agencies felt their clients reacted more intolerantly towards them with changing environmental conditions, with client views more equally split. Whilst some clients claimed not to factor in environmental conditions, this agency viewpoint might be rationalised as defensive. That is, agencies are more prone to blaming environmental conditions (that they might suggest are beyond their control) for adversity in relationships. In contrast, the SDA suggests that many clients have factored this in, and these tend to operate in the best interests of the agencies rather than against them. The upshot is that the agency viewpoint that clients are unlikely to accept the limits of advertising

under tough trading conditions, is unfounded or at least misplaced. It is suggested that such perceptual differences might account for unnecessary tension in relationships.

H4.4 Clients facing changing, unfamiliar strategies will increase their need for reciprocal effort in exchange, with clients becoming more anxious (co-operative) implicating more intolerance (tolerance).

In examining findings from point 5 of the qualifying SDA, strategic change failed as a predictor of tolerance, so H4.4 is not supported. The lack of strategic change as a predictor of tolerance possibly arises from clients holding modest expectations in how their agencies can contribute strategically. Perhaps agencies are treated as mere suppliers rather than strategic partnerships. It also suggests that type of strategic change should be tested in further research. Clients may react differently to each risk profile associated with each type of strategic change.

H5.2 is shown here without H5.1 because the variable discretion was removed from analysis.

H5.2: If client effort is matched (unreciprocated) by the agency, norms of fairness will prevail (are breached), leading to tolerance (intolerance).

Point 6 of the findings from Tables 8.13b-c revealed that tolerance was associated with less client effort, supporting H5. Previous research has shown how effort may be linked to equity. For example, Palmer et al. (2000) showed that equity (based on the difference between the impact of a service failure and the effort generated to put it right) was linked to repurchase. Similarly, Webster and Sundaram (1998) found that recovery effort has a significant effect on loyalty in consumer markets. The implication is that more client effort, if unreciprocated by agencies, leads to intolerance based on an unmatched level of inputs.

9.4.4 Bringing it altogether

The model of tolerance constructed in Figure 2.1 is extended as Figure 9.1 to show the dynamics of tolerance, with current tolerance likely to have an impact on future decisions concerning both beliefs and behaviour in relationships (shown by the arrows leading outward from client tolerance to the variables). This is explained more fully under epistemological reflections in section 9.4.7. The model summarises how perceptions of the relationship, measured by the

independent variables, leads to perceptions of greater (or lesser) certainty in predicting agency behaviour, serving to consolidate (erode) norms of equity and fairness, and improve (reduce) tolerance. Specifically, strong positive scores on selective variables of performance, experience and core beliefs were associated with tolerance. However, strong scores on size of investment, but weaker scores on unfavourable aspects of the environment (except for limited product attraction) were associated with intolerance.

Performance variables, including experience (TSI) appear to act positively in creating structural bonding, but size of client investment and limited product attraction appear to act negatively (shown by the parentheses in the model). Social bonding is possibly reflected more in beliefs about relationships. Strong beliefs in long-term relationships and CWS are helpful for predicting particular motives (such as expectations of less opportunism), so creating conditions for norms of equity to prosper. Whilst likeability is not as helpful as expected, questions are raised about single sourcing and informality that were not formally tested in the survey.

In studying individual variables, several performance variables were predictors of grouping variables that defined tolerance. Agencies need to be particularly sensitive to the expectations of their clients, especially in terms of creative processes and service processes. Creative processes shown as predictors of tolerance included proactivity, number of creative teams, and strength in strategic thinking, but not empathy to creative changes. Service processes shown as predictors included integrity, consistent work processes, but not constant account status. An additional performance variable as a predictor that could be argued to be either part of creative or service process was stability of key account management.

In bringing it altogether, the emphasis is on trust. Trust is fragile when key members of the agency account team split up. This explains why stability of key account management is associated with tolerance. When key staff leave, more effort is needed by the client to provide assurances in service quality and creativity. This may take the form of hand-holding. At the same time, the client may feel vulnerable in having less control over events, so they will take steps to exert more control. This could take the form of consistent work processes to ensure the activities of the agency become more transparent, and a compatible working style to make the process more receptive and palatable. Agencies that score highly on these requirements provide clients with the confidence they need to legitimise their position in account maintenance, and in offering a degree of protection in the event of future disappointment (so upholding tolerance).

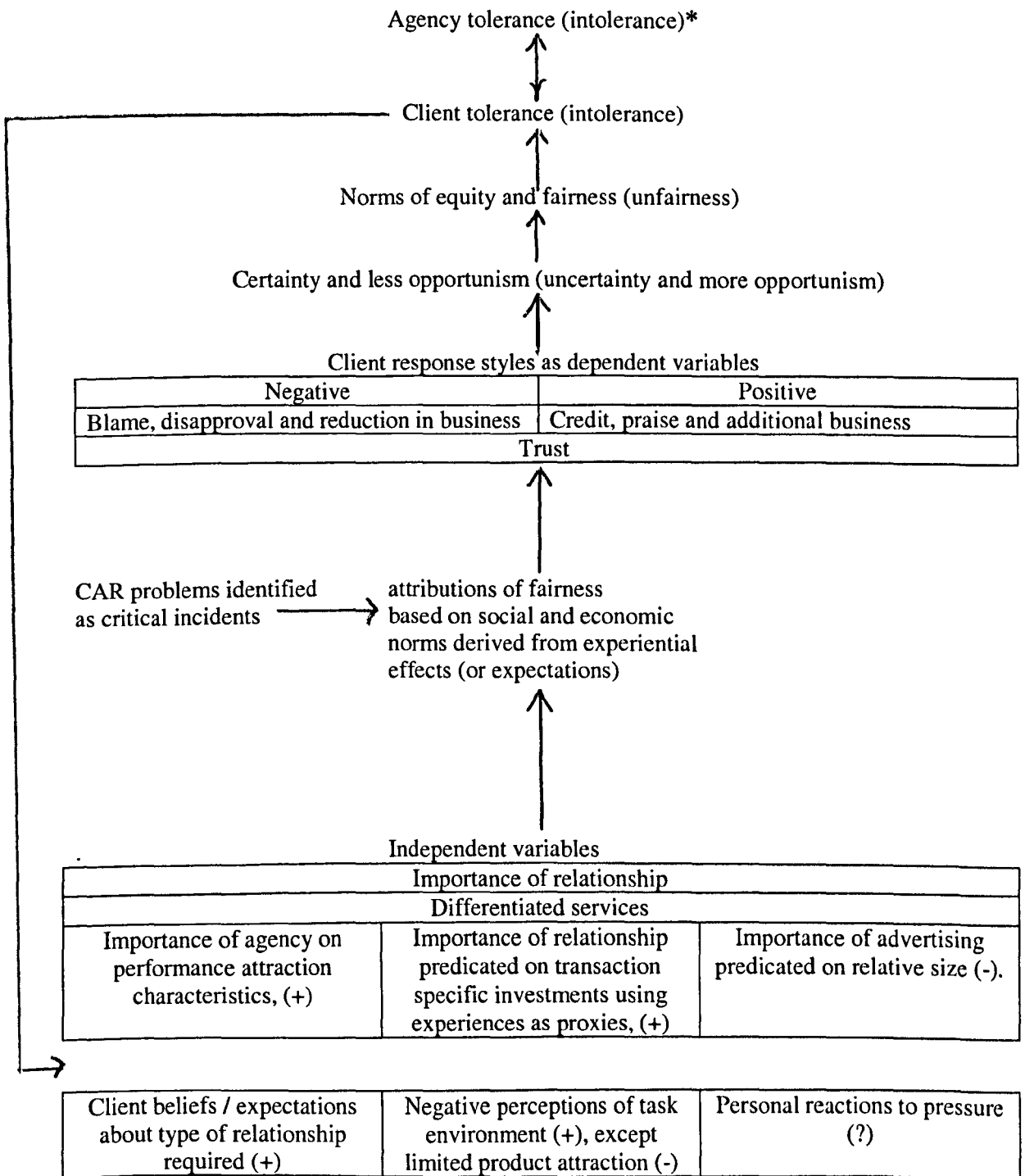


Figure 9.1: Revisiting the model of tolerance indicators to service quality problems

Key: (+) associated with tolerance, (-) associated with intolerance

* the asterisk represents the mirror image of the client model (above) applied to their agencies

Both additional effort and need for more control may help to explain the fragility of newer relationships. Since more hand-holding is required for the agency to acquire the client's culture in working and to share in its knowledge, the client is inclined to be on a shorter fuse. Clients more experienced in an agency relationship may require less effort because the agency has learnt to adapt to the client's working style and goals. It is also likely that clients that are more experienced in their agency relationships will have more confidence in their agency abilities (including perceptions about their integrity, strength in strategic thinking, proactivity) that requires less need for close control, less supervision, and less unpleasant surprises. When a critical incident or unforeseen event occurs, they are more *likely* to refrain from over-reacting.

Tolerance is less likely when there is:

- low confidence in agency performance, reflected in lower integrity, strength in strategic thinking, consistent work processes or proactivity

- considerable investment in the relationship, but less experience in general and specific relationships.

- a propensity to hold specific beliefs, such as expectations in short-term relationships and incompatible working styles

- over-optimism about the state of the markets and/or intensity of competition, but low confidence in the attraction power of the product. If an agency under-performs, the adversities of the market beyond the control of the agency appear to be factored in to client responses.

- more client effort required, with change in strategy possibly not affecting this as expected

It is suggested that agencies, in promoting tolerance, might consider all or some of the following:

- demonstrate a well-managed process (inputs) at the start of newly formed relationships, and gradually reduce this as client confidence in their agency abilities increases upon successive interactions

- ensure continuity of experience, by restricting the switching of account teams to a bare

minimum (so promoting familiarity, consistent work processes, and stability).

- identify whether their clients believe in long-term relationships and compatible working styles, or not. This would offer a ballpark figure for prioritising investment across different types of clients.

- brief clients fully about the market environment, should client expectations appear to be unrealistic. For example, if the agency is guilty of under-performing, explain how the adversities of the environment have contributed, but do not labour it.

- invest incrementally in client relationships, especially when developing new relationships

9.4.5 Implications for academicians

Factors beyond the control of the agency (specifically intense competition and a bleak market) appear to be more tolerated. However, discretionary variables under the control of the agency (such as low scores on performance and limited product attraction) are shown less tolerance by clients, consistent with findings by the economist Konow (1996). Although market conditions and product attraction affect exchange value to the client, these differences can be rationalised on the basis of attribution and fairness. This is consistent with Bies and Shapiro (1988) who found that procedural fairness would be rated higher when unfavourable decisions were rationalised by mitigating circumstances. Accordingly, client responses appear to be adjust their perceptions of fairness that are influenced by the perceived control of the actors, supporting the general interorganisational theory of justice outlined in chapter 2, and hypothesised in chapter 3. This contrasts markedly with the depth interviews, in which many clients argued that they took a purely commercial approach, with the general rhetoric that results were everything irrespective of market volatility. Such findings reveal a social responsibility that appears to be factored in to client responses.

Tolerance associated with processes, such as consistent work processes suggests that fairness may be predicated in procedural or informational justice. The importance of CWP, together with stability of account management, appear to support the rules of procedural justice outlined by Leventhal (1980), in which formal procedures should demonstrate consistency, bias suppression, and accuracy. According to Doney, Cannon and Mullen (1998: 616), a prediction process based

on consistency forms trust. Leventhal (op. cit.) also added ethicality to the list of rules. In a survey of ad agency executives by Hunt and Chonko (1987), the most frequently quoted ethical concern was in being treated fairly and equitably. It would seem that being straightforward with clients is the best policy, and this would seem to be associated with integrity, another predictor of tolerance.

Procedures and processes may be more important for long periods of CAR, in the absence of performance outcomes. This may be due to the way advertising works: gradually rather than immediately, so that clients face a potentially tenuous wait for results, relying much on trust and goodwill of their agencies. Therefore, advertising agencies should take steps to ensure their clients feel comfortable with their style of working on an ongoing basis. Perceptions of justice can be managed by ensuring procedures are in line with what their clients expect, that they are appropriately implemented, with clear explanations offered of any inconsistencies. The importance of service processes in tolerance appears to compliment prior research. Homburg and Garbe (1999) who found that process-related quality had a strong effect on trust and commitment for business-to-business services. Specifically, previous CAR research by Wackman et al. (1986/7) found that work patterns (similar to processes) grew in importance over time, with more negative than positive impact. These work patterns included co-ordination and communication. Similarly, Henke (1995) has argued that service factors assume greater prominence with greater tie-in age.

The importance of consistent work processes and need for less effort required by clients supports several interorganisational theories. From an agency theory perspective, CWP provides an efficient means of governing opportunism, by transparency of working, alerting the client to the detection of any moral hazard. Second, in terms of RD, since the agency is aware that CWP enables the client to detect opportunism, the agency should refrain from it, serving a means of maintaining important strategic resources for the client. Therefore, CWP serves to increase confidence in the expectations of future benevolence in exchange, in terms of delivering critical resources. Third, in terms of TCE, it can alleviate transaction costs, insofar as the consequences of inconsistency can lead too much unnecessary re-work and duplication of effort on behalf of client or agency, causing conflict and lack of interorganisational synergy. Consistency allows for predictability in task-related activities. Johnson and Laczniak (1990) have argued that the more structured the procedures, the less conflict in CAR.

9.4.6 Management implications

Due to the numbers of specialists involved in creating advertising campaigns, human errors in service encounters should be periodically expected. Agencies should take steps to avoid a fatalistic attitude toward this through training in best practice, using role-playing, exit interviewing, and imposing contingency planning. Auditing has been suggested as a means of forestalling switches (Michell and Sanders, 1995). Additionally, agencies should not overcommit themselves in pitching for new business at the expense of existing clients.

Since general experiences are stronger discriminators than specific experiences within relationships, with likeability failing to discriminate, this tends to cast doubt on the influence of personal relationships in contributing to tolerance. Additionally, clients in depth interviews claimed that the use of hospitality management was perceived as an unnecessary flourish. However, the depth interviews suggested personal relationships can be important. It is suggested that structural (economic) bonds should be cultivated before social bonds predicated on personal relationships. Although beliefs in LTR was a predictor of tolerance, this may be more instrumentally driven by commercial needs rather than an interest in cultivating personal relationships, or may relate to securing specific assets. The prevalence of performance-related variables as predictors of tolerance adds further support to a commercial motive.

Faced with an achievement-orientated client in a crowded, competitive market explains much of the frothiness and vulnerability of many CAR, as highlighted by the trade press. These overall implications differ from the views of Gassenheimer et al. (1998) that argued that social bonds were associated with tolerance. However, their methodology and treatment of tolerance was differently acquired that adds weight to using mixed methods and expanding research in this area.

Achievement appears to be manifested by as much by process as outcome. The results offer guidelines for managing the service encounter in CAR. The importance of process indicates the value in managing the functional quality of CAR. This requires that account staff that come into contact with clients are suitably accomplished in reassuring clients of their value. They should aim to keep in regular contact with clients, and to fully justify any changes likely to affect either their working relationship, operating procedures, or campaign performance. Since circumstances beyond the agency control are likely to be treated more tolerantly, agency account staff should identify when factors beyond their control are likely to impact on performance that the client may

be unaware of, such as market volatility or personnel changes on the account. A client may act intolerantly by default if an agency acts in an inconsistent way, despite possibly good intentions.

Personnel changes may be unavoidable, due to staff leaving the agency. If so, the client should be fully briefed in advance of any staff changes to their account, with assurances given of maintaining quality. The agency should retain an organisational memory that keeps historical records of changes made, and of meetings with client staff so that the new agency staff experience a smooth induction, and continuity (consistency) is maintained.

In terms of service failure reflected by several critical incidents, an agency scoring high on CWP indicates that procedures are in place for rectifying it, such as a set of consistent scripts that can be delivered by service providers.

9.4.7 Epistemological reflections

Like any study with a focus in mind, this study imposed restrictions on what and how data was collected. By removing these restrictions, this section reflects on additional ways of collecting data in relationships, including how critical incidents are identified, how tolerance might be treated from both a cultural and cost-benefit perspective, and by revisiting the conceptual model of tolerance (Figure 9.1).

Examining alternative ways of collecting data

To facilitate recall of critical incidents, campaigns were used as the analytical focus for mapping contact points in service encounters. Campaigns may not cover the entirety of a client-agency relationship. A focus on campaigns as the means of bringing critical incidents to the surface might encourage an emphasis on task-related issues, promoting performance factors and rather less on non-task issues. Despite this acknowledgement, after-sales service was used in the study as a means of collecting *some* incidents from outside the campaign per se.

Emotional issues in relationships may have a greater role outside the campaigns per se. This brings to mind alternative ways of coding the critical incidents-such as by rational criteria and emotional feelings. For example, core service failures, since they relate to technical quality, are synonymous with rational criteria. Gestalt perceptions and failed service encounters may be more

emotionally driven. An interesting research question is whether rational or emotionally charged incidents should be given equal or different weights.

The study was also restricted to examining the extreme negative and positive periods of relationships. There is perhaps a strong argument for examining tolerance from a purely phenomenological perspective to capture what happens in between these extremes-that can enrich our understanding in the finer distinctions in relationships. If tolerance is treated as culturally ingrained, what is acceptable from what is not may only be understood in terms of each unique relationship. If each relationship is unique in terms of socially constructed learning, extended case studies would be most appropriate for revealing how clients and agencies adopt their own rituals of behaviour, and learn to tolerate each other.

Examining alternative ways of interpreting data

Within the study of focus, it is acknowledged that there are additional ways of interpreting data. If tolerance is interpreted from a cost-benefit perspective, a significant adaptation is required to the analysis. The *costs* of miss-classifying clients as tolerant when they are intolerant may be more than vice-versa, and is not equal to the *percentage* of misclassifications from which screening was applied, leading to the conclusions that were drawn. Clients might also hold different risk profiles that also merit investigation.

Data analysis after the depth interviews was confined largely to manifest content of verbal responses. Establishing what respondents *said* was what they *meant* could have been made more convincing by tracking and analysing their non-verbal behaviour. Although outside the scope of the research, this would provide additional verification to the depth interviews. Analysis of non-verbal behaviour could be conducted professionally by researchers trained in neuro-linguistic programming, assisted by eye cameras for playback.

Revisiting the conceptual model

A precaution in examining tolerance from the client's perspective is that tolerance is treated as unidirectional. But client tolerance cannot be isolated from tolerance exhibited by the agency in the service encounter. Accordingly, there is a need to explore agency grievances about their clients. From an IMP perspective, Figure 9.1 should be reproduced to reflect agency perspectives of tolerance, indicated by the asterisk at the top of the figure.

Notice also the circular arrow (from tolerance to the independent variables) that acknowledges the dynamics of tolerance. This assumes that existing tolerance within a relationship is not just an end in itself, but can shape future decisions, such as future investments and beliefs. DA is used primarily to report main effects (Klecka, 1980), and was treated in this way in the study. However, there may be interaction effects between the variables (say, the moderating value of experience in tolerating under-performance, as inferred from the results of the main effects). Similar studies should report on possible interaction effects.

9.4.8 Further research directions

The findings of this exploratory study need to be consolidated by additional studies. Since undertaking the data collection (most of which was collected in 1997), the ad industry is facing a technological transition. The influence of new electronic media opportunities, together with continuing media fragmentation provides both threats and opportunities, such as the uncertainties in how to manage the new technology. Further studies should acknowledge this transition, replicating with different samples, and testing for reliability over different time periods and for generalisability based on comparative research. Expanded longitudinal analysis of events and outcomes would capture further insight at the micro level into tolerance within relationships. There is also a need to replicate such studies to other cultures to assess how well the model applies, since tolerance might be expected to be greater in high context societies.

Arising from this exploratory study, internal pressures relating to hypothesis 6 were not subsequently tested due to unreliability of findings. However, the depth interviews revealed that this could have a bearing on tolerance. Further studies should examine the personality of clients in more depth.

Additional characteristics of relationships could help explain tolerance. For example, networking / avoiding of conflicts of interest was not explicitly considered in detail. Although this should be pre-empted prior to agency selection, as recommended by trade reports of good practice (e.g., *The Guide*, IPA, 2002), circumstances can change.

With so many intervening activities in the ultimate delivery of advertising, it is likely that internal service quality might explain conflicts between different levels of customers (Auty and

Long, 1999). Since this may mitigate against achieving consistency in work processes, a focus on internal service quality should offer additional insight into relationship behaviour.

Finally, this study was limited to advertising agencies. It would be useful to extend this study to other types of suppliers of services, to those suppliers that hold similar characteristics to advertising in order to develop more general models that fit professional services marketing in the business-to-business sector.

9.5 Summary

Under discussion and limitations, alternative ways of conducting the research are acknowledged, including analysis of the client-agency dyad, how the grouping variables are derived, alternative ways of assessing the gravity of experiences (by individual or group incidents), and alternative statistical procedures. Despite these alternatives, the research protocol is largely supported.

In triangulation, a new agency supported how the findings were interpreted. The main conclusion to RQ1 was the prevalence of negative incidents reflecting primarily deficiencies in service quality, pointing to improvements required in account management. The conclusions to RQ2 were mixed, with several reasons offered as to why some dependent variables, or grouping variables are more closely associated with amounts of incidents than for others.

In bringing it altogether for discussing the variables associated with tolerance (RQ3), the conceptual model of tolerance was revisited. It was found that assurances are required by service providers, especially when agencies are perceived as having more control of events than their clients. This requires a well managed process for dealing with uncertainties to stamp out opportunism. Implications made for academicians are related to the theories of justice, agency theory, RD, and TCE. It is suggested that agencies demonstrate procedural fairness, applying consistency, stability, and transparency to their relationships. In the absence of unfavourable incidents arising, clients are likely to feel more comfortable with their agencies. When unfavourable incidents do occur, procedural fairness can help to counteract them. Management implications emphasise the importance of managing the process of service encounters in relationships. Epistemological reflections involved how the study might be extended to other parts of relationships including the role of emotions and culture, and how data might be collected, analysed and interpreted differently. Further research directions are discussed, explaining the

need to build on the research by broadening the study objectives and replicating with new samples.